

Currency Outlook

USDBDT Exchange Rate

Export proceed and commercial remittance encashment rate currently stands at USD/BDT 99.50, while the encashment rate for wage earner's remittance shall be reduced to 107.00 effective from 01 Nov 2022, as per recent directives regarding exchange rate. Importers will continue to buy the greenback based on the weighted average exchange rate plus Tk 1. The average rate will be decided based on the rates paid to exporters and exchange houses. Currently reserves stand at USD 35.853 bio, down from USD 46.492 bio just a year ago. In the government's efforts to ease the industrial energy crisis, USD 2 bio has to be set aside to import fuel. It is expected that this USD 2 bio fuel import will help to pay back in about \$4 billion in the form of export earnings. The government is also mulling over increasing furnace oil-based power generation amid a growing gas crisis.

Bangladesh Bank data shows the country's current account deficit shot up to \$18.7 billion in fiscal 2021-22 from \$4.57 billion in fiscal 2020-21 due to high import. It is expected that the country will continue to see high current account deficit in the coming years. It is expected that the economic impact of the war will continue this year. Our export will suffer due to the global recession. This abnormal situation is likely to prevail till fiscal 2024-25. If a big deficit in the balance of payments persists, the pressure on the foreign currency reserves would continue.

Outlook: Though Import payment is expected to reduce in coming months, due to fall in export & remittance flow and surging foreign loan repayment, BDT is expected to remain under pressure.

Global Currencies

EURUSD 1.01% weekly change ▲

EUR/USD continues to trade above 0.9950 as the dollar struggles to gather strength. The latest data from the US showed that core PCE inflation rose at a slightly softer pace than expected. Initial support at 0.9920 ahead of 0.9900. Resistance at 1.0000 if EUR/USD reclaims that level and confirms it as support, it could, once again, target 1.0050.

GBPUSD 2.74% weekly change ▲

GBP/USD has recovered above the 1.1600 as the dollar lost interest on the softer-than-expected Core PCE inflation. The improving market mood also helps the pair hold its ground. 1.1500 aligns as key support for GBP/USD in the near term. On the upside, 1.1650 forms next hurdle for the pair ahead of 1.1700.

AUDUSD 0.47% weekly change ▲

The aussie is attempting to bounce up from 0.6390 after a reversal from the 0.6520 high. The cautious market mood has weighed on the AUD. AUD/USD could extend losses toward the 2020 low at 0.5506.

USDJPY -0.13% weekly change ▼

USD/JPY's rally from 146.00 loses steam above the 147.50 area. US macroeconomic data has left the USD looking for direction. The greenback has lost bullish momentum, following the release of a set of first-tier US macroeconomic indicators. Beyond that, BoJ is not planning to raise interest rates or head for an exit from the current policy any time soon.

USDCNY 0.14% weekly change ▲

USD/CNY inches back into path of least resistance. Friday close above 7.2325 confirms bullish bias resumes and would encourage punters to challenge 15-yr high 7.3100. While UST yields have come off, risks for China are rising.

Money Market and Interest Rate

Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	3,916.80	-6.14%	5.79%	-0.016%
Repo	3,460.07	-34.69%	6.71%	0.10%
Term	42.50	71.83%	6.53%	-1.42%

Excess reserve (Excess CRR: un-invested cash) in banking system decreased to BDT 129.01 bio by end of Aug'22 from BDT 268 bio as of end of Jun'22. Total liquid asset (excess of min required asset) including excess investment in government treasury securities increased to BDT 2.4 trio at end of Aug'22 from BDT 2.38 trio as of Jun'22. **Auction:** Auctions for 91D and 364D (of BDT 15.00 bio & 5 bio respectively) were held last week. 15Y and 20Y auctions of BDT 5 bio each were also held, with BDT 4.1 bio devolved on BB.

Outlook: Market is expected remain moderately tight due to liquidity wipe out for USD sell by BB.

Interest Rate

Total revenue collection for first quarter was BDT 671.04 bio against the quarterly target of USD 711.78 bio which shows 7.75% or 40.74 bio short. Annual target is BDT 3.70 trio. Decreasing purchasing capacity of general people due to price hike of goods in the domestic market and lower import in September compared to August had negative impact on overall revenue collection. Country's foreign loan from different bilateral lender has declined 30.41% YOY and fallen to USD 1.35 bio worth of medium-to long-term (MLT) loans and grants in first quarter of FY 23. According to a recent IMF projection, current account deficit of Bangladesh will be 3.8% of GDP for FY 23 and this will continue till 2027. So, pressure on FX reserve will not abate very soon. Government has started discussion with IMF for USD 4.5 bio loan and according to several high officials of BB, they are thinking to lift existing lending cap and allow FX market to free-float exchange rate system. NSC sales has declined by 93.00% YOY in first two months of current fiscal and came down to BDT 4.01 bio from BDT 57.32 bio. Net sales of NSC for August was only BDT 0.08 bio. BB injected around USD 4.48 bio in current fiscal year to support the market which ultimately lead to around BDT 427.00 bio outflow from the inter-bank. Market is already running with liquidity crunch and this has led credit flow to private sector fell by 2.14% in September compared to previous month and reached down to 11.93%. This might give some ease to government for estimating credit conversion from future import payment.

Outlook: Market is expected to remain upward due to budget deficit and inflationary pressure.

Capital Market

- ACME Laboratories has declared higher dividends for its shareholders as the company made higher profits in 2021-22 financial year. board of directors of the company declared 30% cash dividend for its shareholders while it disbursed 25% cash dividend in the previous year.
- Defying a decline in subscriber base amidst regulatory issues and macroeconomic pressure, Grameenphone (GP) Ltd has secured revenue growth for the sixth consecutive quarter that alongside some other factors helped the company offset the rising costs in business and post a decent growth in profits too.

Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
03-Nov-21	7 days (BB Bill)	1.95%	1.95%
10-Nov-21	14 Days (BB Bill)	2.46%	2.45%
18-Nov-21	30 Days (BB Bill)	2.65%	2.44%
24-Oct-22	91 Days	6.04%	6.04%
17-Oct-22	182 Days	6.50%	6.50%
24-Oct-22	364 Days	6.83%	6.83%
06-Oct-22	2 Years	7.45%	7.52%
12-Oct-22	5 Years	7.74%	7.77%
19-Oct-22	10 Years	8.11%	8.10%
26-Oct-22	15 Years	8.51%	8.50%
26-Oct-22	20 Years	8.61%	8.55%

Capital Market

Index	Value
DSEX	6,334.03
FTSE 100	7,047.67
Nikkei 225	27,105.20
Dow Jones IA	32,861.80
S&P 500	3,901.06

USD LIBOR

Tenor	LIBOR
1M	3.76771
2M	N/A
3M	4.43957
6M	4.93086
1Y	5.36900

Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	95.77	2.43%
Gold (OZS)	1641.76	-0.90%
ICE-US Cotton (LBS)	72.11	-8.87%
Soybean (BSH)	1387.75	-0.56%
Wheat (BSH)	829.25	-2.53%
Sugar (LBS)	17.58	-4.35%
Palm Oil (Tonne)	810.00	-3.57%
Steel (Tonne)	710.00	-6.82%

USD SOFR

Tenor	SOFR
Overnight	3.04
1M	3.74401
3M	4.08839
6M	4.43438
1Y	4.65067
Source	Reuters CME Term SOFR

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	7.41%	23.2%	2.80%	9.10%
GDP Annual Growth Rate	13.50%	3.94%	3.9%	7.25 (P) %
Policy Repo Rate	5.90%	15.00%	3.65%	5.75%
Government Bond 10Y	7.416%	12.865%	2.683%	8.11%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	8.20%	10.1%	9.9%	3.00%
GDP Growth Rate	2.6%	0.20%	0.8%	0.9%
Unemployment Rate	3.50%	3.50%	6.60%	2.60%
Base Rate	3.25%	2.25%	2%	-0.10%
Government Bond 10Y	4.0100%	3.4960%	3.04%	0.2450%

*10-Year Eurozone Central Government Bond Par Yield Curve