

## Currency Outlook

### USDBDT Exchange Rate

Bangladesh has achieved significant improvement in macro performance, observed the International Monetary Fund (IMF). However, they have suggested greater flexibility in FX by allowing greater flexibility in exchange rate to address issues in its external account, particularly the deficit in the financial account. It is expected that with exchange rate reforms and improvements in fiscal policy, Bangladesh should see a more sustained recovery from the crisis that every country in the region has faced due to multiple shocks. However, on the foreign direct investment side, In 2023, the inflow of net foreign direct investment (FDI) declined by 16% year-on-year due to various factors, such as investment uncertainties during an election year and a volatile foreign exchange situation. According to central bank data, the textile and apparel sector attracted the largest investment of \$591 million in 2023. Additionally, significant investments were made in sectors such as banking, power, gas, petroleum, and food. Exports plummeted to \$3.92 billion in April, more than a billion dollars less from March earnings and even lower from the amount fetched in the same month last year, the Export Promotion Bureau data shows. Export sector leaders said their sales growth slowed in two major markets, the European Union and the USA. Shrinking export prices and energy shortages causing shipment delays are also among the reasons for steep fall in export earnings.

**Outlook:** Country's current account became surplus and forex reserve posted green after many days. Though there is still some pressure on the financial account, if current account continues to build up, exchange rate may find stability and may not depreciate further.

## Global Currencies

### EURUSD 0.62% weekly change ↓

EUR/USD continues to fluctuate in a tight channel at around 1.0750. Disappointing Factory Orders data from Germany limits the Euro's gains as investors keep a close eye on comments from central bankers. On the downside, 1.0750 aligns as key support before 1.0720 and 1.0700.

### GBPUSD 0.44% weekly change ↓

GBP/USD stays under modest bearish pressure and trades below 1.2550. The cautious market stance helps the USD hold its ground and doesn't allow the pair to regain its traction. The Bank of England will announce policy decisions on Thursday.

### AUDUSD 1.15% weekly change ↓

AUD/USD stays under bearish pressure and trades deep in negative territory slightly below 0.6600. The RBA left the policy settings unchanged as expected but Governor Bullock said that there was no necessity to further tighten the policy.

### USDJPY -3.38% weekly change ↓

USD/JPY gained ground due to an upward correction in the Greenback. The US Dollar could face challenges due to rekindled hopes for rate cuts by the Fed in 2024. The safe-haven Japanese Yen depreciates amid the prevailing risk appetite.

### USDCNY -0.09% weekly change ↓

USD/CNY bounces second day to test 200 DMA 7.2192. SSEC -0.1% after Monday's relatively small catch-up rally. China's trade data on Thursday may show sharp improvement. Exports forecast +1.0% from -7.5%, imports exp 5.4% vs -1.9%.

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## Money Market and Interest Rate

### Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	3620.84	6.26%	8.78%	-0.11%
Repo	2020.10	-10.68%	8.17%	0.04%
Term	24.9	-59.94%	11.78%	1.10%

Excess reserve (Excess CRR: un-invested cash) in banking system decreased to BDT 51.56 bio by end of Jan'24 from BDT 199.66 bio as of end of Dec'23. Total liquid asset (excess of min required asset) including excess investment in government treasury securities decreased to BDT 4.24 trio at then end of Jan'24 from 4.33 trio at end of Dec'23.

### Interest Rate

Bangladesh's budget deficit keeps widening with the current fiscal's seven-month shortfall having ballooned to nearly BDT 230 billion, as government spending far outstrips revenue receipt. The deficit was recorded BDT 83.38 billion during July-December of FY24. Development expenditure surged by nearly 30% to BDT 558.33 billion while non-development by more than 13% to BDT 1.92 trillion, according to the government account. The government spent BDT 2,465.83bn in July-January of 2023-24 out of the total budget of BDT 7,617.85bn for the entire fiscal year. The outlay under interest payments and subsidies was BDT 882.26bn, which was 36% (1/3<sup>rd</sup>) of the allocation.

The government is planning a contractionary budget for the next fiscal year, giving top priority to taming inflation and employment generation. The high reliance on Bank borrowings would remain in the new budget for FY25 amid a decade high inflation. Private sector credit growth surged to 10.49% in March, 53 bps increase from last month, marking its highest level in the last nine months and exceeding the central bank's target for the month. The central bank aimed for a 10% credit growth for the January-June period of FY24. While the first two months failed to meet the target, credit growth exceeded it in March. Bangladesh Bank will soon adopt a market-based interest rate scraping the SMART benchmarking system and apply a crawling peg system to fix the foreign exchange rate, as per IMF suggestions.

**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

- Shibli Rubayat Ul Islam, chairman of the Bangladesh Securities and Exchange Commission (BSEC), has reassured investors that their profits or capital gains will remain untaxed. It was also mentioned that Implementing the IMF's recommendation for imposing a tax on capital gains from listed securities for individual investors, among other suggestions, would not be feasible in the current context of Bangladesh. The BSEC chairman also told journalists that the commission would move away from the practices of taking care of market indices or initial public offerings. Instead, stock exchanges would have to increase their efforts for better outcomes.
- BSEC will inspect the overall business status of seven companies which did not submit their financial statements for the last few years. It has formed seven separate committees to inspect the current operational status of those firms.

## Market Synopsis

### Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
05-May-24	91 Days	11.35%	11.35%
05-May-24	182 Days	11.40%	11.40%
05-May-24	364 Days	11.50%	11.50%
03-Apr-24	2 Years	12.05%	12.00%
15-Apr-24	5 Years	12.10%	12.05%
17-Apr-24	10 Years	12.15%	12.10%
24-Apr-24	15 Years	12.20%	12.15%
24-Apr-24	20 Years	12.27%	12.28%

### SMART \*\*

Month	SMART
Oct-23	7.43%
Nov-23	7.72%
Dec-23	8.14%
Jan-24	8.68%
Feb-24	9.61%
Mar-24	10.55%

### Capital Market

Index	Value
DSEX	5,727.02
FTSE 100	8,213.49
Nikkei 225	38,236.07
Dow Jones IA	38,675.68
S&P 500	5,127.79

### USD SOFR

Tenor	SOFR
Overnight	5.31000
1M	5.32241
3M	5.32755
6M	5.30693
1Y	5.20872
Source	Refinitiv, CME Term SOFR

### Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	82.96	-7.31%
Gold (OZS)	2,301.56	-1.55%
ICE-US Cotton (LBS)	77.36	-2.57%
Soybean (BSH)	1,201.75	3.64%
Wheat (BSH)	606.00	0.46%
Sugar (LBS)	19.28	-6.62%
Palm Oil (Tonne)	811.31	-0.77%
Steel (Tonne)	813.00	-0.97%

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

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	4.85%	20.70%	0.10%	9.67%
GDP Annual Growth Rate	8.40%	-0.17%	5.30%	5.78%
Policy Repo Rate	6.50%	22.00%	3.45%	8.00%
Government Bond 10Y	7.23%	14.64%	2.27%	12.15%

### Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	3.50%	3.20%	2.40%	2.70%
GDP Growth Rate	1.60%	-0.30%	0.30%	0.10%
Unemployment Rate	3.90%	4.20%	6.50%	2.60%
Base Rate	5.50%	5.25%	4.50%	0.10%
Government Bond 10Y	4.48%	4.23%	3.13%*	0.91%

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

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

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