

Currency Outlook

USDBDT Exchange Rate

FX reserves stand at USD 21.45bn as on 20 Sep 2023. Trade deficit in July dipped 70% YoY to USD635mn, with imports slowing down (down 15% YoY to USD5.0bn) and exports remaining strong (up 16% YoY to USD4.4bn). The current account balance boasted a positive of USD537mn in July (last year was a deficit of USD450mn). On the financial account front, in July, debt servicing rose 41% YoY to USD 253mn, while foreign fund disbursement fell 17% YoY to USD 406mn. Foreign short-term loans (net) shrank to USD48mn (down 90% YoY). Driven by slow new loan inflows, the financial account deficit widened to USD895mn in the month (from just USD66mn a year ago). The theme so far in 2023 has been fairly strong Current Accounts being offset by a weak Capital Account.

Pharmaceutical exports from Bangladesh grew nearly 15% YOY in the first two months of FY24 as drug-makers secured international tenders. The number of outbound Bangladeshi workers going with jobs like factory and agricultural workers, waiter, cook, gas worker, carpenter, welder, chef, hotel boy, cleaner, nurse, mason, caretaker, lab technician, driver, ship-breaker, etc. to the non-traditional countries, like the UK and Italy, increased significantly in the recent months. **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 -0.03% weekly change ↓

The Euro has been cycling the 1.0660 level but has so far been unable to meaningfully mount the technical level, and is pacing familiar territory to close out the trading week. On the daily candlesticks, the Euro is decidedly bearish, continuing to decline and down almost 5.5% from July's peak near 1.1275.

GBPUSD -1.22% weekly change ↓

The Pound Sterling continues to struggle against the US Dollar, with the pair down almost 1.5% from the week's high near 1.2425. Daily candlesticks have the pair piercing just above 1.2400, and continued downside will see the pair set to challenge six-month lows, with little technical support between current prices and 2023's lows near 1.1825.

AUDUSD 0.14% weekly change ↑

The AUD/USD remains consolidated at around the year's lows, unable to record a new cycle high, which could trigger a rally. However, a triple-bottom chart pattern is emerging, suggesting that further upside is expected.

USDJPY 0.37% weekly change ↑

The pair has gained steadily through the week, and is set to finish on the high end, currently looking for a foothold just beneath the week's peak of 148.46. On the daily candlesticks the pair is decidedly bullish, up nearly 8% from July's bottom near 137.20. Bullish price momentum is seeing technical support at 147.00.

USDCNY 0.32% weekly change ↑

USD/CNY steady around 7.3000, as SSEC +0.8%, HSI +1.2%. State banks reported to be selling USD onshore. Offshore funding remains expensive, limiting USD/CNH upside. If USD/CNY ends below 7.2920, some longs may trim.

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Money Market and Interest Rate

Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	3810.82	-8.74%	6.49%	0.12%
Repo	2175.6845	-31.05%	6.54%	0.01%
Term	118.30	48.71%	8.46%	-0.09%

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 24th Sept'23 where yield for 91D & 182D both increased by 5 bps and 364D increased by 4 bps . There was no devolvement on BB.

Interest Rate

Tax revenue collection in the first two months of FY24 was up ~15% YoY to BDT462bn, mainly driven by robust growth in VAT (+19% YoY to BDT179) and income tax (+16% YoY to BDT121bn). The government's borrowing from the banking system has remained in check so far in the ongoing fiscal year due to lower expenditures and higher revenue collection. Annual Development Program implementation rate in the first two months of FY24 was flat YoY at 3.8%, however, utilization of foreign funds in ADP spending declined 6% YoY to BDT33.7bn.

According to the central bank, the amount of deposits in the banking sector was BDT16.13 tn in the January-March quarter of 2023, which increased by BDT739.62bn, or 4.59%, to reach BDT16.87 tn at the end of the April-June quarter, which was the highest-ever deposit growth in a single quarter in the country's history.

On the flip side, the banking sector's lending growth squeezed in the April to June quarter owing to a shortage of liquidity at most banks and their unwillingness to extend credits to borrowers already struggling to pay back. The lending of scheduled banks grew 2.92% to BDT 14,461bn in the second quarter compared to the first quarter, according to the data of the central bank. In April-June of 2022, the lending rose by 5% to BDT 12,987bn.

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

- Chittagong Stock Exchange (CSE) has proposed reintroducing intraday same scrip netting to boost liquidity flow in the market through increased transactions. Scrip netting will allow investors to take positions in a security throughout a trading session without waiting for the maturity of shares purchased. Traders/participants will have to settle their net positions at the end of the day with the broker, and then the broker will make the settlement with the exchange.

- Dr ATM Tariquzzaman, who has over 25 years of capital market experience, joined the Dhaka Stock Exchange (DSE) as managing director on Sunday for the next three years. Before joining the DSE, ATM Tariquzzaman was the executive director at the BSEC.

Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
24-Sep-23	91 Days	7.35%	7.30%
24-Sep-23	182 Days	7.55%	7.50%
24-Sep-23	364 Days	8.05%	8.01%
05-Sep-23	2 Years	8.69%	9.00%
12-Sep-23	5 Years	9.10%	9.00%
19-Sep-23	10 Years	9.20%	9.20%
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	6,280.933
FTSE 100	7,683.91
Nikkei 225	32,402.41
Dow Jones IA	33,963.84
S&P 500	4,320.06

USD SOFR

Tenor	SOFR
Overnight	5.30000
1M	5.31751
3M	5.39981
6M	5.47951
1Y	5.48563
Source	Refinitiv, CME Term SOFR

Commodities

Commodity (unit)	Latest Price	Weekly
Brent Crude Oil (BBL)	93.27	-0.70%
Gold (OZS)	1924.99	0.07%
ICE-US Cotton (LBS)	84.04	-1.58%
Soybean (BSH)	1296.25	-3.28%
Wheat (BSH)	579.50	-4.10%
Sugar (LBS)	26.97	0.22%
Palm Oil (Tonne)	785.70	-2.81%
Steel (Tonne)	705.00	0.14%

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	7.15%	16.20%	2.69%	9.20%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	3.70%	6.7%	5.20%	3.20%
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%	4.50%	-0.10%
Government Bond 10Y	4.438%	4.25%	3.38%*	0.75%

*10-Year Eurozone Central Government Bond Par Yield Curve

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

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