

## Currency Outlook

### USDBDT Exchange Rate

Despite multiple initiatives by the central bank to prevent USD crisis in the market, the demand for USD funds has not abated. Restricting imports should not be deemed a one-step solution to resolve the crisis. Rather exports and remittances need to increase substantially to bring FX reserves up to comfortable levels again. Export earnings fell by 6.25% year-on-year in September after a strong comeback in August with a 14% growth due to the deepening Ukraine-Russia crisis, while the US Fed hiked the interest rate to tame inflation. The two markets, EU and US, either cut garment order or reduce taking the already-prepared products, resulting a 5.66% fall in Bangladesh's woven exports and 9% decline in knitwear shipments in September. Remittance earnings amounted to \$1.5 billion in Sep 22, the lowest in seven months, as most wage earners prompted to send money home through informal channels to avail beneficial conversion rates. Although manpower exports surged 84% year on year in the eight 8 months of 2022, remittances show a decline of 5% in the first 9 months of 2022. The trade deficit grew by 6.30% to \$4.28 billion in the first two months of the current fiscal year whereas it had grown by 35% in the first month of the year. However, economists have opined that Bangladesh is resilient in economic crisis. Due to geopolitical reasons, some export opportunities are coming to Bangladesh creating the scope for market diversification.

**Outlook:** In the global markets, if commodity prices continue downward movement and recession hits global economy, USD may depreciate gradually though not in immediate future.

### Global Currencies

#### EURUSD -0.60% weekly change ↓

The EUR/USD pair extended its rally throughout the first half of the week but failed miserably around parity and finished it at around 0.9750, posting a modest weekly loss. In case the pair stages a technical rebound but fails to reclaim 0.9720, additional losses toward 0.9650 and 0.9600 could be witnessed.

#### GBPUSD -0.68% weekly change ↓

GBP/USD faltered its recovery following UK PM Truss' speech, US dollar rebounded. The pair breached a key daily trend line and is poised for more pain ahead. On the downside, the pair faces key support at 1.1050 ahead of 1.1000 and 1.0900.

#### AUDUSD -0.50% weekly change ↓

AUD/USD is probing a multi-month channel limit, however, signals of rebound are still not visible. AUD/USD has breached below 0.6365, the lower limit of recent consolidation. Next supports are located at 0.6210 and 0.6100. Failure to reclaim 0.6365/0.6430 would mean persistence in decline.

#### USDJPY 0.40% weekly change ↑

USD/JPY remains mildly bid around fortnight high, up for the fourth consecutive day. The yen pair's bullish bias takes clues from the clear upside break of a descending trend line around 144.90. Following that, an ascending resistance line 146.90, will be in focus.

#### USDCNY -0.01% weekly change ↓

USD/CNY bobs up to 7.1265 from Mon low 7.1148; SSEC -1.7% as hopes for China relaxing virus curbs fade. Deeply negative sentiment toward China's economy persists. Douses hopes for further easing of economy-crippling curbs.

## Money Market and Interest Rate

### Money Market

| Item | Avg. Vol. (Cr.) | % Δ (Vol.) | WAR   | % Δ (WAR) |
|------|-----------------|------------|-------|-----------|
| Call | 5,929.46        | 12.04%     | 5.76% | 0.229%    |
| Repo | 729.59          | 78.54%     | 6.57% | 0.32%     |
| Term | 54.01           | -8.98%     | 6.75% | -0.88%    |

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:** BDT 30.00 bio (91D) and 15.00 bio (364D) auction held last week. 91D changed by 2 bps and 364D remained unchanged. Market took BDT 22.88 bio through both tenor and rest was devolved on BB.

**Outlook:** Money Market is expected to remain a bit soft compared to previous week due to the fund inflow from BB devolvement.

### Interest Rate

Point to point inflation in August rose to 12 year high of 9.5% by showing 202 bps change compare to previous month and 9.1% for September. However, official data on the two months are yet to be released. Major contribution for price hovering is the supply chain disruption, post covid demand hike and around 40%-50% hike in fuel price. Government took several strategic initiatives like subsidizing commodity prices for lower income people to minimize the burning.

BB raised repo rate by 25 bps, which might not help this inflation to come down as the rise will not trickle down to borrowing rate by economy in large scale as lending rate is capped at 9%. Sale of national savings certificate reached its lowest in recent months. In July-Aug FY23 net sales was only BDT 4bn, whereas it was 57.3bn during same time of FY22. So, government has to depend heavily on inter-bank borrowing for deficit financing. The persisting rising import coupled with lower lending rate capped at 9% is keeping the loan demand high, helping to reach private sector credit growth 14.07% in Aug 2022 YOY. So, overall stress will build pressure on interest rate and keep it in upward trajectory.

**Outlook:** Interest rate is expected to remain upward due to the inflationary pressure both in domestic and international market

### Capital Market

- To make general accustomed with dealing with trading treasury bills and bonds trading of government securities is going to start will begin on trial basis on DSE and CSE trading platforms.
- According to a recently released circular, the Bangladesh Bank now requires NBFIs to seek prior permission from the central bank to lend money to their subsidiaries or associates and waive loans or interest.
- BSEC has rejected Baraka Power Limited's application aimed at issuing a BDT1.5 Bn fully redeemable non-convertible zero-coupon bond
- BB governor commented that the central bank is trying to help strengthen the country's securities market as it should be a major source of long-term funding for entrepreneurs and thereby assist in reducing non-performing loans in the banking sector

## 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%          |
| 10-Oct-22         | 91 Days           | 6.06%        | 6.04%          |
| 03-Oct-22         | 182 Days          | 6.50%        | 6.48%          |
| 10-Oct-22         | 364 Days          | 6.83%        | 6.83%          |
| 06-Oct-22         | 2 Years           | 7.45%        | 7.52%          |
| 14-Sep-22         | 5 Years           | 7.77%        | 7.81%          |
| 21-Sep-22         | 10 Years          | 8.10%        | 8.19%          |
| 28-Sep-22         | 15 Years          | 8.50%        | 8.56%          |
| 28-Sep-22         | 20 Years          | 8.55%        | 8.65%          |

### Capital Market

| Index        | Value     | USD LIBOR |         |
|--------------|-----------|-----------|---------|
|              |           | Tenor     | LIBOR   |
| DSEX         | 6,449.63  | 1M        | 3.31357 |
| FTSE 100     | 6,978.87  | 2M        | N/A     |
| Nikkei 225   | 27,116.11 | 3M        | 3.90871 |
| Dow Jones IA | 29,296.79 | 6M        | 4.38471 |
| S&P 500      | 3,639.66  | 1Y        | 4.99629 |

### Commodities

| Commodity (unit)      | Latest Price | Weekly Change | USD SOFR  |                             |
|-----------------------|--------------|---------------|-----------|-----------------------------|
|                       |              |               | Tenor     | SOFR                        |
| Brent Crude Oil (BBL) | 97.92        | 11.32%        | Overnight | 3.05                        |
| Gold (OZS)            | 1,694.52     | 2.09%         | 1M        | 3.27413                     |
| ICE-US Cotton (LBS)   | 92.23        | -1.06%        | 3M        | 3.73895                     |
| Soybean (BSH)         | 1,367.00     | 0.16%         | 6M        | 4.09752                     |
| Wheat (BSH)           | 880.25       | -4.48%        | 1Y        | 4.33220                     |
| Sugar (LBS)           | 18.68        | 1.41%         | Source    | Reuters<br>CME Term<br>SOFR |
| Palm Oil (Tonne)      | 780.75       | 8.74%         |           |                             |
| Steel (Tonne)         | 748.00       | -3.61%        |           |                             |

### Released Economic Data (South Asia & China)

| Indicator              | India  | Pakistan | China | Bangladesh |
|------------------------|--------|----------|-------|------------|
| CPI (YoY)              | 7.00%  | 23.2%    | 2.50% | 7.48%      |
| GDP Annual Growth Rate | 13.50% | 3.94%    | 0.40% | 7.25 (P) % |
| Policy Repo Rate       | 5.90%  | 15.00%   | 3.65% | 5.75%      |
| Government Bond 10Y    | 7.479% | 12.791%  | 2.75% | 8.10%      |

### Released Economic Data (G8 Countries)

| Indicator           | USA     | UK     | Eurozone | Japan  |
|---------------------|---------|--------|----------|--------|
| CPI (YoY)           | 8.30%   | 9.90%  | 10.00%   | 3.00%  |
| GDP Growth Rate     | -0.6%   | 0.2%   | 0.8%     | 0.9%   |
| Unemployment Rate   | 3.50%   | 3.60%  | 6.60%    | 2.50%  |
| Base Rate           | 3.25%   | 2.25%  | 1.25%    | -0.10% |
| Government Bond 10Y | 3.8875% | 4.329% | 2.85%    | 0.249% |

\*10-Year Eurozone Central Government Bond Par Yield Curve