

Currency Outlook

USDBDT Exchange Rate

FX reserves currently stand at USD 36.85 bio, reduced greatly due to BB's continuous sale of USD to government banks mainly to meet import payments of essential items. Due to lower fuel and capital equipment procurement Bangladesh's import bills fell to \$5.38 billion in August 22 from \$6.79 billion July 22. LC opening for fuel oil and machinery import fell substantially by 60% and 32% respectively. Although austerity is required, caution needs to be exercised so that industrial production does not suffer any fuel shortage. Bangladesh received remittances of \$2.09 billion in July and \$2.03 billion in August. Inward remittance worth over \$1.0 billion came through in the first 15 days of September, amid the forex crisis in the country. The remittance inflow is expected to cross \$2.0 billion in September. Alongside push from depreciation of BDT, the government is also extending remittance incentives as well as providing policy support. It is expected that remittances shall grow more as manpower export hit a new high in the past fiscal on a post-pandemic rebound of the overseas job market. On the export front, the country registered more than 12% YOY negative growth in the first 18 days of September, though export registered a overwhelming 25.31% growth YOY in July-August 2023. The fall is attributed to fall in export receipts down to record inflation in the sector's major destinations fuelled by the ongoing Russia-Ukraine war.

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 -3.25% weekly change ↓

EUR/USD likely to continue moving lower, targeting 0.95. EUR/USD came under bearish pressure and dropped below 0.9700. Better than expected Manufacturing and Services PMI figures from the US provided a boost to the dollar, further weighing on the pair. The pair could make a technical correction to 0.9800 before the next leg lower.

GBPUSD -4.82% weekly change ↓

GBP/USD renews multi-decade below 1.0900. The PMI data from the US showed that the private sector activity recovered in September, fueling another leg higher in DXY. On the upside, 1.1000 aligns as initial resistance ahead of 1.1150. Supports are located at 1.0800 and 1.0700.

AUDUSD -2.84% weekly change ↓

AUD/USD descends to its lowest level since May 2020 amid blowout USD rally to 20-year top. From a technical point of view, the AUD/USD pair is on the brink of breaking lower. Technical indicators offer firmly bearish slopes within negative levels, reflecting strong selling interest.

USDJPY 0.31% weekly change ↑

USD/JPY struggles to gain any traction and remains confined in a range. Government intervention in the FX market underpins the JPY and caps the upside. Rising US bond yields, the Fed-BoJ policy divergence continues to extend support. The pair is currently placed in neutral territory, around the 143.50 region and is influenced by a combination of diverging forces.

USDCNY 2.15% weekly change ↑

USD/CNY trudges higher to 7.1300, etching new 27-month high and further rise still possible as risk-off persists. US-China bond yield gap widens to more than 100 bps. Negative returns, depreciating yuan may spur outflows.

Money Market and Interest Rate

Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	3,662.64	-26.27%	5.53%	-0.01%
Repo	2,454.04	-13.68%	6.49%	0.24%
Term	99.92	9.61%	7.73%	-0.04%

Excess reserve (Excess CRR: un-invested cash) in banking system increased to BDT 268 bio by end of Jun'22 from BDT 220 bio as of end of May'22. Total liquid asset (excess of min required asset) including excess investment in government treasury securities increased to BDT 2.03 trillion at end of Jun'22 from BDT 1.89 trillion as of May'22.

Auction: BDT 35.00 bio (91D) and 15.00 bio (182D) auction held yesterday. Both 91D and 364D yield maintained previous level. Market took full volume from 91D and only BDT 4.70 bio from 364D auction, rest was devolved on BB.

Outlook: Money Market is expected to remain moderately tight for uncertainty of repo support from Bangladesh Bank.

Interest Rate

Banking sector is currently struggling with slow deposit growth against higher lending growth and BDT depreciation against greenback. During July to September 21, the BB sold \$2.97 billion to banks to address dollar shortage, which on the other hand mopped up BDT 281.56 billion from the banking system. Hence, central bank is trying to balance market liquidity by injecting fund through Treasury securities devolvement what is being taken out through USD sell. Again this is putting pressure on inflation which is ultimately tapering purchasing power of general people. However, greenback appreciation has favored us to collect higher VAT which ultimately increased revenue collection by NBR. NBR has collected Tk 40,270 crore from income tax, value added tax (VAT) and customs duty in the first two months of fiscal 2022-23, scoring 14.49% growth in YOY. ADP implementation in first two months of current fiscal year has been recorded as 3.85% of the target. Government has already categorized several projects into A, B and C category based on their importance.

Outlook: Interest rate is expected to remain upward due to inflationary and credit growth pressure

Capital Market

- Banks' lending to the stock market increased substantially in the April-June quarter of this year amid rising private sector credit growth. Banks' lending to the stock market increased substantially in the April-June quarter of this year amid rising private sector credit growth.
- BSEC has allowed Midland Bank Ltd to raise BDT 700 Mn from the capital market with an IPO. The bank will issue 70 Mn shares at a face value of BDT 10 each.
- Board of Directors of IDLC Finance Ltd has approved the issuance of a BDT 5 Bn zero-coupon bond for a tenure of two years. The nature of the bond is unsecured and non-convertible.

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%
26-Sep-22	91 Days	6.04%	6.04%
19-Sep-22	182 Days	6.48%	6.60%
26-Sep-22	364 Days	6.83%	6.83%
07-Sep-22	2 Years	7.52%	7.52%
14-Sep-22	5 Years	7.77%	7.81%
21-Sep-22	10 Years	8.10%	8.19%
24-Aug-22	15 Years	8.56%	8.55%
24-Aug-22	20 Years	8.65%	8.65%

Capital Market

Index	Value
DSEX	6,515.16
FTSE 100	7,018.60
Nikkei 225	27,153.83
Dow Jones IA	29,590.41
S&P 500	3,693.23

USD LIBOR

Tenor	LIBOR
1M	3.08029
2M	N/A
3M	3.62843
6M	4.20129
1Y	4.83486

Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	86.15	-5.69%
Gold (OZS)	1,645.09	-1.78%
ICE-US Cotton (LBS)	94.49	-6.67%
Soybean (BSH)	1,425.75	-1.57%
Wheat (BSH)	880.50	2.41%
Sugar (LBS)	18.28	2.24%
Palm Oil (Tonne)	803.00	-0.50%
Steel (Tonne)	802.00	1.65%

USD SOFR

Tenor	SOFR
Overnight	2.99000
1M	3.03184
3M	3.51903
6M	3.96693
1Y	4.32954
Source	Reuters CME Term SOFR

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	7.00%	27.26%	2.50%	7.48%
GDP Annual Growth Rate	13.50%	3.94%	0.40%	7.25 (P) %
Policy Repo Rate	5.40%	15.00%	3.65%	5.50%
Government Bond 10Y	7.39%	12.84%	2.69%	8.10%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	8.30%	9.90%	9.10%	3.00%
GDP Growth Rate	-0.6%	-0.1%	0.8%	0.9%
Unemployment Rate	3.70%	3.60%	6.60%	2.60%
Base Rate	3.25%	2.25%	1.25%	-0.10%
Government Bond 10Y	3.69%	3.83%	2.66%	0.24%

*10-Year Eurozone Central Government Bond Par Yield Curve