

Currency Outlook

USDBDT Exchange Rate

FX Reserves currently stand at USD 31.16 bio, just a year ago the figure was 41.882 bio. Inward remittances sent by Bangladeshis abroad in June have increased 19.5% y-o-y to around \$2.2 billion, the highest in 35 months. The latest figure took remittances received by the country in the 2022-23 financial year to \$21.61 billion. The country's trade deficit in the first 11 months of the last fiscal year narrowed further due to import controls mainly. The trade deficit stood at \$17.16 billion in the July-May period, representing a 44.32 per cent year-on-year decline. Exports rose 6.77 per cent year-on-year to \$47.6 billion in July-May, while imports declined 14.11 per cent to \$64.76 billion from a year earlier. Meanwhile, the current account deficit shrank 73.91 per cent year-on-year in July-May to \$4.5 billion. Bangladesh started the fiscal year 2023 with a record trade deficit of \$33.24 billion and a significant current account deficit of \$18.69 billion.

Apparel exporters are anticipating that the next six months will be challenging for the garment industry in Bangladesh as they receive fewer work orders from international buyers amid inflationary pains and depressed customer sentiments. Pharma exports also took a hit, shrinking 7% year-on-year in fiscal 2022-23 due to the impacts of global economic crises and subsequent US dollar shortage in most underdeveloped countries

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 remittances.

Global Currencies

EURUSD 0.52% weekly change ▲

EUR/USD is trading on the back foot near 1.0950. Resurgent US Dollar demand amid soft Chinese inflation data is weighing on the pair. On the upside, static resistance seems to have formed at 1.0970 ahead of 1.1000. 1.0920 aligns as key support.

GBPUSD 1.04% weekly change ▲

GBP/USD is trading near 1.2800. The rebound in the US Treasury bond yields and a mixed market mood help revive the US Dollar demand, exerting downward pressure on the pair. The immediate resistance level is at the 1.2850 mark while the 1.2730 area is an initial support level.

AUDUSD 0.33% weekly change ▲

The AUD/USD pair has found intermediate support near the crucial support of 0.6660. The Aussie asset is expected to continue its downside journey amid headwinds of a significantly low Consumer Price Index (CPI) in China and expectations that inflation in the United States will remain stubborn.

USDJPY -1.56% weekly change ▼

The USD/JPY pair gains momentum and sees a rally to near the 143.00 threshold. The major pair recovers a part its over-a-one-week low at 142.06 as the USD Index stages a decent comeback early Monday. Against the backdrop of fear about the potential intervention by Japanese authorities to support the domestic currency, the risk-off mood boosts demand for the safe-haven JPY.

USDCNY -0.03% weekly change ▼

USD/CNY may resume bullish bias with coming China data cues. USD/CNY bounces to 7.2345 from 7.2120; SSEK +0.2%. Dip linked to US NFP nullified by China PPI, CPI. Weak inflation numbers increase chance of rate cuts. Likely soft numbers will affirm China economic negativity.

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Money Market and Interest Rate

Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	8,179.42	8.63%	6.25%	-0.046%
Repo	4,892.64	-7.13%	6.49%	0.21%
Term	51.1	-20.54%	9.12%	0.58%

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 bio at then end of Jan'23 from 2.48 bio at end of Dec'22. **Auction:** Auction for 91D,182D,364D was held on 9th June'23 where the yields increased by 50,30,& 65 bps respectively. BDT 21.86 bio from 91D from were devolved on BB.

Interest Rate

Private sector credit growth reached 11.10% in May, falling for 6th consecutive month. Lower loan for import financing, strained FX market and higher commodity prices both local and international market are the major drivers for this decline. Private foreign borrowing also shows USD 2 bio decline QoQ in March 2023 to USD 22.18 bio. Government has borrowed BDT 1.24 bio in FY'23 against its target of BDT 1.15 bio, surpassing the target by BDT 87 bio. Of the total amount BDT 988.26 bio was borrowed from BB and BDT 252.96 bio from commercial banks. Higher borrowing from BB increases money supply putting pressure on inflation. Food inflation surged by 0.59% in June compare to from May and reached to 9.73% whereas nonfood inflation has dropped by 0.36% and reached to 9.60% in June compared to May. 12 month average inflation stood at 9.02% showing 2.87% surge year to year.

Both deposit and advance weighted average rate in banking sector increased by 3 bps in May compare to April and ensured same spread for last two months which is 2.91%. Weighted average deposit and advance rate in May recorded at 4.41% and 7.32% respectively. Policy rate hike and **SMART** implementation are the major drivers for banks to collect deposit at higher rate. Along with rates, deposit volume has also increased by BDT 153 bio and stood at BDT 15.63 bio for same period of time. Treasury instruments are also experiencing large uptick following the same consideration. Although having a lagging effect, 2-yr t-bond rate hiked 75 bps. Devolvement is also continuing in rapid pace.

Outlook: Interest rate is expected to remain upward due to ongoing uptrend curve and inflationary pressure

Capital Market

- Faruq Mayeenuddin, an independent director of Brac Bank Ltd, has been elected as the vice-chairperson of the bank. Mr. Mayeenuddin was serving the bank as the chairman of the board executive committee. He is a career banker with over 37 years of experience holding key management positions in different leading private commercial banks of the country.
- Three more stock brokerage firms – BRAC EPL Stock Brokerage, NBL Securities and Sheba Capital – have received FIX (financial information exchange) certification for installing their own order management system (OMS).

Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
10-Jul-23	91 Days	7.35%	6.85%
10-Jul-23	182 Days	7.50%	7.20%
10-Jul-23	364 Days	8.75%	8.10%
05-Jul-23	2 Years	8.90%	8.16%
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%

SMART **

Month	SMART
Jan-23	6.96%
Feb-23	7.04%
Mar-23	7.07%
Apr-23	7.10%
May-23	7.13%
Jun-23	7.10%

Capital Market

Index	Value
DSEX	6,334.79
FTSE 100	7,288.81
Nikkei 225	32,189.73
Dow Jones IA	33,734.88
S&P 500	4,398.95

USD SOFR

Tenor	SOFR
Overnight	5.06000
1M	5.17701
3M	5.29847
6M	5.41500
1Y	5.45445
Source	Refinitiv, CME Term SOFR

Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	78.47	4.77%
Gold (OZS)	1924.28	0.25%
ICE-US Cotton (LBS)	81.50	-1.62%
Soybean (BSH)	1485.50	-4.61%
Wheat (BSH)	639.50	0.51%
Sugar (LBS)	23.53	2.80%
Palm Oil (Tonne)	821.47	1.03%
Steel (Tonne)	905.00	2.72%

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	4.25%	29.4%	0.0%	9.74%
GDP Annual Growth Rate	6.1%	5.97%	4.5%	6.03%(P)
Policy Repo Rate	6.5%	22.0%	3.55%	6.50%
Government Bond 10Y	7.14%	15.32%	2.69%	8.60%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	4.0%	8.7%	5.5%	3.2%
GDP Growth Rate	2.0%	0.10%	-0.10%	0.7%
Unemployment Rate	3.6%	3.80%	6.5%	2.6%
Base Rate	5.25%	5.00%	4.00%	-0.10%
Government Bond 10Y	4.08%	4.66%	3.37%*	0.47%

*10-Year Eurozone Central Government Bond Par Yield Curve

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

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