

Currency Outlook

USDBDT Exchange Rate

Bangladesh has sent a record number of workers abroad during the immediate past fiscal 2022-23, sending 11.37 lakh workers abroad. The number surpasses the target by more than 40% and represents a substantial 15% increase compared to the previous year. Despite this impressive performance in exporting manpower, the inflow of remittances has not seen a corresponding increase. Remittances only grew by a modest 2.75%, reaching a total of \$21.61 billion. This has impacted reserve levels badly. As on 26 Jul 2023, reserves stand at USD 23.309 billion (BPM6).

Fiscal year 2023-24 commences on a positive note in external trade with July merchandise shipments registering a dazzling double digit growth of 15.26% to USD4.59 bio compared to July 2022, where the export earnings were USD 3.98 bio, according to Export Promotion Bureau (EPB). Bangladesh's imports fell sharply in the fiscal year 2022-2023 as reflected by the slide in the opening of letters of credit (LCs) driven by a shortage of US dollars and restrictions on the purchase of non-essential items from external sources. Private and public entities opened LCs of \$69.36 billion in FY2022-23, down 26 percent year-on-year from \$94.26 billion a year ago. Data for the July-May period of the fiscal year showed that the opening of LCs for capital machinery nosedived.

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 -0.97% weekly change ↓

EUR/USD continues to trade in positive territory above 1.1000. After the data from the US revealed that Core PCE inflation softened in June, the US Dollar lost its appeal, allowing the pair to hold its ground. On a weekly basis, the pair registered losses.

GBPUSD -0.04% weekly change ↓

GBP/USD preserves its recovery momentum and end the week above 1.2850. The pair benefits from improving risk mood and renewed US Dollar weakness following the weaker-than-expected PCE inflation data for June. 1.2800/1.2810 could attract buyers and open the door for a recovery toward 1.2900.

AUDUSD -1.16% weekly change ↓

The AUD plummets against USD, breaking through all major supports as it extends loses after the release of better-than-expected US GDP data for the second quarter. An unexpected rise in the Fed's preferred inflation gauge, Personal Consumption Expenditure (PCE), on a month-on-month basis, keeps up the downside pressure on the pair.

USDJPY -0.45% weekly change ↓

The USD/JPY pair jumps above the crucial resistance of 141.00 as the United States Bureau of Economic Analysis reports that the economy remained resilient in the second quarter. The asset discovers strength as the US Dollar Index (DXY) has rebounded swiftly after diving to near 100.60.

USDCNY -0.52% weekly change ↓

USD/CNY looks heavy as China mainland property stocks rally last 7.1545 from Fri peak 7.1745 vs close 7.1700. But shorts still need to overcome support 7.1469.

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Money Market and Interest Rate

Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	6,164.77	1.50%	6.32%	0.021%
Repo	3,084.68	-29.40%	6.56%	0.09%
Term	70.2	-26.86%	7.96%	-0.38%

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

Just-introduced interest-rate corridor (IRC) and reference lending rate SMART will not be enough to hold high inflation in check under the targeted 6%, experts said. Alongside the two instruments, measures like slowing down growth with proper filtering in taking development projects to lessen the volume of fiscal deficit and coordination of fiscal and monetary policy are an imperative.

Formal credit to the private sector is witnessing a continued decline amid the central bank's efforts to contain inflation through money-supply contraction and import tightening due to forex dearth, according to BB officials and financial-market analysts. Private-sector-credit growth dropped to 10.57% in June compared to the corresponding month last year. The credit flow had been on an upturn since early in the last fiscal year (FY'23), reaching 13.95% in July and 14.07% in August. At the end of June 2023, broad money (M2) recorded a 10.48% YoY growth.

The National Board of Revenue (NBR) witnessed a 10% growth in revenue collection during FY2022-23 compared to the previous fiscal year. Collection of value-added tax (VAT) grew by 17% last FY despite multiple challenges on both external and domestic trade fronts.

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

Capital Market

- Capital Market Stabilisation Fund has invested BDT 2.7 Bn since its inception in 2021 with a view to supporting the ailing stock market. The fund has been invested through the Investment Corporation of Bangladesh.
- The securities regulator has provided assurance of the soon-to-be-established commodity exchange (CX), which will feature non-delivery cash settlements for three commodities. However, some challenges are yet to be overcome. Initially, the CSE will start the CX operations with non-delivery cash settlements for three commodities: gold, cotton and crude oil. Subsequently, it will transition towards the physical delivery settlement of commodities. According to the draft rules, the paid-up capital of the CX will be Tk 4 billion, with each commodity broker requiring a paid-up capital of Tk 200 million.

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	6,339.51
FTSE 100	7,694.27
Nikkei 225	32,759.23
Dow Jones IA	35,459.29
S&P 500	4,582.23

USD SOFR

Tenor	SOFR
Overnight	5.31000
1M	5.31810
3M	5.37191
6M	5.44800
1Y	5.40788
Source	Refinitiv, CME Term SOFR

Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	84.99	4.84%
Gold (OZS)	1959.20	-0.05%
ICE-US Cotton (LBS)	85.06	-0.02%
Soybean (BSH)	1486.75	-0.95%
Wheat (BSH)	704.25	0.97%
Sugar (LBS)	23.92	-4.36%
Palm Oil (Tonne)	879.86	-0.83%
Steel (Tonne)	824.00	-3.96%

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	7.16%	16.00%	2.69%	9.10%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	3.00%	7.9%	5.50%	3.30%
GDP Growth Rate	2.40%	0.10%	0.00%	0.70%
Unemployment Rate	3.60%	4.00%	6.50%	2.60%
Base Rate	5.50%	5.00%	4.25%	-0.10%
Government Bond 10Y	3.96%	4.33%	3.16%*	0.56%

*10-Year Eurozone Central Government Bond Par Yield Curve

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

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