

Currency Outlook

USDBDT Exchange Rate

Bangladesh's FX reserves have slipped to \$20.897 billion as the central bank continues to support banks to facilitate imports. The country had forex reserves of about \$40.7 billion in August 2021 and \$33.4 billion at the end of 2021-22. Volatility in the global market driven by the Russia-Ukraine war has sent commodity prices higher, impacting the reserve level. BB has asked banks to disburse remittances among beneficiaries within two days of receiving it from senders abroad. Remittance earnings slipped 13.34% year-on-year to \$4.9 billion in the July-September period of the current fiscal. The inflow of wage earners remittance during the first three weeks of this month (until October 20) stood at US\$ 1.25 billion, nearly equivalent to the receipts of the four-week period of the previous month (September 2023). Bangladesh Bank has directed banks to ensure that export earnings are brought into the country at specified times to overcome the dollar crisis and reduce the ballooning trade gap.

Bangladesh may receive USD 650mn by December in a second tranche from a USD 4.7bn worth of IMF loan package, as hectic negotiations on the pre-requisites yield positive signals. Around 80% of businesses in Bangladesh opined that the country's economy would avoid further decline in the next six months, according to the LightCastle Business Confidence Index (BCI) 2022-23. They believe this will be made possible by the implementation of reforms outlined by the International Monetary Fund (IMF) to address economic instability.

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 -0.27% weekly change ↓

The EUR/USD has backed off from just below the 1.0600 handle, and the pair is set to round out the week's trading down 1.2% from week's peak near 1.0695. On the daily candlesticks, the Euro is seeing limited success staging a rebound from 2023's lows near 1.0450.

GBPUSD -0.31% weekly change ↓

GBP/USD registers minimal losses after hitting a daily high of 1.2163 on risk appetite, but news headlines showing an escalation of the Middle East conflict weighed on the major. Therefore, the pair reversed its course trades at 1.2112, as sellers eye a test of 1.2100.

AUDUSD 0.35% weekly change ↑

Australian Dollar rebounds from the yearly lows as the US Dollar corrects. Aussie Dollar receives upward support as the RBA is expected to increase interest rates. US Dollar faced pressure as downbeat Core PCE contributed to increasing demand for US bonds.

USDJPY -0.16% weekly change ↓

Japanese Yen rebounds after Tokyo inflation data increases bets the Bank of Japan (BoJ) will tighten policy. The US Dollar loses traction after US inflation comes out in line with estimates. The USD/JPY remains in uptrend but price falling to key make-or-break trendline for short-term chart.

USDCNY 0.02% weekly change ↑

USD/CNY stays firm above 7.3100, no reaction to September industrial profits data. Sept industrial profits -9% ytd, vs -11.7% prior. USD/CNY bid despite another low PBOC fix at 7.1782. Pair last at 7.3165, ranged 7.3101-69 so far.

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Money Market and Interest Rate

Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	3909.42	2.81%	7.76%	0.17%
Repo	1637.62	-0.80%	7.49%	0.06%
Term	19.0	-42.28%	9.38%	-0.27%

Excess reserve (Excess CRR: un-invested cash) in banking system decreased to BDT 78.21 bio by end of Aug'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 to BDT 4.4 trio at then end of Aug'23 from 4.2 trio at end of Jun'23.

Interest Rate

The development budget implementation rate fell below 7.5% in Q1 FY 2023-24, the lowest in eight years, which is usually more than 8%. The government borrowed BDT 257bn from the commercial banks while repaid BDT 295bn to the central bank in July-September, according to Bangladesh Bank data. As a result, the government opted to repay a total of BDT 37bn during Q1 FY24 instead of seeking additional funds from the banking system. Net sales of savings schemes reached BDT 56.63 billion in the July-August period of FY2023-24, in sharp contrast to only BDT 4.01 billion during the same period in FY2022-23. On the investment side, apart from challenges such as high inflation, difficulties in import for the US dollar crisis and rising bank interest rates, a growing political uncertainty has worsened investment sentiment.

The Bangladesh Bank has revamped its monetary policy committee to include external experts as recommended by the IMF in a bid to tackle inflation, which has been above 9% since March. The committee, chaired by the central bank governor, will have seven members, including three external experts, the chairperson of the economics department of Dhaka University, the director general of the Bangladesh Institute of Development Studies and another economist chosen by the central bank board will be the new three members.

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 Capital Market Stabilisation Fund (CMSF) has decided to disburse loans of Tk20mn (USD 0.2mn) to each applicant stock market intermediary, enabling them to make investments in the capital market. The loan disbursement amount was finalised at the fund's board meeting held on 11 October, where the loan interest rate was set at 9%.
- The stock market regulator has imposed fines totalling BDT 103 Mn on 12 owners of two companies, one brokerage firm, three of its officials, and four investors for their violations of securities rules.
- The trial proceedings of the cases filed in connection with the stock market scams in 1996 have not concluded, although 27 years have already elapsed. The delayed trial proceedings of the cases are giving easy remedies to the accused. However, the Bangladesh Securities and Exchange Commission (BSEC) has taken initiatives to revive all 17 cases filed regarding the 1996 and 2010 stock market scams.

Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
29-Oct-23	91 Days	9.60%	9.40%
29-Oct-23	182 Days	9.80%	9.70%
29-Oct-23	364 Days	9.95%	9.85%
04-Oct-23	2 Years	9.25%	9.00%
11-Oct-23	5 Years	10.09%	9.10%
18-Oct-23	10 Years	10.41%	9.19%
24-Oct-23	15 Years	10.55%	9.64%
24-Oct-23	20 Years	10.55%	9.85%

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	6,271.931
FTSE 100	7,291.28
Nikkei 225	30,991.69
Dow Jones IA	32,417.59
S&P 500	4,117.37

USD SOFR

Tenor	SOFR
Overnight	5.31000
1M	5.32412
3M	5.38321
6M	5.44063
1Y	5.37295
Source	Refinitiv, CME Term SOFR

Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	92.16	1.40%
Gold (OZS)	2,005.78	1.25%
ICE-US Cotton (LBS)	84.38	2.40%
Soybean (BSH)	1,297.25	-0.38%
Wheat (BSH)	575.50	-1.79%
Sugar (LBS)	27.34	1.82%
Palm Oil (Tonne)	790.41	-0.12%
Steel (Tonne)	866.00	23.19%

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	5.02%	31.44%	0%	9.63%
GDP Annual Growth Rate	7.8%	5.97%	4.90%	7.25%
Policy Repo Rate	6.50%	22.00%	3.45%	7.25%
Government Bond 10Y	7.35%	15.20%	2.73%	10.41%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	3.70%	6.7%	4.30%	3.00%
GDP Growth Rate	4.90%	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	4.85%	4.55%	3.72%*	0.87%

*10-Year Eurozone Central Government Bond Par Yield Curve

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

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