

Currency Outlook

USDBDT Exchange Rate

Bangladesh may receive foreign budget support worth USD1bn by the end of 2023 in a financing arrangement led by the ADB.

LC openings reduced to USD4.96bn in July'23, 15% YoY decline. LC settlements came down to USD5.38bn in August, over 35% decline YOY compared to USD 7.69bn in August'22. The amount of buyers' credit is on decline largely for gradual but significant fall in imports including capital machinery amid forex dearth. The monthly figure of this short-term foreign debt was USD8.91bn, USD8.51bn, USD8.13bn, USD8.0bn, USD7.99bn, USD7.70bn and USD7.66bn in January February, March, April, May, June and July respectively. The private sector's foreign debt reliance continued to be sluggish and fell to USD13.4bn in July (down 2% MoM, down USD2.2bn since January) as repayments in the month (USD2.6bn) exceeded new loans (USD2.3bn).

Export earnings in August grew 3.8% YoY to USD4.78bn pushed by strong RMG exports (up 8.0% YoY); in the first two months of FY24, overall export earnings stood at USD9.4bn (up 9.1% YoY). On the flip side, Remittance inflow to Bangladesh plunged 21.47% year-on-year to \$1.59 billion in August, according to central bank data.

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

Global Currencies

EURUSD -0.25% weekly change ↓

Based on the daily chart, the EUR/USD exhibits a bearish outlook for the short term. The RSI and MACD remain in negative territory, with the RSI below its midline and showing a southward slope. Support levels are at 1.0760 and 1.0730.

GBPUSD 0.09% weekly change ↑

The daily chart portrays the pair as neutral to downward biased, but it could shift downward if the GBP/USD achieves a daily close below 1.2590. A decisive break and the pair could test 1.2414. Upside risks lie at 1.2746, shy of the 50-DMA at 1.2774.

AUDUSD 0.78% weekly change ↑

The AUD/USD daily chart analysis points to a bearish sentiment for the short term. The RSI is situated below its midline in negative territory, displaying a southward trajectory. Additionally, the pair is below the 20,100 and 200-day SMAs, indicating that on the broader picture, the bears are still in command, and the buyers have work to do.

USDJPY -0.12% weekly change ↓

Price action depicts the pair dipping to a lower low than the previous one, at 144.53, opening the door for a deeper correction, but unless sellers stepped in and dragged the USD/JPY towards the 145.00 figure, bulls remain in control. Next resistance emerges at 146.00, followed by YTD high at 147.38.

USDCNY -0.39% weekly change ↓

USD/CNY drops 0.39% as China cuts banks' FX reserve ratio. FX reserve requirement ratio (RRR) by 200 bps to 4% from 6% beginning Sep 15. PBOC fixes yuan at 7.1788 vs. 7.2967 expected, nearly 1200 points variance. Solid U.S. data reinforces higher for longer Fed rate view, supports dollar.

Money Market and Interest Rate

Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	7292.50	-6.88%	6.31%	0.03%
Repo	3,166.26	-12.75%	6.56%	0.03%
Term	63.7	29.95%	8.02%	0.04%

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 03rd Sept'23 where yield for 91D & 364D decreased by 1bp & 20 bps respectively 182D was increased by 2 bps. There was no devolvement on BB.

Interest Rate

Government is relying heavily on bank borrowing for deficit financing and the amounts for the first two months doubled to BDT 750.24bn (USD 6.9bn) compared to the corresponding period in 2022-23. In a bid to reduce borrowing from central bank and to reduce high-speed money, the government paid Tk 23,374 crore back to the BB in the period of July 1-August 24 in the current financial year 2023-24, according to BB data. But the government borrowed approx BDT Tk 20,423 crore from the scheduled banks in first two months of FY24. As per experts, the heavy borrowing from banking system indicated poor revenue generation and difficulties in accessing to alternative financing options.

The Bangladesh Bureau of Statistics reported 9.69 per cent inflation in July, which is slightly lower than the rate of 9.74 per cent in June, the last month of FY23. There is no sign of cooling down inflation, as money supply growth (10.48%) is about to overtake private sector credit growth (10.57%) as per data of FY23, which means there is excess money in the economy. Accordingly the Treasury securities yield came down in the month of August.

Outlook: Interest rate is expected to remain upward due to ongoing uptrend treasury yield curve for government's heavy reliance on bank borrowing and inflationary pressure

Capital Market

* The Bangladesh Bank revised the guidelines for investment by the banks in the capital market, issuing a circular on 31st aug'23, making investment in bonds, debentures and Islamic Sharia-based securities (like Sukuk) freed from their market-exposure limit.

* The companies that fail to comply with maintaining a minimum 30% shareholding of paid-up capital by sponsors and directors have to submit a comprehensive plan to the BSEC by 30 September. The regulator has also asked that at least two additional independent directors will have to be appointed to the companies subject to the approval of the commission within 15 days.

* The launching of the country's first ever Exchange Traded Fund (ETF) is impending as the relevant parties are set to get registration certificate of the fund to float the IPO (initial public offering). The initial size of the proposed ETF namely LB Multi Asset Income ETF will be BDT 1 billion, of which BDT 100 million will be contributed by the sponsor, while BDT 20 million will come from the asset manager. The remaining BDT 880 million will be raised through private placement and IPO. Lanka-Bangla Investments is the sponsor of the ETF, while LankaBangla Asset Management is the asset manager.

Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
03-Sep-23	91 Days	7.30%	7.31%
03-Sep-23	182 Days	7.45%	7.43%
03-Sep-23	364 Days	8.05%	8.25%
02-Aug-23	2 Years	8.69%	9.00%
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
Mar-23	7.07%
Apr-23	7.10%
May-23	7.13%
Jun-23	7.10%
Jul-23	7.10%
Aug-23	7.14%

Capital Market

Index	Value
DSEX	6,299.50
FTSE 100	7,510.01
Nikkei 225	32,939.18
Dow Jones IA	34,837.71
S&P 500	4,515.77

USD SOFR

Tenor	SOFR
Overnight	5.31000
1M	5.32887
3M	5.40230
6M	5.45324
1Y	5.36866
Source	Refinitiv, CME Term SOFR

Commodities

Commodity (unit)	Latest Price	Weekly
Brent Crude Oil (BBL)	88.55	4.82%
Gold (OZS)	1938.795	1.27%
ICE-US Cotton (LBS)	89.61	2.40%
Soybean (BSH)	1356.25	-1.79%
Wheat (BSH)	567.5	-4.34%
Sugar (LBS)	25.81	3.95%
Palm Oil (Tonne)	869.75	1.79%
Steel (Tonne)	720.00	-10.34%

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	7.44%	27.4%	-0.30%	9.69%
GDP Annual Growth Rate	6.80%	5.97%	6.30%	6.03%
Policy Repo Rate	6.50%	22.00%	3.45%	6.50%
Government Bond 10Y	7.20%	16.48%	2.65%	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	2.10%	0.20%	0.30%	1.50%
Unemployment Rate	3.80%	4.20%	6.40%	2.70%
Base Rate	5.50%	5.25%	4.25%	-0.10%
Government Bond 10Y	4.17%	4.45%	3.23%*	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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