

Currency Outlook

USDBDT Exchange Rate

Bangladesh's foreign exchange reserves slipped below \$22 billion to \$21.70 billion after the central bank cleared import bills amounting to \$1.36 billion through the Asian Clearing Union (ACU) and sold US dollars to banks.

The Bangladesh Bank has made a formal request to the National Board of Revenue (NBR) to reconsider the 20% "withholding tax" imposed on interest payments for foreign loans in the current budget, arguing that this tax would increase borrowing costs from foreign sources by one-fourth.

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 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 -0.69% weekly change ↓

EUR/USD extends gains on the pullback in the US Dollar. Investors await US CPI, seeking valuable insights into the inflation outlook. Euro's strength could be limited as the ECB is expected to keep interest rates unchanged.

GBPUSD -0.99% weekly change ↓

GBP/USD is trading above 1.2500, moving away from a three-month low. A broad-based USD pullback from a multi-month top is seen as a key factor lending some support. Traders now look to this week's key macro data from the UK and the US for a fresh impetus.

AUDUSD -1.16% weekly change ↓

AUD/USD gains momentum above 0.6420 amid the selling pressure in USD. Markets have been priced in the possibility of a 93% rate hold at the September Fed meeting. The easing fear of China's deflation boosts China-proxy New Zealand Dollar ahead of the US inflation data. Investors will monitor the US CPI, Australian employment data due later this week.

USDJPY 1.08% weekly change ↑

USD/JPY finds an intermediate support near 146.00 as the impact of the BoJ Ueda's hawkish remark starts easing. The USD index corrected from a fresh six-month high near 105.00. Fed policymakers supported keeping the interest rate policy steady. Fed Goolsbee said the central bank is aiming to push the economy to a "golden path".

USDCNY 1.13% weekly change ↑

USD/CNY -1.1% retracement to 7.2608 from 7.3416 stalls. Last at 7.2894, sharp downmove settles near 7.2898. Lower range between 7.2625-7.3000 possible in near term. If it ends below 7.2718, further downside could follow.

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Money Market and Interest Rate

Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	6808.83	-6.63%	6.29%	-0.02%
Repo	4045.152	17.05%	6.50%	-0.04%
Term	41.0	-35.61%	8.19%	0.17%

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 10th Sept'23 where yield for 91D & 364D decreased by 2bp & 4 bps respectively and 182D remained the same. There was no devolvement on BB.

Interest Rate

Overall inflation rate increased to 9.92% from 9.69% in July riding on food inflation, which hits a new high at 12.54%, even as global dearth eases. The August 2023 peak in the consumer price indices happens to be the highest in 12 years, according to statistics Bangladesh Bureau of Statistics (BBS) published 10 Sept.

In the first month of the current financial year of 2023-24, the credit growth fell to 9.82% from 10.57% a month ago, Bangladesh Bank data showed. As per BB official, various factors contributing to the credit squeeze, including the central bank's belt-tightening measures to safeguard foreign-exchange reserves and control inflationary pressures, lingering economic uncertainty at home and abroad and the growing political crisis centering next year's national elections. Prime Minister's Private Industry and Investment Adviser Salman F Rahman hinted at the possibility of increase in the bank interest rates in the coming days as such rates have already gone up globally.

Funds that flew out of the banks' vaults in recent times for trust deficit amid scams and for near-negative gains from savings, started returning back into the banking system as the volume of currency outside the banks dropped significantly in July 2023. According to latest statistics by BB, the volume of currency outside the banks was recorded at BDT 2.92 trillion in June 2023 that declined to BDT 2.66 trillion in the following month of July.

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

Capital Market

* The Dhaka Stock Exchange (DSE) is set to investigate the operational status of 42 listed firms and determine the reasons behind their non-compliance with the listing rules. Raising funds from the investors through the stock market but deprived them of their dividends, not publishing their financials, not holding AGMs regularly are among the accusations raised against these firms.

* Dhaka Stock Exchange (DSE) is planning on wooing garment factories which adopted environment-friendly practices to get listed so that the opportunity to invest in good stocks arises while the factories can diversify their financing portfolio. At present 58 companies are listed in the textile category with the DSE of which eight are categorized as junk stocks due to their lackluster performance. Currently, Bangladesh is home to 9 out of the 10 top "green" industrial units worldwide.

Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
10-Sep-23	91 Days	7.28%	7.30%
10-Sep-23	182 Days	7.45%	7.45%
10-Sep-23	364 Days	8.01%	8.05%
05-Sep-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	6,307.08
FTSE 100	7,478.19
Nikkei 225	32,469.81
Dow Jones IA	34,576.59
S&P 500	4,457.49

USD SOFR

Tenor	SOFR
Overnight	5.31000
1M	5.32946
3M	5.41047
6M	5.47197
1Y	5.42392
Source	Refinitiv, CME Term SOFR

Commodities

Commodity (unit)	Latest Price	Weekly
Brent Crude Oil (BBL)	90.65	2.37%
Gold (OZS)	1917.805	-1.08%
ICE-US Cotton (LBS)	84.41	-5.80%
Soybean (BSH)	1349.5	-0.50%
Wheat (BSH)	567	-0.09%
Sugar (LBS)	26.31	1.94%
Palm Oil (Tonne)	818.57	-5.88%
Steel (Tonne)	720	0.00%

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	7.44%	27.4%	0.1%	9.69%
GDP Annual Growth Rate	7.8%	5.97%	6.30%	6.03%
Policy Repo Rate	6.50%	22.00%	3.45%	6.50%
Government Bond 10Y	7.19%	16.82%	2.67%	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%	0.10%	1.20%
Unemployment Rate	3.80%	4.20%	6.40%	2.70%
Base Rate	5.50%	5.25%	4.25%	-0.10%
Government Bond 10Y	4.30%	4.42%	3.38%*	0.70%

*10-Year Eurozone Central Government Bond Par Yield Curve

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

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