

Currency Outlook

USDBDT Exchange Rate

The foreign exchange market, especially the interbank forex market, is showing signs of recovery, driven by a rebound in remittance receipts and key policy interventions by the central bank. BB governor has assured correspondent banks that Bangladesh will clear all overdue payments relating to letters of credit (LCs) within the next 5-6 months. The forex reserve is stable around USD 20 bio (USD 19.4b as on 18 Sept) as per BPM 6. At the end of June, Bangladesh's stock of external debt rose by USD4.5bn QoQ to USD103.8bn. Public debt stood at USD83.2bn (up USD4.2bn QoQ) while private sector external debt remained flat at USD20.6bn. In the first two months of FY25, both import LC openings and settlements declined by around 13% due to various reasons, including political instability and stagnant investment. Import LCs worth \$10.03 billion were opened during July-August, a drop of nearly \$1.5 billion compared to the same period last fiscal year. The World Bank has committed a USD1bn loan to Bangladesh according to the central bank. USD750mn (for policy update) is expected by December, and the remaining USD250mn (investment credit) will be disbursed later. The Asian Development Bank (ADB) may also provide USD400mn by December and an additional USD500mn by March. The United States Agency for International Development (USAID) has signed an agreement with the Economic Relations Division (ERD) to provide ~USD200mn as aid to support the interim government in its development goals. Lastly, an IMF team going to assess Bangladesh's eligibility for a USD3bn loan.

Outlook: Exchange rate is expected to stabilize in the coming days as soon as the overdue payments are reduced.

Global Currencies

EURUSD 0.78% weekly change ▲

EUR/USD consolidates weekly gains above 1.1150. In the absence of higher macroeconomic data releases, comments from central bank officials and the risk mood could drive the pair's action heading into the weekend. First resistance could be spotted at 1.1200 before 1.1275.

GBPUSD 1.52% weekly change ▲

GBP/USD trades modestly higher of 1.3300, supported by the upbeat UK Retail Sales data for August. The pair remains on track to end the week, which featured Fed and BoE policy decisions, with strong gains. On the upside, 1.3350 aligns as next resistance before 1.3400.

AUDUSD 1.54% weekly change ▲

AUD/USD grips gains above 0.6800 as investors see one more large Fed interest rate cut. Investors await Fed Harker's speech for fresh guidance on interest rates. The RBA is unlikely to cut interest rates this year.

USDJPY 2.19% weekly change ▲

USD/JPY surges above 144.00 as BoJ refrains from committing pre-defined rate hikes in this year. Japan's National CPI rose to 3% in August. Traders see the Fed cutting interest rates further by 75 bps to 4.00%-4.25%.

USDCNY -0.60% weekly change ▼

USD/CNY continues to notch new 16-mth lows, last 7.0440. Breach of psych barrier 7.0500 encourages more USD selling. China holding LPRs steady disappoints; SSEC lingers at -0.2%. Media reports home-buying curbs may be eased again.

Money Market and Interest Rate

Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	3178.30	-22.85%	9.10%	0.08%
Repo	532.81	-49.69%	9.33%	0.29%
Term	52.90	20.88%	11.60%	-0.16%

Excess reserve (Excess CRR: un-invested cash) in banking system decreased to BDT 58.71 bio by end of Jul'24 from BDT 193.29 bio as of end of Jun'24. Total liquid asset (excess of min required asset) including excess investment in government treasury securities decreased to BDT 4.57 bio at the end of Jul'24 from 4.74 bio at end of Jun'24.

Interest Rate

To restore the trust on banking sectors, Bangladesh bank has approved to support five liquidity stressed banks who were sanctioned for political reason. The strong and surplus banks will lend to these distressed banks to pay back the depositors' funds and reform their banking governance and operation against central bank guarantee. Through this process, central bank is supporting the distressed bank without injecting money to banking sector, to avoid any inflationary pressure. The interim government is considering the issuance of additional bonds to address the Bangladesh Power Development Board's (BPDB) mounting unpaid dues to private power producers. Such bond issuance will improve the liquidity scenario of the domestic banking sector. Currently the BPDB's total unpaid bills amount to about Tk 420 billion, of which IPPs will get about Tk 70 billion. Of the remaining amount, the gas bill will be about Tk 170 billion while state-owned public sector power plants will get Tk 100 billion, and Indian public and private sector, including Adani Group, will get Tk 80 billion. The interim government has decided not to initiate new mega projects, suspend the 8th five-year plan and postpone work on the 9th five-year plan and instead focus on those funded by foreign aid, which should reduce its borrowing need from the banking sector.

Dampened private credit demand and higher remittance inflows signal an oncoming downturn in the yields on government securities (G-Sec).

The 50-bps rate cut announcement by the US federal reserve, bringing the benchmark federal-funds rate to a range of 4.75% to 5% is also expected to release pressure on domestic interest rate.

Outlook: Interest rate is expected to remain stable at current level, despite central bank is expected to raise benchmark rate by another 100 bps in next two months.

Capital Market

- BSEC has declared two new individuals for the post of independent director of the premier bourse DSE on Thursday replacing the candidates who had been selected a day before.
- BSEC has sought assistance from the World Bank to upgrade its capital market surveillance system to international standards.
- CFA Society Bangladesh demanded amendments to the IPO valuation method and promotion of institutional investments to improve the depth of the capital market.

Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
17-Sep-24	91 Days	11.51%	11.53%
17-Sep-24	182 Days	11.75%	11.80%
17-Sep-24	364 Days	11.92%	11.95%
04-Sep-24	2 Years	12.25%	12.25%
11-Sep-24	5 Years	12.38%	12.42%
18-Sep-24	10 Years	12.51%	12.50%
28-Aug-24	15 Years	12.66%	12.66%
28-Aug-24	20 Years	12.75%	12.75%

Capital Market

Index	Value
DSEX	5,734.97
FTSE 100	8,229.99
Nikkei 225	37,723.91
Dow Jones IA	42,063.36
S&P 500	5,702.55

USD SOFR

Tenor	SOFR
Overnight	4.82000
1M	4.85722
3M	4.69125
6M	4.35139
1Y	3.83149
Source	Refinitiv, CME Term SOFR

Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	74.49	4.02%
Gold (OZS)	2,621.96	1.76%
ICE-US Cotton (LBS)	72.21	3.93%
Soybean (BSH)	1,012.00	0.57%
Wheat (BSH)	568.50	-4.41%
Sugar (LBS)	22.66	19.20%
Palm Oil (Tonne)	956.53	7.79%
Steel (Tonne)	704.00	0.86%

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	3.65%	9.60%	0.60%	10.49%
GDP Annual Growth Rate	6.70%	-0.17%	4.70%	5.82%
Policy Repo Rate	6.50%	17.50%	3.35%	9.00%
Government Bond 10Y	6.77%	12.86%	2.05%	12.51%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	2.50%	2.20%	2.20%	3.00%
GDP Growth Rate	3.00%	0.60%	0.20%	0.70%
Unemployment Rate	4.20%	4.10%	6.40%	2.70%
Base Rate	5.00%	5.00%	3.65%	0.25%
Government Bond 10Y	3.74%	3.90%	2.89%*	0.86%

*10-Year Eurozone Central Government Bond Par Yield Curve

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

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