

## Currency Outlook

### USDBDT Exchange Rate

Bangladesh's foreign exchange reserves fell to \$20.18 billion as on 10Jan24 after the central bank settled import bills of two months through ACU. The settlements of LCs in Dec23 hit a 37-month low to \$4.53 billion due to decrease in imports. The LC opening in Dec23 dipped to a six-month low of \$4.90 billion, a 7% decline from Nov figures. In June, the LC opening figure was \$4.87 billion. As per BB, the total inflow of exports and remittances was \$4 billion higher than import expenditure during the Jul-Nov period of the current fiscal year when this inflow amount was short of \$3 billion in the same period of the last fiscal year. Accordingly, the current account balance turned to a \$579 million surplus in Jul-Nov of the current fiscal year, which was in deficit of \$5.6 billion in the same period of the last year. In Dec 2023, Bangladesh's merchandise export earnings reached nearly \$5.31 billion on the festival sales boost in the West, marking the monthly highest for the entire year (EPB). Bangladesh Bank data show a 17% YOY surge in inward remittances to \$1.99 billion in December, the highest in the last six months. On the flipside, Unused foreign loans in the government's pipeline surged to \$48.44 billion in November from \$44.7 billion in June, highlighting the country's inability to use up cheaper funds available for projects. The country's financial account deficit soared to \$5.4bn in Jul-Nov FY24, against a surplus of \$1.3bn in the same period of FY23, as international currency outflows continued unabated amidst the drastic fall in trade credits and short-term loans.

**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 0.07% weekly change ▲

Financial markets lift bets of a Federal Reserve rate cut in March despite US CPI data. European Central Bank has no extra room for rate hikes, unconfirmed pivot here. EUR/USD is losing its bullish potential, but a stronger slide is not yet clear.

#### GBPUSD 0.28% weekly change ▲

GBP/USD hit fresh two-week highs, booking the first weekly gain of 2024. The focus shifts to top-tier UK employment and inflation data in the week ahead. Pound Sterling buyers are likely to face stiff resistance near 1.2900.

#### AUDUSD -0.42% weekly change ▼

AUD/USD's modest increase driven by market reactions to US-UK military actions in Yemen and mixed US inflation reports. Market overlooks China's deflationary data, focusing instead on interest rate differentials and economic implications for Australia. Resilient Aussie inflation data suggests potential stability in RBA's monetary policy, influencing AUD/USD dynamics.

#### USDJPY 0.17% weekly change ▲

The Japanese Yen is seen extending the overnight recovery against the USD from a one-month low. Expectations that the BoJ will stick to its ultra-dovish policy stance should cap the upside for the JPY. Reduced bets for a more aggressive Fed easing could lend support to the buck and the USD/JPY pair.

#### USDCNY 0.40% weekly change ▲

USD/CNY recovers from early drop to 7.1583, last 7.1638. China's December inflation and trade data were mixed. Potential for monetary policy has not faded. Medium-term lending facility rate to be set on Monday expecting a small cut, more liquidity injection.

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## Money Market and Interest Rate

### Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	4864.58	40.48%	9.30%	0.07%
Repo	1338.29	3.33%	8.09%	-0.06%
Term	49.00	-42.68%	10.69%	0.30%

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 trio at then end of Sep'23 from 4.37 trio at end of Aug'23.

### Interest Rate

Bangladesh's economic growth may slow to 5.6% in the current fiscal and 5.8% in the next fiscal, as per the World Bank (WB), as inflation is likely to remain elevated.

The overall rate of headline inflation stood at 9.41% in December in a slight 8bps decline from November. In the first six months of FY24, the government borrowed Tk279.52bn from the commercial banks and repaid the Bangladesh Bank Tk357.89bn. Though the government's net borrowing from the banking sector was Tk78.46bn negative as of 27 December from 1 July of 2023, the commercial banks caught into liquidity pressure due to such repayment to the Bangladesh Bank through borrowing from the commercial banks by the government. The net sales of national savings certificates plummeted to a negative Tk 38.58bn in the July-November FY24, which was negative Tk16bn in same period of FY23. The government is likely to slash its project aid by 15% in the upcoming revised annual development program, one of the biggest cuts in recent years, for trimming down spending in the wake of economic slowdown. The NBR's Large Taxpayers Unit (LTU-VAT) collected around BDT260bn in the first five months of FY24, an increase of approx. BDT5,000 crore; a 21% YOY rise; two sectors – gas and tobacco – contributed BDT30bn.

A latest report of the Finance Division shows as of the end of September 2023, the money multiplier stood at a record-high level of 5.45, as compared to 5.07 at the end of June. **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

- After a dismal performance in 2023, the primary market may get a boost this year as two companies – Best Holdings and NRB Bank. Best Holdings will raise Tk 3.50 billion under the book-building method while NRB Bank will raise Tk 1 billion under the fixed price method. In 2023, fund raising from the primary market through IPOs fell sharply to Tk 2.68 billion, the lowest in six years.
- Stock brokers are of the opinion that price floors are an impediment to the normal functioning of the capital market. Certain stock brokers had drawn the regulator's attention to the issues, such as liquidity shortage, which emerged in the absence of price discovery of the listed securities. The BSEC imposed the floor price in July 2022 to arrest free fall of the market amid macroeconomic worries intensified by the post-Covid impacts and the Ukraine-Russia war.

## Market Synopsis

### Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
15-Jan-24	91 Days	11.25%	11.15%
15-Jan-24	182 Days	11.40%	11.20%
15-Jan-24	364 Days	11.60%	11.50%
03-Jan-24	2 Years	11.60%	11.60%
10-Jan-24	5 Years	11.72%	10.35%
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	6,301.70
FTSE 100	7,624.93
Nikkei 225	35,577.11
Dow Jones IA	37,592.98
S&P 500	4,783.83

### USD SOFR

Tenor	SOFR
Overnight	5.31000
1M	5.33798
3M	5.31653
6M	5.15347
1Y	4.78978
Source	Refinitiv, CME Term SOFR

### Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	78.29	-0.06%
Gold (OZS)	2,048.72	0.16%
ICE-US Cotton (LBS)	81.31	1.40%
Soybean (BSH)	1,205.75	-3.52%
Wheat (BSH)	596.00	-3.25%
Sugar (LBS)	21.61	2.37%
Palm Oil (Tonne)	829.71	4.76%
Steel (Tonne)	1,076.00	-1.28%

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

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	5.69%	29.66%	-0.50%	9.41%
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	7.18%	14.93%	2.52%	10.82%

### Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	3.40%	3.90%	2.90%	2.80%
GDP Growth Rate	4.90%	-0.10%	-0.10%	-0.70%
Unemployment Rate	3.70%	4.20%	6.40%	2.50%
Base Rate	5.50%	5.25%	4.50%	-0.10%
Government Bond 10Y	3.94%	3.80%	2.90%*	0.59%

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

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

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