

Currency Outlook

USDBDT Exchange Rate

Bangladesh's foreign currency reserves have slipped further as per the definition of the IMF balance of payments and investment position manual. The central bank began publishing the gross international reserves (GIR) in line with the manual on July 12. Currently reserves stand at USD 23.45 bio as per GIR which includes gold, cash US dollar, bonds and treasury bills, reserve position at the IMF and special drawing rights holdings. As per the conditions agreed with IMF, Bangladesh's gross foreign currency reserves need to be \$25.32 billion by September 30 and \$26.81 billion by the end of 2023. The central bank forecasts that the GIR will stand at \$31.5 billion at the end of the current fiscal year. Another challenge on the horizon is the rise of global interest rates. Bangladesh faces a considerable increase in its foreign debt servicing liabilities. An internal calculation by the Economic Relations Division (ERD) reveals that the government is expected to see a USD 1.5 Bn decline in net financing from external sources next fiscal year and USD 2 Bn the following year. Experts said this double blow threatens to shrink the government's spending capacity, posing significant obstacles to its ability to allocate funds effectively. Bangladesh's interest payments on foreign loans in FY24 are projected to exceed \$1 billion, for the first time in the country's history, compared to just \$496 million two years ago. Focusing on getting disbursement of foreign currency loan for different development projects is now being considered as the major savior.

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

Global Currencies

EURUSD -0.93% weekly change ↓

EUR/USD closed below 1.1150. Traders refrain from placing fresh bets on the major ahead of next week's ECB and Fed decisions. On the downside, 1.1100 aligns as first support before 1.1050 and 1.1000. In case the pair rises above 1.1160, additional gains toward 1.1180 and 1.1200 could be seen.

GBPUSD -1.77% weekly change ↓

GBP/USD drops amid strong US Dollar, lower rate hike BoE's expectations. Initial GBP/USD gains, driven by upbeat UK retail sales data, were counteracted by increased strength in the US Dollar. If 1.2870 level is confirmed as resistance, 1.2800 and 1.2770 could be set as next bearish targets.

AUDUSD -1.61% weekly change ↓

AUD/USD extends downside below 0.6750 as Fed-RBA to resume policy tightening. AUD/USD has slipped below 0.6750, however, the downside seems favored. The Fed is expected to raise interest rates by 25 bps to 5.25-5.50% as core inflation is still persistent.

USDJPY 2.21% weekly change ↑

USD/JPY rallies to near 142.00 as US Dollar jumps and BoJ policy seems unchanged. The USD/JPY pair is swiftly marching towards the critical resistance of 142.00. The asset has shifted into a bullish trajectory amid strength in the DXY and rising odds of an unchanged interest rate decision by BoJ.

USDCNY 0.64% weekly change ↑

USD/CNY bobs up but still under bearish technical pressure. USD/CNY bobs up to 7.1714 from 7.1614, SSEC rises to flat. Bearish technical pressure to persist if 7.1754 top holds. Would discourage longs, prompt some USD bulls to trim bets. China announces boost for electronics, car purchases.

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Money Market and Interest Rate

Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	6,073.81	-28.14%	6.30%	0.017%
Repo	3,084.68	-29.40%	6.56%	0.09%
Term	95.9	37.85%	8.34%	-0.03%

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 23rd Jul'23 where 91D yield decreased by 1 bps and others remained unchanged. BDT 2929.85 Cr from 91D devolved on BB.

Interest Rate

At the end of June 2023, broad money (M2) recorded a 10.48% YoY growth. Credit to the private sector continued its decline, reaching 10.57% YoY in June (down 53 bps MoM). Injection of newly printed 'high-powered money', by Bangladesh Bank into the market swelled over 175% in the past financial year, BB sources said, stoking inflation further. Through devolvement of Treasury Bill-Bond, approx BDT 904 bio was injected into the market. on the other hand, approx BDT 1,271 billion was mopped up from the market against USD sell by Bangladesh Bank, leading to a net outflow of BDT 367 bio, which is again replenished through stable repo support and different refinance & pre-finance programs by central bank.

Implementation of the Annual Development Programme experienced a significant decline in FY23. Only 84.16% of the revised ADP allocation was spent, compared to the previous year's rate of 92.74%.

The Asian Development Bank (ADB) has retained its growth projection for Bangladesh's GDP at 6.5% for the current fiscal 2023-24, citing strong domestic demand and favorable trends in fuel and food prices. World Bank's projection for Bangladesh GDP is 6.25 and IMF projection is 6.5% However, Bangladesh Government target GDP growth is 7.5% for FY 23-24

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

Capital Market

- Chittagong Stock Exchange has revised its CS30 index including 14 companies based on their market performance. The newly included companies have replaced another 14 companies from the existing list. The revised index will come into effect from July 27, 2023.
- The Investment Corporation of Bangladesh (ICB) has finalised an action plan for the ongoing fiscal 2023-24 to boost its business performance as well as strengthen its support to the stock market. ICB's action plans for FY24 are to invest BDT 15 Bn in the secondary market of the stock exchanges, disburse BDT 3.50 Bn as margin loans to the investors to strengthen the liquidity support to the capital market, and increase its contribution to the turnover of the bourses by trading stocks worth a total of BDT 12 Bn.

Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
24-Jul-23	91 Days	7.40%	7.35%
24-Jul-23	182 Days	7.49%	7.50%
24-Jul-23	364 Days	8.75%	8.10%
05-Jul-23	2 Years	8.90%	8.16%
12-Jul-23	5 Years	9.04%	8.75%
19-Jul-23	10 Years	8.91%	8.60%
24-May-23	15 Years	8.68%	8.70%
24-May-23	20 Years	8.83%	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	6,365.61
FTSE 100	7,649.01
Nikkei 225	32,700.94
Dow Jones IA	35,227.69
S&P 500	4,536.34

USD SOFR

Tenor	SOFR
Overnight	5.06000
1M	5.29799
3M	5.35121
6M	5.42843
1Y	5.36150
Source	Refinitiv, CME Term SOFR

Commodities

Commodity (unit)	Latest Price	Weekly
Brent Crude Oil (BBL)	81.07	1.50%
Gold (OZS)	1960.23	0.27%
ICE-US Cotton (LBS)	85.08	2.93%
Soybean (BSH)	1501.00	0.35%
Wheat (BSH)	697.50	8.73%
Sugar (LBS)	25.01	2.84%
Palm Oil (Tonne)	887.21	3.50%
Steel (Tonne)	858.00	-4.35%

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	4.81%	29.40%	0.00%	9.74%
GDP Annual Growth Rate	6.10%	5.97%	6.30%	6.03%
Policy Repo Rate	6.50%	22.00%	3.55%	6.50%
Government Bond 10Y	7.07%	15.81%	2.65%	8.91%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	3.00%	7.9%	5.50%	3.30%
GDP Growth Rate	2.00%	0.10%	0.00%	0.70%
Unemployment Rate	3.60%	4.00%	6.50%	2.60%
Base Rate	5.25%	5.00%	4.00%	-0.10%
Government Bond 10Y	3.81%	4.21%	3.21%*	0.46%

*10-Year Eurozone Central Government Bond Par Yield Curve

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

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