

## Currency Outlook

### USDBDT Exchange Rate

Deficit in the country's financial account balance swelled to \$2.02 billion at the end of August from \$946 million a month ago, putting further pressure on the dwindling forex reserves. The trade deficit widened in August to stand at \$1.01 billion, up from \$0.64 billion in July. At the end of September, the country's reserves stood at \$21.15 billion, down from \$23.26 billion at the end of August. In total, by the end of August, deficit in balance of payments increased to \$1.7 billion, up from \$1.06 billion at the end of July, though the lower import and better export flows kept the current account balance in positive. Bangladesh's foreign aid disbursement has dropped 14.48% to USD 739.07mn from USD 864.29mn a year ago, while debt repayment to its development partners has increased to USD 400.5mn in July and August, compared to USD 289.78mn in the same period of FY23. Remittance earnings continued to plunge for the third consecutive month with a 13% year-on-year drop in July-September. In September wage remittance inflow was \$1.34 billion, down 12.7% year-on-year and a 41-month low since April of 2020, when \$1.09 billion came in. The country's LC settlements registered a 35-month low in September, while LC openings also fell by about 16.1% compared to August. According to Bangladesh Bank data, LC settlements or import payments were \$4.37 billion in September, lowest since October 2020. In September, banks opened LCs amounting to \$4.69 billion, from \$5.59 billion in August.

**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 0.15% weekly change ▲

EUR/USD reached 1.0600, marking the highest level in a week, despite the release of strong Nonfarm Payrolls data for September. If EUR/USD returns within the descending channel by making a close below 1.0530, additional losses toward 1.0500 and 1.0450 could be seen.

#### GBPUSD 0.34% weekly change ▲

GBP/USD regained traction and rose to 1.2260, slightly below last week's high. The impressive US September jobs report initially boosted the US Dollar, but the gains were short-lived as it later reversed to the downside. 1.2150, aligns as immediate support before 1.2100 and 1.2050.

#### AUDUSD -0.79% weekly change ▼

AUD/USD is holding higher ground, eyeing 0.6400 after the RBA's Financial Stability Review published. The Aussie pair cheers a risk-friendly market environment and the US Dollar correction. The pair shows positive momentum with the potential to extend gains while above 0.6340. However, a consolidation under 0.6340 would weaken the Australian Dollar.

#### USDJPY -0.02% weekly change ▼

USD/JPY ticks higher, though might struggle to capitalize on the move. Intervention fears, along with a softer risk tone, could benefit the JPY and act as a headwind. Japanese officials express concerns over Yen volatility, while a rise in the 10-year JGB coupon hints at potential BoJ intervention.

#### USDCNY 0.00% weekly change

USD/CNY drifts; after US NFP, China Golden Week data looms. Hong Kong stocks 1.8% rally hints at China optimism. China's Golden Week spending data may augment that view.

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## Money Market and Interest Rate

### Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	4980.34	2.19%	6.70%	0.12%
Repo	2770.09	34.75%	7.16%	7.16%
Term	70.7	-38.48%	8.66%	0.55%

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 8th Oct'23 where yield for 91D & 182D, and 364D all increased by 1.80%, 1.90%, and 1.50% respectively. There was no devolvement on BB.

### Interest Rate

In the sharpest pace of rate increase in at least a decade, Bangladesh Bank raised the policy rate by 75 bps to 7.25% to step up its fight against inflation. The highest lending rate has also been increased to SMART+3.5% for banks. Amid the central bank's belt-tightening, private-sector credit growth continued to plummet fell to 9.75% in August, lowest level since October 2021. BB seems to be backtracking on its decision to provide liquidity support to banks indiscriminately— as the government auction committee is accepting 80% of the bids by commercial banks for the 7-day-tenure liquidity facility, which was 100% earlier. BB has not published any high powered money (through devolvement of Treasury securities) in September and expected to refrain from the devolvement action to combat inflation. Inflation in Bangladesh seems inexplicable with prices stubbornly staying manifold over production costs while it eases worldwide. Prices of some prime essentials, like, potatoes, chickens, eggs, and onions have escalated between 25% and over 100% over the past year.

By a latest account, the Eurozone inflation hit a two-year low at 4.3%, and neighbors - Sri Lanka in particular -- also relax now in rapid relief from high degrees of inflation. Bangladesh's debt-to-GDP ratio is expected to reach 35.6% this year, up from 33.2% in 2022, according to Fitch Ratings. Besides, the ratio will continue increasing to 36.4% next year and 37.2% in the following, which, however, would still be the lowest in the Asia Pacific emerging markets. (Fitch)

**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

- Techno Drugs Ltd plans to raise BDT 1 Bn through IPO under the book-building system. They intend to allocate BDT 250 Mn for upgrading and renovating their Narsingdi factory, BDT 150 Mn for construction works at its factory in BK Bari, Gazipur, BDT 270 Mn for machinery procurement, BDT 300 Mn for loan repayment, and BDT 30 Mn to cover IPO expenses.

- DSE has already geared up for trading in the Open-ended mutual funds on its ATB, while CSE has completed preparation for the launching of ATB shortly. Fund managers oppose the proposition, saying that trading on the main boards would give rise to price volatility, while they would like to see transactions in open-ended MF units remain unchanged - between AMCs and unitholders.

## Market Synopsis

### Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
09-Oct-23	91 Days	9.25%	7.45%
09-Oct-23	182 Days	9.50%	7.60%
09-Oct-23	364 Days	9.75%	8.25%
04-Oct-23	2 Years	9.25%	9.00%
12-Sep-23	5 Years	9.10%	9.00%
19-Sep-23	10 Years	9.20%	9.20%
26-Sep-23	15 Years	9.50%	8.68%
24-Sep-23	20 Years	9.80%	8.83%

### SMART \*\*

Month	SMART
Apr-23	7.10%
May-23	7.13%
Jun-23	7.10%
Jul-23	7.10%
Aug-23	7.14%
Sep-23	7.20%

### Capital Market

Index	Value
DSEX	6,261.72
FTSE 100	7,494.58
Nikkei 225	30,994.67
Dow Jones IA	33,407.58
S&P 500	4,308.50

### USD SOFR

Tenor	SOFR
Overnight	5.32000
1M	5.34107
3M	5.40674
6M	5.45446
1Y	5.39656
Source	Refinitiv, CME Term SOFR

### Commodities

Commodity (unit)	Latest Price	Weekly
Brent Crude Oil (BBL)	84.58	-11.26%
Gold (OZS)	1,832.26	-0.87%
ICE-US Cotton (LBS)	86.85	-0.01%
Soybean (BSH)	1,266.00	-0.71%
Wheat (BSH)	568.25	4.94%
Sugar (LBS)	26.74	1.79%
Palm Oil (Tonne)	764.33	-4.74%
Steel (Tonne)	705.00	0.14%

### Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	6.83%	31.4%	0.1%	9.63%
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	7.34%	16.19%	2.72%	9.20%

### Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	3.70%	6.7%	4.30%	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	4.79%	4.58%	3.77%*	0.80%

\*10-Year Eurozone Central Government Bond Par Yield Curve

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

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