

Currency Outlook

USDBDT Exchange Rate

Country's trade deficit decreased to \$17.2 billion in FY23, a 48% reduction compared to the previous fiscal year. The current account deficit saw a significant reduction from \$18.64 billion to \$3.33 billion during the July-June period of FY23. The positive trend can be attributed to decreased import payments, which fell by \$13 billion, representing a decline of nearly 16%. Export earnings increased by 6.28% and remittance earnings grew by 2.75% in FY23. The financial account deficit also narrowed, from \$2.36 billion to \$2.14 billion in the July-June period of FY23. The country's financial account surplus was \$15.46 billion at the end of FY22. The fall in foreign direct investment and foreign loans contributed to the deficits in the current account and financial account balances.

The Bangladesh Bank had to offload \$1.14 billion from its reserves in July to cover import expenses. This trend has been consistently observed for over a year, indicating a sustained challenge in managing the country's import costs. This figure, equivalent to Tk12,500 crore, was the highest amount in taka for a single month, attributed to the high dollar rate, as per central bank data. Bangladesh's foreign exchange reserves have continued to deplete since the implementation of the unified exchange rate, following the IMF's Balance of Payments and International Investment Position Manual (BPM6) since 13 July.

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 -0.05% weekly change ↓

Following weak US data, EUR/USD climbs to a new weekly high above 1.1004. The July US Nonfarm Payrolls report gave mixed signals, with fewer people adding to the workforce while wages increase. A close below 1.0950 could bring in additional sellers and open the door for an extended slide toward 1.0900 and 1.0860.

GBPUSD -0.79% weekly change ↓

GBP/USD rises as soft US jobs data fuels speculation the Fed may end its tightening cycle, providing support to the Sterling. Technical analysis indicates potential for short-term gains but highlights the importance of 1.2800 resistance. Key support and resistance levels are at 1.2819 and at 1.2595.

AUDUSD -1.20% weekly change ↓

AUD/USD breaks sharply around 0.6600 as the US NFP report remains mixed. Fresh payrolls in July were lower at 187K, than expectations of 200K but marginally higher than June's reading of 185K. The catalyst that could force the Fed to remain hawkish ahead is the stubborn Average Hourly Earnings data.

USDJPY 0.43% weekly change ↑

USD/JPY dipped below 142, down 0.47%, after the US jobs data showed easing in the labor market and BoJ's tweaks to its YCC. US Nonfarm Payrolls missed estimates, but wages are increasing, putting pressure on the Fed. US Treasury Bond Yield fall, a headwind for USD/JPY.

USDCNY 0.30% weekly change ↑

USD/CNY up as China eases property curbs, teases rate cuts. USD/CNY up modestly, last 7.1822 from close 7.1716. Bets on China monetary policy easing, strong US NFP ahead. SSEC +0.4% as big Chinese city eases property curbs. PBOC hints at rate cuts, use of all policy tools.

Money Market and Interest Rate

Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	8,671.28	31.01%	6.27%	-0.054%
Repo	3,205.01	-3.91%	6.54%	-0.04%
Term	42.1	-5.40%	8.28%	-0.23%

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 14th Aug'23 where 91D&364D yield decreased by 1 bps & 18 bps respectively and yield for 182D remained unchanged. There was no devolvement on BB.

Interest Rate

Bangladesh Bank's (BB) injection of high-powered money into the economy through devolvement of the government securities has been declining slowly in recent months, giving some respite amid the present high-inflation scenario. In July, the government borrowed BDT 382.54 billion from the banking system, but the central bank's contribution was 36% or BDT 137.19 billion. Government's net borrowing from central bank in July 2023 was BDT 36.49 billion, whereas it was BDT 92.53 billion on same month of 2022. In response to mounting demand for funds and declining revenue, the government is now going to be austere in spending BDT352bn in block allocation, the amount kept aside in the annual budget for development and routine works, officials of the finance ministry have said. Bangladesh's exports and imports as percentage of its gross domestic product (GDP) has been falling gradually, although the economy has continued growing by 6.5 percent annually in the last one decade. The ratio of import to GDP, which was 21.2 percent in 2013-14 fiscal year, halved to 10.69 percent in 10 years. The ratio of export to GDP even experienced a sharper fall, from 17.2 percent a decade ago to 7.66 percent in FY23, according to data by Bangladesh Economic Review 2023. Bangladesh's debt-to-GDP ratio rose by around two percentage points to 32.55 percent in the third quarter of last fiscal year 2022-23, according to the latest quarterly debt bulletin of the finance ministry. On December 31, 2022, it was 30.56 percent.

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

Capital Market

- Dhaka-Chattogram stocks hit a four-month low on 16 Aug 2023. To help support the markets BSEC is going to sit with the bank bosses, top brokerage executives and investment bankers. DSE top 3 losers were Sea Pearl Beach Resort, Legacy Footwear and Rangpur Dairy.
- General investors are yet to get access to primary auctions of T-bonds though the securities regulator laid down the process for stock brokers to participate in them on behalf of their clients. The guidelines were issued about one and a half months back but stock brokers that are meant to play the key role as intermediaries in here have shown no interest. Some leading brokerage firms said they were still analyzing the guidelines, while others said they were managing T-bonds from their parent companies for their clients.

Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
14-Aug-23	91 Days	7.39%	7.40%
14-Aug-23	182 Days	7.45%	7.45%
14-Aug-23	364 Days	8.51%	8.69%
02-Aug-23	2 Years	9.00%	8.90%
09-Aug-23	5 Years	9.00%	9.04%
16-Aug-23	10 Years	9.20%	8.91%
24-May-23	15 Years	8.68%	8.70%
24-May-23	20 Years	8.83%	8.75%

SMART **

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

Capital Market

Index	Value
DSEX	6,257.14
FTSE 100	7,319.13
Nikkei 225	31,626.00
Dow Jones IA	34,765.74
S&P 500	4,404.33

USD SOFR

Tenor	SOFR
Overnight	5.30000
1M	5.31195
3M	5.37923
6M	5.44186
1Y	5.38554
Source	Refinitiv, CME Term SOFR

Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	86.81	0.66%
Gold (OZS)	1913.32	-1.46%
ICE-US Cotton (LBS)	89.29	4.71%
Soybean (BSH)	1401.25	-2.96%
Wheat (BSH)	626.75	-0.99%
Sugar (LBS)	24.33	2.70%
Palm Oil (Tonne)	811.34	-4.27%
Steel (Tonne)	806.00	0.37%

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	7.44%	28.3%	-0.30%	9.69%
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	7.25%	16.19%	2.57%	9.20%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	3.20%	6.8%	5.30%	3.30%
GDP Growth Rate	2.40%	0.20%	0.30%	0.90%
Unemployment Rate	3.50%	4.20%	6.40%	2.50%
Base Rate	5.50%	5.25%	4.25%	-0.10%
Government Bond 10Y	4.30%	4.70%	3.38%*	0.65%

*10-Year Eurozone Central Government Bond Par Yield Curve

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

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