

Currency Outlook

USDBDT Exchange Rate

The forex reserve stands at USD 33.93 bio which can clear import payments of four months. The current account deficit further widened to USD 4.5 bio YOY in July-Oct FY23 compared to USD 3.8 bio a year ago, owing to slower remittance growth and larger volume of imports.

China has become the largest FDI source country of Bangladesh in terms of the gross flow of \$940 mio for fiscal year 2022. It has also ranked top in foreign investors with 104 investors at EPZs, as per economic and commercial counsellor of Chinese Embassy.

RMG industry insiders are positive regarding the next few months' export orders as gas and electricity supply has greatly improved on the domestic front. Apparel exports to the USA already showcased strong performance, reaching USD 8.5 bn (record high) in the first 10 months of 2022. On the flip side, the US Department of Agriculture (USDA) has projected Bangladesh's cotton imports to drop to 8 mn bales (10% lower than the previous forecast), citing high international cotton prices and reduced domestic production due to fuel and power shortages. Imports rules are being relaxed ahead of Ramadan to help cool down domestic prices. According to a BB circular, until March 2023, imports of eight essential consumer commodities will be allowed on deferred payment, take short-term foreign loans.

Outlook: Though import payments are expected to reduce in coming months, due to fall in remittance flow and surging foreign loan repayment, BDT is expected to remain under pressure against USD.

Global Currencies

EURUSD 0.49% weekly change ↑

EUR/USD fluctuates around 1.0620s on softer US PMIs, and risk aversion. Eurozone data was better than estimated, though inflation remains high, while PMIs in contractionary territory. The EUR/USD is still upward biased, though it should be said that a close below 1.0592 could pave the way for further downside.

GBPUSD -0.94% weekly change ↓

GBP/USD oscillates in a narrow band near a one-week low. The dismal UK data, dovish BoE weigh on the Sterling Pound and acts as a headwind. A combination of factors underpins the USD, which also contributes to capping the pair.

AUDUSD -1.63% weekly change ↓

Risk aversion weighed on high-beta currencies like the Australian Dollar. Global central banks hiking rates and eyeing additional increases sounded recession alarms, dampening investors' mood. If the AUD/USD reclaims the 0.6700 mark, a test of 0.6831 is on the cards.

USDJPY 0.10% weekly change ↑

The USD/JPY failed to gain traction despite rising US Treasury yields. USD/JPY remains upward biased, though a pullback toward 136.00 is on the cards. Expectations that the Fed will slow the pace of its policy tightening cycle keeps the USD bulls on the defensive and caps the upside for the USD/JPY pair.

USDCNY 0.21% weekly change ↑

USD/CNY turns lower as China steps up COVID control measures. Inability to test 7.00 despite broadly stronger disappoints; high 6.9858. Rally capped as PBOC sets yuan midpoint at 6.9791 vs. 6.9844 expected. 6.9300-7.0000 consolidation likely to continue; downside momentum waning.

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Money Market and Interest Rate

Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	2521.04	-50.27%	5.81%	-0.004%
Repo	3200.41	-25.48%	7.44%	0.18%
Term	55.50	15.67%	8.71%	2.01%

Excess reserve (Excess CRR: un-invested cash) in banking system decreased to BDT 123.58 bio by end of Sep'22 from BDT 129.01 bio as of end of Aug'22. Total liquid asset (excess of min required asset) including excess investment in government treasury securities remained almost same to BDT 2.45 trio at end of Sep'22 from Aug'22. **Auction:** 91D and 182D were held today where the yields increased by 15 bps and 10 bps respectively. In addition, BDT 30.16 bio has been devolved on BB. **Outlook:** Market is expected to remain moderately tight due to uncertainty of BB repo.

Interest Rate

Data released by the Bangladesh Bank showed that total deposits of the scheduled banks increased 8% YOY to BDT 15,764bn during the July-September quarter of 2022, the lowest deposit growth in five years. Excess liquidity at Islamic banks in Bangladesh fell nearly 50% YOY to BDT 175.25bn in July-September quarter this year as deposits growth slowed, central bank data showed. Subsidies for fuel, fertilizer and food are expected to jump three times the amount originally allocated for the ongoing fiscal year. According to Finance ministry estimates, the amount required will stand at ~BDT1.6tn this year (24% of the national budget). According to Power Division sources, one of the coal-fired plants, the Adani Godda power plant, has a revised cost per unit of BDT15 (from BDT8.7). This represents a 2.5 times gap with the price at which BPDB sells power to distributors, which will have to be covered by subsidies and at the same time will also add pressure to hike power tariff.

Annual Development Programme (ADP) slowdown annoys the government and prompts it to direct top ministries to expedite project execution. During the July-October period of the current FY2023, the ministries and agencies implemented merely 12.64% of the BDT2.56-trillion compared to BDT2.25 trillion. Government's borrowing for deficit financing through National Savings Certificates dropped by 106.78% YOY, where there was net repayment of BDT 66.33 bio by Govt. In first four months of FY23, while borrowing from banking sector increased by 74% YOY to BDT310 bio compared to BDT 178 bio in first five months of FY23. Accordingly Treasury rates went up as liquidity shrank in the banking system and the Bangladesh Bank ramped up devolvement significantly.

Outlook: Interest rate is expected to remain upward due to the pressure on forex reserve and energy prices.

Capital Market

- Though floor price mechanism creates anomaly in market operation, BSEC decided to retain the mechanism in place to safeguard retail investor's interest
- To eliminate under-invoicing and over-invoicing, BSEC is working to introduce country's first commodity exchange which is expected to bring the international market within the reach of local business.

Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
19-Dec-22	91 Days	7.10%	6.95%
19-Dec-22	182 Days	7.50%	7.40%
12-Dec-22	364 Days	7.60%	7.09%
07-Dec-22	2 Years	7.57%	7.51%
14-Dec-22	5 Years	7.91%	7.85%
23-Nov-22	10 Years	8.26%	8.25%
30-Nov-22	15 Years	8.72%	8.51%
30-Nov-22	20 Years	8.93%	8.61%

USD SOFR

Tenor	SOFR	Commodity (unit)	Latest Price	Weekly Change
Overnight	4.32000	Brent Crude Oil (BBL)	79.04	3.86%
1M	4.32102	Gold (OZS)	1792.34	-0.21%
3M	4.50553	ICE-US Cotton (LBS)	81.92	1.20%
6M	4.71028	Soybean (BSH)	1480.00	-0.25%
1Y	4.81063	Wheat (BSH)	753.40	5.67%
Source	Refinitiv, CME Term SOFR	Sugar (LBS)	20.09	2.50%
		Palm Oil (Tonne)	874.00	-1.94%
		Steel (Tonne)	675.00	1.20%

USD LIBOR

Tenor	LIBOR	Capital Market Index	Value
1M	4.35286	DSEX	6,235.90
3M	4.74586	FTSE 100	7,332.12
6M	5.18686	Nikkei 225	27,527.12
1Y	5.47886	Dow Jones IA	32,920.46
Source	Refinitiv	S&P 500	3,852.36

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	5.88%	23.8%	1.60%	8.91%
GDP Annual Growth Rate	6.30%	3.94%	3.9%	7.25 (P) %
Policy Repo Rate	6.25%	16.00%	3.65%	5.75%
Government Bond 10Y	7.28%	13.63%	2.91%	8.26%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	7.10%	10.7%	10.1%	3.70%
GDP Growth Rate	2.9%	-0.20%	0.3%	-0.2%
Unemployment Rate	3.70%	3.70%	6.50%	2.60%
Base Rate	4.50%	3.50%	2.5%	-0.10%
Government Bond 10Y	3.49%	3.32%	2.72%	0.25%

*10-Year Eurozone Central Government Bond Par Yield Curve

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