

Currency Outlook

USDBDT Exchange Rate

External borrowing and other major indicators of foreign currency inflow including medium-and-long-term foreign loans, net foreign direct investment, foreign aid, and portfolio investment declined significantly intensifying pressure on reserves. Not only short-term loans, but the inflow of foreign currency from other sources has also been declining, causing continuous erosion in foreign exchange reserves. Although the reduction of external short-term debt will ease payment pressure in the next two or three quarters, the country's economy will feel the impact as a fall in capital machinery imports will force many factories to shut causing a rise in unemployment. On the remittance side, inward remittance from the Kingdom of Saudi Arabia (KSA) has been on a downturn for the last two fiscal years from its recent peak registered in FY 2020-21 despite a substantial rise in the labour migration to the major job market in the Middle-East. Along with Huge job losses sending home wage earners' remittance through informal channels or hundi might have increased, causing the ebb tide in remittance inflow, at a time when the country is struggling to meet foreign-payment obligations. However, the reserves passed \$30 billion mark on 21 June and may reach \$31 billion as more budgetary support is expected to come within days. The current level of international reserves is equivalent to approximately 5 months of imports which exceeds the standard benchmark of three months' import coverage.

Outlook: The external reserve is stabilized and is expected to start improving from last quarter of this CY given reduced imports and moderate growth in export and remittances.

Global Currencies

EURUSD 1.73% weekly change ↑

The euro surged into the 1.0970 mark vs. the US Dollar reaching its strongest level since May, following the ECB's decision to raise interest rates for the eighth consecutive time earlier in the week. There was also a signal that future rate hikes were on the table, leaving scope for higher highs in the pair.

GBPUSD 1.97% weekly change ↑

The Pound continues to outperform ahead of the release of UK inflation data and the Bank of England meeting next week. The GBP/USD closed just below 1.2820 and posted its strongest weekly close in over a year. 1.2750 aligns as first support ahead of 1.2700 and 1.2670.

AUDUSD 2.05% weekly change ↑

The AUD/USD pair has witnessed an exhaustion in the upside momentum after coming closer to near the round-level resistance of 0.6900. The Aussie asset is expected to remain on the tenterhooks as the US Dollar Index (DXY) has shown a solid recovery after printing a fresh monthly low at 102.05.

USDJPY 1.78% weekly change ↑

The USD/JPY pair showed a V-shape recovery from 140.00 after the Bank of Japan (BoJ) unchanged interest rate decision. BoJ decided to continue monetary stimulus to spur wages and the overall. Going forward, an upside move above a six-month high at 141.50 will drive the asset toward 142.58 and 143.89.

USDCNY -0.03% weekly change ↓

USD/CNY fixed at 7.1289 from previous 7.1489 on sharp dollar drop. Reversal from 6-month high 7.1819 to 7.1188 suggests interim top in place. Growing perception that Chinese economy has seen its worst boosts yuan. Bets that Fed is nearing the end of its rate hike cycle weigh on dollar.

Money Market and Interest Rate

Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	6,956.65	-8.97%	6.08%	0.049%
Repo	4,036.93	-7.49%	6.11%	0.0034%
Term	111.2	300.70%	8.12%	0.99%

Excess reserve (Excess CRR: un-invested cash) in banking system decreased to BDT 87.32 bio by end of Jan'23 from BDT 205.99 bio as of end of Dec'22. Total liquid asset (excess of min required asset) including excess investment in government treasury securities increased slightly to BDT 2.493 trio at then end of Jan'23 from 2.48 trio at end of Dec'22. **Auction:** Auction for 91D,182D,364D was held on 18th June'23 where the yields for 91D,182D & 364D increased by 5,10,& 20 bps respectively. BDT 1536.09 Cr from 91D & BDT 1578.16 Cr from 364D were devolved on BB.

Interest Rate

Bangladesh Bank (BB) released its monetary policy for July-December 2023 on 18 June 2023. Managing prevailing high inflation rate is a major focus for the upcoming FY24 and to this end, BB is pursuing a contractionary monetary policy. The repo rate (or policy rate) has been adjusted upwards by 50bps to 6.50%, and the reverse repo rate by 25bps to 4.50%, effective from 1 July 2023. Bangladesh Bank is finally removing the interest rate cap and introducing a flexible reference rate SMART (Six-month Moving Average Rate of Treasury Bill), which will be calculated as the 6-month moving average of the 182-day T-bill (to be announced monthly on the BB website). A maximum spread of 3% will be applicable for banks, and 5% for NBFIs. Lending to CMSMEs and consumer loans may incorporate an additional annual fee of up to 1%; there will be no changes to interest rates for credit card loans. No rate conditions are mentioned for deposits. Based on the reference rate, the lending rate for banks will rise to 10.13% and for NBFIs to 12.13%.

The government has managed to implement only 63.73% of the revised Annual Development Programme (ADP) in the July-May period of the current fiscal year 2022-23 due to a lack of spending capacity. This rate was 64.84% in the same period previous fiscal year. The new monetary policy also foresees challenges in achieving a 7.5% GDP growth target.

Outlook: Interest rate is expected to remain upward due to the pressure on forex reserve and inflation.

Capital Market

- BSEC has allowed Pran Agro Limited and Runner Automobiles PLC to issue bonds worth a total BDT530 crore through private placements. BSEC also approved a draft prospectus of open-end mutual funds of CWT-Community Bank Shariah Fund
- Alhaj Textile Mills, on Wednesday, filed a writ petition against the securities regulator's decision of appointing four independent directors at the company and has also secured a stay order for six months.
- BSEC has launched a review into Zahintex Industries following the discovery that the textile company had submitted different financial statements to the National Board of Revenue (NBR) and the Dhaka Stock Exchange (DSE)

Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
19-Jun-23	91 Days	6.85%	6.80%
19-Jun-23	182 Days	7.20%	7.10%
19-Jun-23	364 Days	8.10%	7.90%
07-Jun-23	2 Years	8.16%	8.03%
14-Jun-23	5 Years	8.75%	8.50%
24-Apr-23	10 Years	8.60%	8.45%
24-May-23	15 Years	8.65%	8.70%
24-May-23	20 Years	8.80%	8.75%

USD SOFR

Tenor	SOFR
Overnight	5.06000
1M	5.07629
3M	5.20684
6M	5.28937
1Y	5.23032
Source	Refinitiv, CME Term SOFR

Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	76.61	2.43%
Gold (OZS)	1957.36	-0.17%
ICE-US Cotton (LBS)	81.46	-3.07%
Soybean (BSH)	1466.50	5.77%
Wheat (BSH)	688.00	9.16%
Sugar (LBS)	26.43	4.14%
Palm Oil (Tonne)	811.93	11.17%
Steel (Tonne)	927.00	-0.11%

USD LIBOR

Tenor	LIBOR
1M	5.15657
3M	5.51000
6M	5.66600
1Y	5.87700
Source	Refinitiv

Capital Market

Index	Value
DSEX	6,280.02
FTSE 100	7,642.72
Nikkei 225	33,706.08
Dow Jones IA	34,299.12
S&P 500	4,409.59

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	4.25%	38%	0.2%	9.94%
GDP Annual Growth Rate	6.1%	5.97%	4.5%	6.03%(P)
Policy Repo Rate	6.5%	21.00%	3.65%	6.50%
Government Bond 10Y	7.03%	15.10%	2.70%	8.60%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	4.0%	8.7%	6.1%	3.5%
GDP Growth Rate	1.3%	0.10%	-0.10%	0.7%
Unemployment Rate	3.7%	3.80%	6.5%	2.6%
Base Rate	5.25%	4.50%	4.00%	-0.10%
Government Bond 10Y	3.77%	4.41%	3.21%*	0.41%

*10-Year Eurozone Central Government Bond Par Yield Curve

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