

Currency Outlook

USDBDT Exchange Rate

In August 2023, expatriates sent \$1.6 billion in remittances. Compared to July 2024, remittance inflow in August surged by 16%. In July, the country's banks received \$1.91 billion in remittances. According to the central bank data, remittances during the first 10 days of August amounted to \$483 million. Following the period, remittances returned to a normal trend, averaging \$580 million per week.

Bangladesh's overall exports fell 4.34 percent year-on-year in FY24 due to lower shipments of ready made garments (RMG), reflecting sluggishness in industrial activities and the economy. The country's export receipts amounted to \$44.47 billion in the previous fiscal while it was \$46.49 billion in FY23. Business slowed after the beginning of the Russia-Ukraine war as sluggish demand in the West led to stockpiling of previously shipped goods. So, buyers cut back on purchases (BGMEA). Central bank data showed that of the top 10 exporting sectors, only three – agricultural products, chemicals and plastic – recorded export growth.

The International Monetary Fund (IMF) is positive about lending an additional \$3 billion to Bangladesh but the multilateral lender wants to know what reforms the interim government is planning to take. Following his appointment as Bangladesh Bank governor last month, Ahsan H Mansur initiated talks over an additional loan from the IMF to repay foreign liabilities and boost foreign exchange reserves.

Outlook: Exchange rate is expected to stabilize in the coming days. Banks are ensuring all-out support to quote uniformly to exchange houses and provide USD support to government banks to help clear their payments.

Global Currencies

EURUSD -1.28% weekly change

EUR/USD is defending bids at around 1.1050. The pair stays supported due to soft US PMI data-led US Dollar weakness. Risk-aversion, however, could cap the pair's upside ahead of US JOLTS Job Openings data. Reflecting a lack of buyer interest, the pair could face first support at 1.1040 before 1.1000 and 1.0975.

GBPUSD -0.63% weekly change

GBP/USD is under pressure near 1.3100. The pair struggles to capitalize on the US Dollar's weakness amid a risk-averse market atmosphere. All eyes turn to the US jobs data after the ISM Manufacturing PMI miss. 1.3170 could be seen as next resistance before 1.3200.

AUDUSD -0.41% weekly change

AUD/USD rebounds as the US Dollar corrects with US NFP data taking centre stage. US employers are expected to have posted fresh 8.1 million job vacancies in July. The Aussie economy expanded at an expected pace of 1% on an annualized basis.

USDJPY 1.24% weekly change

The Japanese Yen edges higher following the Jibun Bank Services PMI. Japan's Yoshimasa Hayashi monitors domestic and international market developments with urgency. The US Dollar holds ground as traders adopt caution ahead of US employment data.

USDCNY -0.48% weekly change

USD/CNY-Recovery stalls but weak China data limits downside. Undermined by lacklustre U.S. data, higher JPY and carry trade unwind. Downside limited as China data points to faltering economic recovery. China's services activity expansion slows in August, Caixin PMI shows.

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Money Market and Interest Rate

Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	2855.37	15.31%	8.99%	0.22%
Repo	2125.78	-2.75%	8.96%	0.07%
Term	33.44	-60.80%	11.94%	-0.04%

Excess reserve (Excess CRR: un-invested cash) in banking system decreased to BDT 57.78 bio by end of May'24 from BDT 84.09 bio as of end of Apr'24. Total liquid asset (excess of min required asset) including excess investment in government treasury securities decreased to BDT 4.49 bio at then end of May'24 from 4.50 bio at end of Apr'24.

Interest Rate

Food inflation crossed 14% in Jul'24, with overall point to point inflation rising by 1.94 bps to 11.66% (M~M). This depicts the edging purchasing power capability of general people. Bangladesh Bank hiked the policy rate by 50 bps to 9.00% focusing on taming the inflation with a note to change it according to inflation data. If inflation comes down within the tolerable level, BB may come out with policy rate cut. SLF and SDF rates have been adjusted with 1.5% band accordingly. Though this rate hike may result the lower credit flow for CMSMEs, the governor assured to arrange the guarantee facilities for the selective sector. The interim government is planning to trim the budget of FY25 by BDT 1.0 trillion focusing on cutting the wasteful expenditure to minimize the pressure on FX reserve and tame the inflation. They will remain selective about foreign loans selection due to debt pressure. ADP allocation is also expected to be revised down to bring down the borrowing pressure on government. The implementation rate for FY 24 was 81% of the target. Private sector credit growth recorded at 9.84% in Jun'24 compared to 10.58% in Jun'23 and expected to follow the continuation of same path. Lower import demand and revised export data may force the trade deficit to remain at the same level, remarkable remittance inflow may help to curb the current account deficit and push the FX reserve balance upward. DFI are also in pipeline to support the overall economic stabilities. So, regardless of policy rate hike, lower government borrowing requirement may liberalize the market liquidity pressure and prevent interest rates from moving up further.

Outlook: Interest rate is expected to persist at the current level for the first half of the current fiscal year considering inflation rate will come down eventually.

Capital Market

- Bangladesh Merchant Bankers Association (BMBA) has already prepared a set of proposals aimed at overcoming barriers to the development of the capital market. Merchant bankers, whose core function is to bring initial public offerings (IPOs), are critical of the book-building method to determine the price of IPO shares.
- Newly appointed BSEC chair plans ensure transparency and accountability in stock market by investigating irregularities. The past corrupt practices of the commission itself and those of market intermediaries will be probed.
- The investors argue that the circuit breaker for SME stocks should align with that of the main market to ensure fairness. They are also calling for the removal of the BDT 3 Mn investment requirement, asserting that all investors should be able to purchase SME shares.

Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
02-Sep-24	91 Days	11.58%	11.59%
02-Sep-24	182 Days	11.80%	11.80%
02-Sep-24	364 Days	11.95%	11.95%
04-Sep-24	2 Years	12.24%	12.25%
14-Aug-24	5 Years	12.42%	12.41%
21-Aug-24	10 Years	12.55%	12.55%
28-Aug-24	15 Years	12.66%	12.66%
28-Aug-24	20 Years	12.75%	12.75%

Capital Market

Index	Value
DSEX	5,739.06
FTSE 100	8,252.84
Nikkei 225	37,047.61
Dow Jones IA	40,936.93
S&P 500	5,528.93

USD SOFR

Tenor	SOFR
Overnight	5.3200
1M	5.17395
3M	5.01153
6M	4.70818
1Y	4.22519
Source	Refinitiv, CME Term SOFR

Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	73.67	-6.77%
Gold (OZS)	2,487.70	-0.97%
ICE-US Cotton (LBS)	69.37	-2.69%
Soybean (BSH)	987.50	3.73%
Wheat (BSH)	555.00	10.50%
Sugar (LBS)	19.47	5.87%
Palm Oil (Tonne)	899.95	-6.77%
Steel (Tonne)	691.00	2.83%

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	3.54%	9.60%	0.50%	11.66%
GDP Annual Growth Rate	6.70%	-0.17%	4.70%	5.82%
Policy Repo Rate	6.50%	19.50%	3.35%	9.00%
Government Bond 10Y	6.86%	13.74%	2.15%	12.55%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	2.90%	2.20%	2.20%	2.80%
GDP Growth Rate	3.00%	0.60%	0.30%	0.80%
Unemployment Rate	4.30%	4.20%	6.40%	2.70%
Base Rate	5.50%	5.00%	4.25%	0.25%
Government Bond 10Y	3.84%	3.98%	3.02%*	0.89%

*10-Year Eurozone Central Government Bond Par Yield Curve

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

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