

Currency Outlook

USDBDT Exchange Rate

The net international reserve stood at \$17.20 billion at the end of the year, which is short of the target of \$17.78 billion by \$580 million. The country's power and energy sectors have been hit by a severe cash crunch, especially the US dollars with cumulative outstanding bills jumped to about \$5 billion, of which the backlog amount in the power sector is \$4 billion (BDT 43,093 crore) and the remaining \$1.0 billion is in the energy sector. Bangladesh's foreign debts have increased nearly 3.5 times in last one decade to US\$97.01 billion, a World Bank report says. The country's overseas short- and long-term credits within a year grew by \$5.534 billion or 6.05% from a total stock \$91.477 billion in 2021.

Expatriate Bangladeshis sent \$1.98 billion in December 2023, highest in a single month in the last six months of FY24. Earnings from merchandise shipment declined by 1.06% YOY to \$5.3 billion in December 2023. December's export figure was also 5.57% lower than the monthly target of \$5.62 billion, according to the EPB. But interestingly luxury-car imports tripled year on year in 2023 by official count, notwithstanding foreign-exchange crunch facing Bangladesh and resultant curbs imposed on import of non-essential items to navigate financial crisis. On the flip side The import of 30 goods, which are in high demand in industry, farming and households, through Custom House, Chattogram has dropped in volume by 26% in the first five months of FY24 compared to the same period of last year.

Outlook: Through country's current account became surplus, BDT may depreciate further against USD due to the pressure in the financial account.

Global Currencies

EURUSD 0.24% weekly change ▲

EUR/USD maintains the bearish outlook above the key EMA; RSI indicator stands in bearish territory below the 50 midline. The key support level to watch is seen at 1.1000; 1.1080 acts as an immediate resistance level for the major pair.

GBPUSD 0.23% weekly change ▲

GBP/USD seems to hold its position above 1.2730 on the hawkish stance of BoE. A breach below 1.2700 could push the pair toward the 23.6% Fibonacci retracement at 1.2643. The technical indicators for the GBP/USD pair are signaling a bearish momentum.

AUDUSD 0.16% weekly change ▲

Australian Dollar edges higher despite the US Dollar gaining ground. Australian currency declined by 0.06% against the Greenback in 2023. China's Caixin Manufacturing PMI improved to 50.8 in December from 50.7 prior. Recent US data led the market bias toward the Fed's dovish stance in early 2024.

USDJPY -0.95% weekly change ▼

The Japanese Yen weakens a bit against the USD on Tuesday, albeit lacks follow-through. Bets that the BoJ will exit the negative interest rates regime should help limit further losses. Dovish Fed expectations cap the USD recovery and should act as a headwind for USD/JPY.

USDCNY -0.47% weekly change ▼

USD/CNY bobs up to 7.0980 from Friday low of 7.0860. Attempts to reclaim 38.2% Fibon support at 7.0983. If that resistance holds, short-term bearish bias affirmed. China's official Dec PMIs due Sunday may stir yuan again.

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Money Market and Interest Rate

Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	3105.03	6.73%	9.16%	0.08%
Repo	1338.29	3.33%	8.09%	-0.06%
Term	132.20	32.41%	9.88%	-0.62%

Excess reserve (Excess CRR: un-invested cash) in banking system decreased to BDT 59.91 bio by end of Sep'23 from BDT 78.21 bio as of end of Aug'23. Total liquid asset (excess of min required asset) including excess investment in government treasury securities decreased to BDT 4.28 bio at then end of Sep'23 from 4.37 bio at end of Aug'23.

Interest Rate

The Bangladesh Bank will announce the new monetary policy statement for the second half (January-June) of FY24 on January 15. The policy will prioritize controlling inflation and thus will be more contractionary.

Jul-Nov FY24 ADP implementation rate stood at a seven-year low of ~17%. Hence, The government saw a budget surplus of BDT 118.7bn (USD 1.1bn) in Q1FY24 as its spending was lower than its revenue collection. In the same period of last fiscal year, the government saw a budget deficit of BDT 17.8bn (USD 161.4mn). Credit growth to the private sector slowed to 9.9 % in November as appetite for loans from businesses waned amid rising interest rate, sustained high inflation, and banks' focus on attracting more deposits during the final months of the year. In October, credit flow to private business grew 10.09%, the highest in the current fiscal year 2023-24, data from the Bangladesh Bank. Revenue collection in the first five months of FY23 stood at BDT1.32tn, 14% higher YoY despite falling short of target (deficit of BDT160bn). In the same period of FY23, BDT1.16tn in revenue was collected with a 13.25% growth.

The government owes private power producers a total of BDT 250bn in unpaid bills with some companies having unsettled payments for more than nine months. The government has initiated the issuance of special bonds of about BDT260 billion to settle bank liabilities accrued by independent power producers (IPPs) and fertilizer importers stemming from outstanding subsidies.

Outlook: Interest rate is expected to remain upward due to ongoing uptrend treasury yield curve for government's heavy reliance on bank borrowing and inflationary pressure.

Capital Market

- Floor price, interest rates, and the macroeconomic challenges are deemed to be the key determinants affecting the stock market this year. The equity market will face some fresh challenges as interest rates are expected to rise and investors and savers are returning to banks for better rates.

- Bangladesh Securities and Exchange Commission (BSEC) has exempted Berger Paints Bangladesh from issuing rights shares to its sponsors, directors and investors holding 5% and above shares of the company. So, it has no barrier to issuing rights shares only for the general shareholders to increase public shareholding by 5% to maintain minimum 10% regulatory requirements.

Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
26-Dec-23	91 Days	11.10%	11.10%
26-Dec-23	182 Days	11.20%	11.20%
26-Dec-23	364 Days	11.50%	11.40%
02-Jan-24	2 Years	11.60%	10.26%
13-Dec-23	5 Years	10.35%	10.99%
20-Dec-23	10 Years	10.82%	11.02%
27-Dec-23	15 Years	11.13%	11.21%
27-Dec-23	20 Years	11.22%	11.26%

SMART **

Month	SMART
Jul-23	7.10%
Aug-23	7.14%
Sep-23	7.20%
Oct-23	7.43%
Nov-23	7.72%
Dec-23	8.14%

Capital Market

Index	Value
DSEX	6,246.50
FTSE 100	7,733.24
Nikkei 225	33,464.17
Dow Jones IA	37,689.54
S&P 500	4,769.83

USD SOFR

Tenor	SOFR
Overnight	5.38000
1M	5.34844
3M	5.32733
6M	5.15311
1Y	4.77007
Source	Refinitiv, CME Term SOFR

Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	77.04	-2.57%
Gold (OZS)	2,062.59	0.47%
ICE-US Cotton (LBS)	81.00	1.55%
Soybean (BSH)	1,294.00	-0.48%
Wheat (BSH)	628.00	1.95%
Sugar (LBS)	20.67	0.24%
Palm Oil (Tonne)	795.65	-1.47%
Steel (Tonne)	1,135.00	5.68%

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	5.55%	29.70%	-0.50%	9.49%
GDP Annual Growth Rate	7.6%	5.97%	4.90%	6.03%
Policy Repo Rate	6.50%	22.00%	3.45%	7.75%
Government Bond 10Y	7.20%	15.09%	2.58%	10.82%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	3.10%	3.90%	2.40%	2.80%
GDP Growth Rate	4.90%	-0.10%	-0.10%	-0.70%
Unemployment Rate	3.70%	4.20%	6.50%	2.50%
Base Rate	5.50%	5.25%	4.50%	-0.10%
Government Bond 10Y	3.94%	3.63%	2.69%*	0.62%

*10-Year Eurozone Central Government Bond Par Yield Curve

** SMART is Six-Month Moving Average Rate of Treasury Bill

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