

Currency Outlook

USDBDT Exchange Rate

According to central bank data, state-owned and private banks in Bangladesh opened import LCs worth \$5.17 billion in June, down from \$6.83 billion in May. However, LC openings in June increased by nearly 6% compared to the same period last year. In FY24, a total of \$68.19 billion worth of import LCs were opened, which is a 1.85% increase compared to \$66.95 billion in FY23. However, despite the dip, dollar inflow was strong. On average, monthly remittances for the current fiscal year have been around \$2 billion. But, in June, the banking sector received \$2.54 billion in remittances, the highest in 47 months. Bangladesh's exports declined 4.28 percent year-on-year in July-May of 2023-24, said the central bank after correcting the shipment data published by the Export Promotion Bureau (EPB) earlier.

As per EPB exports grew 2.01 percent to \$51.54 billion in the first 11 months of the last fiscal year.

Following the clearance of \$1.42 billion in import bills through the Asian Clearing Union (ACU) for May and June, the country's foreign exchange reserves stood at \$20.46 billion, according to BPM6 standards on Wednesday (10 July). By the end of June, Bangladesh had received over \$2.36 billion from four multilateral lenders and one bilateral partner, including the third tranche of the IMF's loan. This is a significant development for a country struggling with dwindling foreign exchange reserves over the past two years.

Outlook: Rate is expected to remain stable for now due to strong remittance and controlled imports. However, the coming MPS is expected to give an update on whether there will be further changes in the rate mechanism or pegging mid rate.

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	5680.98	43.89%	8.87%	-0.14%
Repo	1322.86	-11.58%	8.70%	0.19%
Term	51.50	18.62%	11.11%	0.002%

Excess reserve (Excess CRR: un-invested cash) in banking system increased to BDT 84.09 bio by end of Apr'24 from BDT 51.81 bio as of end of Mar'24. Total liquid asset (excess of min required asset) including excess investment in government treasury securities increased to BDT 4.49 trio at then end of Apr'24 from 4.38 trio at end of Mar'24.

Interest Rate

FY24 ended with the inflation rate persisting at high rates with the average inflation standing at 9.73% (13-year high), surpassing the government's original target of 6% and the revised target of 7.5%. The headline inflation rate dropped by 16bps MoMs to 9.72% in June, with food inflation down 34bps MoM to 10.42% and non-food inflation down by 4bps to 9.15%. Private sector credit growth increased by 45bps MoM in May to 10.35%, likely influenced by the influx in imports during that period. The growth rate was 9.9% in April, 10.49% in March, 9.96% in February, 9.95% in January and 10.2% in December of 2023. Bangladesh's GDP growth rose to 6.12% in 3QFY24 (January-March period) following a particularly weak 2QFY24 at 3.78%. The revenue board has estimated Tk 113 billion in additional value-added tax (VAT) in FY2024-25. mainly to be sourced from the tobacco sector, followed by at-source VAT on retail businesses, telecoms sector and excise duty from bank depositors.

The Bangladesh Purchasing Managers' Index (PMI) declined by 6.2 points in June from the previous month to record a slower expansion at 63.9. In May, the PMI had increased by 7.9 points from April to 70.1. The PMI is an indicator of prevailing economic trends in the manufacturing and services sectors. If it is above 50, the economy is expanding, at 50 it is staying at the same level or stagnation, and below 50 indicates contraction.

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

- Foreign investment in leading companies have continued falling as overseas investors have dumped their holdings since the removal of floor price in January mainly due to the sharp devaluation of the local currency against the dollar. The country's net foreign portfolio investment stood at \$89 million in the negative for the nine months through March this year, compared to \$45 million in the negative for the same period a year ago.
- Because of poor response from private investors, the securities regulator has extended the deadline for the mandatory Tk50 crore private subscription in the country's first Exchange Traded Fund (ETF), LB Multi Asset Income ETF, until 3 September.
- The ministry of finance (MoF) now plans to take up to BDT 50 billion from Sukuk bond in the new fiscal year though the budget has set a target of obtaining BDT 20 billion from this source.

Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
15-Jun-24	91 Days	11.65%	11.65%
15-Jun-24	182 Days	11.80%	11.80%
15-Jun-24	364 Days	11.95%	12.00%
03-Jul-24	2 Years	12.31%	12.30%
10-Jul-24	5 Years	12.41%	12.45%
20-Jun-24	10 Years	12.60%	12.55%
26-Jun-24	15 Years	12.71%	12.65%
26-Jun-24	20 Years	12.84%	12.78%

USD SOFR

Tenor	SOFR
Overnight	5.34000
1M	5.32780
3M	5.28611
6M	5.16480
1Y	4.86554

Capital Market

Index	Value	Commodity (unit)	Latest Price	Weekly Change
DSEX	5,506.78	Brent Crude Oil (BBL)	85.03	-1.74%
FTSE 100	8,252.91	Gold (OZS)	2,411.27	0.83%
Nikkei 225	41,190.68	ICE-US Cotton (LBS)	68.92	2.39%
Dow Jones IA	40,000.90	Soybean (BSH)	1,105.00	-7.03%
S&P 500	5,615.35	Wheat (BSH)	550.75	-3.76%
		Sugar (LBS)	19.20	-4.67%
		Palm Oil (Tonne)	847.08	-2.19%
		Steel (Tonne)	665.00	-1.48%

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	5.08%	12.60%	0.20%	9.74%
GDP Annual Growth Rate	7.80%	-0.17%	5.30%	5.82%
Policy Repo Rate	6.50%	20.50%	3.45%	8.50%
Government Bond 10Y	6.99%	14.53%	2.26%	12.60%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	3.00%	2.00%	2.50%	2.80%
GDP Growth Rate	1.40%	0.70%	0.30%	-0.50%
Unemployment Rate	4.10%	4.40%	6.40%	2.60%
Base Rate	5.50%	5.25%	4.25%	0.10%
Government Bond 10Y	4.19%	4.11%	3.05%*	1.05%

*10-Year Eurozone Central Government Bond Par Yield Curve

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

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