

Currency Outlook

USDBDT Exchange Rate

The government repaid a record-high amount of US\$253.09 million in July against foreign borrowings, as Bangladesh borrowed the highest sum of external credits over the last one decade. In the past years, the government never needed to repay more than \$200 million in the first month, as per Economic Relations Division (ERD). In the last FY23, the government repaid total \$2.67 billion against its outstanding medium- to long-term loans (MLT) to the external lenders, which may cross \$3.0- billion mark at the end of FY24. In FY22 Bangladesh served \$2.017 billion worth of debts.

Amid a dollar crunch for over a year in the domestic market, Bangladeshi importers are experiencing significantly higher costs because of escalating LC confirmation fees charged by foreign banks and the burden of these rising costs is being transferred directly to consumers, precipitating an unwelcome surge in inflation.

The country's YOY trade deficit narrowed by around \$1.46 billion at \$635 million in July FY24 compared to \$2.09 billion in July FY23, as exports grew amid restrained imports, but the financial account deficit widened by \$829 million in July FY24 due to fewer foreign loans and investments, according to Bangladesh Bank data. The trade deficit declined by 48.8% in FY23 to end with a deficit of \$17.16 billion, which was \$33.25 billion at the end of FY22. Foreign exchange reserve stood at \$21.71 billion as of September 13 due to ACU payment of USD 1.31 bio.

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 -0.41% weekly change ↓

The EUR/USD pair recovers from the recent losses and trades near 1.0675. The upside of the major seems limited as investors await the Fed interest rate decision on Wednesday. The immediate resistance level for EUR/USD appears at 1.0712. Further north, the pair will challenge the next hurdle at 1.0755.

GBPUSD -0.60% weekly change ↓

The GBP/USD pair remains on the defensive below the 1.2400 mark. Market players prefer to wait on the sidelines ahead of the key event from this week. On Wednesday, the Fed interest rate decision and the UK CPI for August will be due. These events could trigger the volatility in the pair.

AUDUSD 0.89% weekly change ↑

The AUD/USD pair struggles to gain any meaningful traction and remains confined in a narrow trading band. A positive risk tone undermines the safe-haven USD and lends support to the Aussie. The upside remains capped as traders keenly await the crucial FOMC policy meeting.

USDJPY 0.01% weekly change ↑

USD/JPY oscillates around the 147.68-147.88 region in a narrow trading band. The Federal Reserve (Fed) is likely to hold rates steady on its September meeting. The possibility that the Bank of Japan (BoJ) is notably closer than initially thought to abandon ultra-loose policy rising. Fed interest rate decision, BoJ monetary policy meeting will be closely watched events.

USDCNY -0.93% weekly change ↓

USD/CNY rises modestly to 7.2870 from Fri close 7.2760. Closing above 7.2863 will clear topside path. Conversely, if 7.2625 breaks, downside looms. Property stocks dented after Evergrande arrest. Country Garden has another bond interest deadline.

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Money Market and Interest Rate

Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	6711.37	-0.55%	6.36%	0.07%
Repo	3801.837	-6.01%	6.50%	-0.01%
Term	79.50	93.97%	8.55%	0.35%

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 trio at then end of Jan'23 from 2.48 trio at end of Dec'22. **Auction:** Auction for 91D,182D,364D was held on 17th Sept'23 where yield for 91D & 182D increased by 2bp & 5 bps respectively and 364D remained the same. There was no devolvement on BB.

Interest Rate

The volume of devolvement came down to 60% MoM to BDT56bn in August (85% YoY fall), and zero in the first two weeks of September. According to latest statistics of Bangladesh Bank, the net volume of 'devolvement' stood at BDT 797 billion in the FY'23, in a quantum leap by BDT 510 billion from the previous fiscal year's BDT 290 billion. But starting from this ongoing FY23-24, the pace of high-powered money's share slowed significantly as the volume of devolvement was BDT 137.20 billion in July and BDT 56.28 billion in August.

Private sector credit growth fell to 9.82% in July (75bps fall MoM, 8th consecutive month of fall) on the back of import austerity measures and low investment appetite amid economic concerns. Bangladesh Bank has continued to provide liquidity support to banks' short-term windows like Repo and Islami Bank Liquidity Facility (IBLF). Accordingly, BB extended liquidity support of BDT633bn to banks in June 2023, which more than doubled to BDT1.28tn in July and BDT1.33tn in August.

Inflation rose to 9.92% in August (+23bps MoM) with food inflation hitting a 12-year high of 12.5% (+278bps MoM). Non-food inflation fell 152 bps to 7.95%. Globally, climate-related concerns have led to a 15-year high in rice prices as the top rice exporter, India, has placed restrictions on exports.

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

- Following a High Court order, the Dhaka Stock Exchange (DSE) is going to implement the minimum investment limit of BDT 3 Mn for an investor to be eligible for trading on its SME board from October this year.
- Bangladesh Institute of Capital Market (BCIM) on Thursday announced the launch of "Licensed Mutual Fund Selling Agent Programme". Anyone who completes the course can work as a mutual fund sales agent and sell mutual fund units of as many fund managers as he wants,
- as a part of an initiative to identify whether companies that have been performing poorly over the years have any potential, DSE recently identified that While a number of blue chip stocks are trading at less than BDT 60, shares of a company recently found to be non-existent were trading at BDT 195.6 yesterday.

Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
17-Sep-23	91 Days	7.30%	7.28%
17-Sep-23	182 Days	7.50%	7.45%
17-Sep-23	364 Days	8.01%	8.01%
05-Sep-23	2 Years	8.69%	9.00%
12-Sep-23	5 Years	9.10%	9.00%
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	6,311.29
FTSE 100	7,711.38
Nikkei 225	33,533.09
Dow Jones IA	34,618.24
S&P 500	4,450.32

USD SOFR

Tenor	SOFR
Overnight	5.30000
1M	5.32708
3M	5.40168
6M	5.46584
1Y	5.42144
Source	Refinitiv, CME Term SOFR

Commodities

Commodity (unit)	Latest Price	Weekly
Brent Crude Oil (BBL)	93.93	3.62%
Gold (OZS)	1923.58	0.30%
ICE-US Cotton (LBS)	85.39	1.16%
Soybean (BSH)	1340.25	-0.69%
Wheat (BSH)	604.25	6.52%
Sugar (LBS)	26.91	2.28%
Palm Oil (Tonne)	808.42	-1.24%
Steel (Tonne)	704	-2.22%

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	6.83%	27.38%	0.1%	9.92%
GDP Annual Growth Rate	7.8%	5.97%	6.30%	7.25%
Policy Repo Rate	6.50%	22.00%	3.45%	6.50%
Government Bond 10Y	7.16%	16.78%	2.67%	9.20%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	3.70%	6.8%	5.30%	3.30%
GDP Growth Rate	2.10%	0.20%	0.10%	1.20%
Unemployment Rate	3.80%	4.30%	6.40%	2.70%
Base Rate	5.50%	5.25%	4.25%	-0.10%
Government Bond 10Y	4.34%	4.36%	3.38%*	0.71%

*10-Year Eurozone Central Government Bond Par Yield Curve

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

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