

Currency Outlook

USDBDT Exchange Rate

The current account balance showed a deficit of 3.33 billion dollars in fiscal year 2022-23, compared to the deficit of 4.575 billion dollars recorded a year earlier. Remittances, however, helped Bangladesh by cushioning the impact of current account deficit with moderate export income growth. Inflow of remittances from some 10 million Bangladeshis living and working in over 100 countries and regions in fiscal year 2022-23 amounted to 21.61 billion dollars. Import payment was 69.50 billion dollars, down 15.76 per cent, from July 2022 to June 2023, while earnings from exports stood at 55.56 billion dollars, up 6.28 per cent, during the same period.

Bangladesh's import of capital machinery and intermediate goods, which are used to make finished products for both local and export markets, declined in the last fiscal year, reflecting a slowdown in private investment and the economy. The import of capital machinery fell 11 percent year-on-year to \$4.84 billion in FY23. Other capital goods import dipped 20 percent. The import of intermediate goods also suffered as well. Bangladesh in July recorded the highest import bill payments over the past eight months, while letters of credit (LC) opening was also on an upward trend compared to the previous month. The import bill payments, as per data from the central bank, amounted to USD 5.77bn in 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 -0.60% weekly change ↓

Euro has confirmed a breakout under the key rising zone of support from the end of 2022. On Friday, the exchange rate closed just above level of 1.0772, establishing it as immediate support. Further downside progress could open the door to revisiting the May low of 1.0635.

GBPUSD 1.20% weekly change ↓

GBP/USD had fallen to the neckline of a developing bearish Head & Shoulders chart formation. On top of this, prices have broken under the 100-day Moving Average (MA), opening the door to an increasingly bearish technical conviction. Further downside confirmation exposes the May low of 1.2308.

AUDUSD -0.03% weekly change ↓

AUD/USD has extended gains after failing to breach the 78.6% Fibonacci retracement level of 0.6382. Now, the exchange rate has closed above the May 31st low of 0.6459. From here, immediate resistance is the 20-day Moving Average, followed by the 50-day line. A bearish Death Cross between the two lines remains in play.

USDJPY 0.72% weekly change ↑

The Japanese Yen might be showing early warning signs that the currency might be getting ready to reverse against the US Dollar. USD/JPY broke under the 145.07 inflection point that was established in late June. Keep in mind that the rising trendline from March is maintaining the broader bullish technical bias.

USDCNY 0.12% weekly change ↑

USD/CNY ebbs to 7.2864 in narrow range Tues; SSEC +1.3%; China PMIs expected to stay in contraction. China stocks rally with momentum from stamp duty cut. SSEC direction will cue yuan's next moves. China factory PMI likely shows contraction.

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Money Market and Interest Rate

Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	7,831.21	-5.88%	6.28%	0.02%
Repo	3,687.72	1.62%	6.53%	0.0003%
Term	49.0	-0.68%	7.98%	-0.92%

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 27th Aug'23 where yield for 91D, 182D & 364D decreased by 5,1 & 14 bps respectively. There was no devolvement on BB.

Interest Rate

Tax-revenue collection grew by 15.38% in the first month of the current fiscal year (FY), 2023-24, due to a hefty rise in VAT collection following the inflationary pressure. VAT collection also grew by 21.51% during same period. However, The NBR collected BDT 205.61 billion as taxes in July against its target of BDT 224.27 billion.

According to data from the Ministry of Finance, Bangladesh's total outstanding debt surged to BDT14.5tn at the end of 1Q2023 (+6% QoQ), taking the total debt-to-GDP ratio to ~32.6%. With BDT9.2tn in domestic debt, the domestic-debt-to-GDP ratio stood at 20.6% (up 1.2ppts QoQ) while external debt stood at BDT5.3tn (12% of GDP). This was largely driven by government-led borrowings, given the slowdown in private sector credit growth (downtrend since December). At the end of FY23, government borrowing increased to BDT1.84tn (up 13% YoY); borrowing from domestic sources ballooned by 23% YoY to BDT1.09tn while that from external sources grew slightly by ~2% to BDT0.75tn.

It seems that borrowing costs for the government will continue to get more expensive; The Japan International Cooperation Agency (JICA) has proposed to raise the interest rate to 2.26% from 1.6% previously, to be effective by October.

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

Capital Market

- Merchant bankers, in a discussion with DSE demanding relaxation of capital market listing rules. Representatives from the country's leading investment banks have expressed the view that the direct listing method should be reinstated for well-performing firms, including numerous multinationals, as these firms do not need fresh capital from the public. This method allows firms to avoid raising capital through an initial public offering (IPO).
- DSE intends to send proposal to securities regulator to replace some regulations applied to Alternative Trading Board (ATB), anticipating momentum build up in trading. This measure is expected to clear existing ambiguities and deliver clear information about listed securities as well. Currently the regulations do not allow an individual shareholder to obtain capital gain if holdings are sold within three months after the share purchase on the ATB. The gain is usually transferred to the exchange's investors' protection fund.

Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
28-Aug-23	91 Days	7.31%	7.36%
28-Aug-23	182 Days	7.43%	7.44%
28-Aug-23	364 Days	8.25%	8.39%
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	6,280.09
FTSE 100	7,338.58
Nikkei 225	31,624.28
Dow Jones IA	34,346.90
S&P 500	4,405.71

USD SOFR

Tenor	SOFR
Overnight	5.30000
1M	5.32883
3M	5.40389
6M	5.46731
1Y	5.41166
Source	Refinitiv, CME Term SOFR

Commodities

Commodity (unit)	Latest Price	Weekly
Brent Crude Oil (BBL)	84.48	-0.38%
Gold (OZS)	1914.526	1.39%
ICE-US Cotton (LBS)	87.51	3.78%
Soybean (BSH)	1381	1.34%
Wheat (BSH)	593.25	-3.26%
Sugar (LBS)	24.83	4.50%
Palm Oil (Tonne)	854.4599	2.58%
Steel (Tonne)	803.00	-0.50%

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%	3.45%	6.50%
Government Bond 10Y	7.21%	16.24%	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%	1.50%
Unemployment Rate	3.50%	4.20%	6.40%	2.50%
Base Rate	5.50%	5.25%	4.25%	-0.10%
Government Bond 10Y	4.23%	4.44%	3.28%*	0.66%

*10-Year Eurozone Central Government Bond Par Yield Curve

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

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