

Currency Outlook

USDBDT Exchange Rate

As part of easing the business climate, the central bank has lifted the margin restrictions on opening letter of credit (LC) to facilitate importing all types of goods apart from luxury products and domestically produced import-substitute items. Bangladesh Bank (BB) has simplified the process of importing raw materials and capital machinery to improve the business environment and ensure smooth supply of daily essentials in the domestic market. The Bangladesh Bank has instructed banks to keep a 100% cash margin for importing 14 luxury goods including gold, cosmetics, processed food, soft drinks, and leather goods to overcome foreign exchange crisis.

Bangladesh has officially requested \$6 billion in budget support from four international lenders to settle the government's outstanding import bills, stabilise forex reserves, and rejuvenate the economy. The government plans to use the expected \$2 billion loan from the World Bank and ADB to cover overdue payments for electricity, gas, and fuel oil imports.

The new Bangladesh Bank governor, Dr Ahsan H. Mansur, at a recent press briefing said they decided not to sell dollars frequently to the forex-starved banks anymore. He asked the banks to manage their required forex from the interbank market. Even the government can choose the option of private commercial banks if they have enough dollar stock. It is considered a good move to ensure a healthy competition among the players.

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 0.33% weekly change ↓

EUR/USD remains below 1.1100, the pair's upside may be capped, as recent eurozone inflation data have solidified expectations of a rate cut by the ECB. In this scenario, 1.1040 could be seen as next support before 1.1000.

GBPUSD -0.02% weekly change ↓

GBP/USD sticks to intraday gains, remains below mid-1.3100s amid modest USD uptick. weaker risk tone lends support to the safe-haven USD and could act as a headwind. Reviving BoE rate cut bets might further contribute to capping the upside for the GBP.

AUDUSD -1.39% weekly change ↓

AUD/USD buyers stay directed toward 0.6800 after China's inflation data. The pair holds higher ground, undeterred by the softer-than-expected China's inflation data amid a pause in the US Dollar recovery and risk reset.

USDJPY -2.66% weekly change ↓

USD/JPY is holding recovery gains below 143.00, positively kicking off the new week. US Dollar rebound and Japan's Q2 GDP downward revision support the pair, though the divergent BoJ-Fed policy expectations should cap its upside. All eyes remain on US CPI data due later this week.

USDCNY -0.05% weekly change ↓

USD/CNY may rise slightly more; China disinflation looms. China's latest price data hints at disinflation ahead. CPI rise mostly due to weather-related food price increases. Steep PPI drop warns of very weak demand.

Money Market and Interest Rate

Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	3890.50	36.25%	9.08%	0.09%
Repo	2052.77	45.28%	8.96%	0.17%
Term	48.75	45.79%	9.52%	-2.42%

Excess reserve (Excess CRR: un-invested cash) in banking system slightly increased to BDT 74 bio by end of Jun'24 from BDT 73.46 bio as of end of May'24. Total liquid asset (excess of min required asset) including excess investment in government treasury securities increased to BDT 4.74 trio at the end of Jun'24 from 4.49 trio at end of May'24.

Interest Rate

Inflation data in August'24 was recorded at 10.49% showing 1.17 percentage point lower than the previous month. According to the BBS, food inflation declined to 11.36% in August from 14.10% in July. However, non-food inflation increased slightly to 9.74% from 9.68% in July. Average inflation over the past 12 months was 9.95% whereas 9.24% in the corresponding month last year.

The spread between weighted average deposits and advances of banking industry stood at 6.03% in Jun'24, excluding the high interest-bearing credit card. This difference between weighted average deposits and advances started to rise since Jul'23 when SMART rate was implemented to contain inflation. This spread was 5.86% in May'24 and 2.93% in Jun'23 showing 17 and 3.1 percentage change in MOM and YOY respectively.

Experts says, roughly 4%-5% spread is expected to be sufficient for banking industry like Bangladesh. BB is initiating several prudent steps to take care of the uprising inflation. Bangladesh Bank Governor Dr. Ahsan H. Mansur firmly stated that the central bank will not print new money to provide liquidity support to troubled banks, emphasizing the risks such a move would pose to inflation. Speaking at a press conference following the 'Bangladesh Bank's Bankers Meeting' held at the central bank headquarters on Wednesday, Dr. Mansur clarified that any liquidity assistance to struggling banks would instead come through an inter-bank money supply system, with the central bank acting as a guarantor.

Outlook: Interest rate is expected to remain at the same level until inflation comes down and FX reserve reach to a desired level.

Capital Market

- BSEC appointed seven independent directors to the 13-member DSE board, following the resignation of all directors amid a change in the political landscape. However, the DSE Brokers Association (DBA) has requested the securities regulator to reconsider the recent appointment of independent directors to the board of the Dhaka bourse, raising concerns over "conflict of interest".
- According to data from the Dhaka Stock Exchange (DSE), during the first half of August, stock trading by foreign investors surged by 501%, reaching Tk404.82 crore. With the new interim government headed by Nobel laureate Professor Muhammad Yunus taking over, foreign investors gained a significant boost in confidence in the market, according to market stakeholders.

Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
09-Sep-24	91 Days	11.53%	11.58%
09-Sep-24	182 Days	11.80%	11.80%
09-Sep-24	364 Days	11.95%	11.95%
04-Sep-24	2 Years	12.25%	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	5,670.88
FTSE 100	8,181.47
Nikkei 225	36,139.22
Dow Jones IA	40,345.41
S&P 500	5,408.42

USD SOFR

Tenor	SOFR
Overnight	5.35000
1M	5.10984
3M	4.93864
6M	4.59199
1Y	4.05361
Source	Refinitiv, CME Term SOFR

Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	71.06	-0.82%
Gold (OZS)	2,516.36	0.53%
ICE-US Cotton (LBS)	67.12	-3.83%
Soybean (BSH)	989.25	0.74%
Wheat (BSH)	553.25	3.85%
Sugar (LBS)	18.91	-2.43%
Palm Oil (Tonne)	900.65	-2.21%
Steel (Tonne)	700.00	-1.96%

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	3.54%	9.60%	0.50%	10.49%
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	6.85%	13.36%	2.14%	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%	0.20%	0.80%
Unemployment Rate	4.20%	4.20%	6.40%	2.70%
Base Rate	5.50%	5.00%	4.25%	0.25%
Government Bond 10Y	3.71%	3.89%	2.89%*	0.85%

*10-Year Eurozone Central Government Bond Par Yield Curve

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

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