

## Currency Outlook

### USDBDT Exchange Rate

As on 01 Nov, foreign reserves fell to USD20.89bn, which represents a fall of USD60mn in a week. The reserves tally is set to fall further to USD19.29bn following a USD 1.21bn import payment to the Asian Clearing Union. During Q1 FY24, the current account surplus stood at \$892 million. It was deficit at \$3.68 billion during the same period last year. The trade balance narrowed to \$1.8 billion as imports dropped nearly 24% during Q1 FY24. The financial account balance, continued to widen in the negative territory, driven by a decline in foreign loans and aid, as well as a reduction in trade credits.

The country's financial account balance dipped into negative nearly \$4 billion by the end of September. This is a stark contrast to the positive balance of \$839 million a year ago and the negative balance of \$3.25 billion in August this year. Up until Q1 FY24, foreign fund disbursements declined 9.5% YoY to USD1.28bn; however, commitments grew sevenfold to USD2.88bn. External debt servicing in the period stood at ~USD 871mn, a significant increase of 65% YoY, with interest payments accounting for ~USD 380mn of the amount; the rise comes as several foreign-funded projects have matured.

Migrant workers sent home \$1.98 billion in October, a four-month high, nearly 30% higher YOY and up about 50% September this year. Export earnings in October 2023 fell by 13.64%YOY to \$3.76 billion, the lowest since July this year. The decline was driven by a significant drop in shipments of ready-made garments (RMG) – the country's main foreign-currency earner.

**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 1.56% weekly change** ▲

EUR/USD gained more than 1% on Friday, rising near 1.0730. Upon evaluating the daily chart, a neutral to bullish outlook for the short term is seen. On the four-hour chart, the pair reached overbought conditions, indicating that in the immediate short term, a technical correction may be incoming.

**GBPUSD 2.10% weekly change** ▲

The GBP/USD is accelerating recent gains, end the week near 1.2400. The Pound Sterling made its single best trading day since March. US NFP data miss is sending the Greenback broadly lower, giving a hand to riskier assets.

**AUDUSD 2.81% weekly change** ▲

The AUD/USD has pushed into a 2-month high as the US Dollar slumps post-NFP. Market sentiment has flipped firmly risk on as investors no longer fear more Fed rates. RBA due next week, markets expecting an additional 25 bps.

**USDJPY -0.15% weekly change** ▼

Japanese Yen continues its recovery into the weekend on potential for divergent monetary policy. BoJ has started normalizing policy as other central banks are close to reaching the end of their tightening cycles. USD/JPY declines sharply after Nonfarm Payrolls miss brings into doubt further Fed rate hikes.

**USDCNY -0.23% weekly change** ▼

USD/CNY edges up to 7.3186 from Thursday close 7.3135. Well-bid still, despite rise in Caixin services PMI. Private sector survey bucks official PMI. SSEC +0.3% with broader risk rally as US yields slip. PBOC fix at 7.1796 was just one pip below previous day. Indicates central bank not letting yuan move freely just yet.

**Disclaimer:** This report is prepared by Treasury & FI Division, BRAC Bank Ltd. and to be used for information purposes only. It is not, under any circumstances, to be used or considered as an offer to sell, or a solicitation of any offer to buy. Reasonable care has been taken to ensure that the information is not untrue and misleading. BRAC Bank Ltd makes no representation or warranty as to the accuracy or completeness of such information. All opinions and estimates included in this report constitute our judgment as of this date and are subject to change without notice.

## Money Market and Interest Rate

### Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	3775.58	-3.42%	7.81%	0.05%
Repo	2046.48	8.08%	7.39%	-0.09%
Term	78.7	314.85%	8.40%	-0.98%

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

Industrial production in Bangladesh grew at a slower pace of 8.99% in the last FY 22-23 as consumer demand dropped amid sustained higher inflation, sluggish export growth and falling imports. The slowing trend is likely to persist in the current FY 23-24 amid the lingering downturn in imports of industrial raw materials and intermediate goods as well as political uncertainty. Accordingly private sector credit growth has slowed in September to 9.69% YOY, lowest since October 2021, with banks and borrowers adopting a go-slow strategy amid the upward Treasury yield curve and the subsequent liquidity position of banks and also the political uncertainties. On the flip side, in FY23, public debt grew 20% YoY to BDT16.2tn (36.3% of GDP), of which external debt accounted for BDT6.7tn (+36% YoY) and debt from domestic sources accounted for BDT9.4tn (+11% YoY). Thus government's expenses on interest payments rose 22.14% YOY to BDT 925.38bn in the last fiscal year due mainly to a higher cost of borrowing. Tax revenue collection in 1QFY24 grew 14.3% to BDT76.5bn, driven largely by VAT collection (+18% YoY). The government's net borrowing from savings certificates declined by BDT12.64bn in the September quarter. According to Bangladesh Bank data, the government took BDT216.56bn in loans in Q1 FY 2023-24. However, it repaid BDT229.21bn in principal loans during the same period.

**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

- BSEC has prepared draft rules for stock brokers and dealers in a move to ensure the protection of the clients of brokerage houses. Every brokerage firm needs to appoint a representative of its clients as a director in its board. In addition, to appoint or terminate a CEO, brokerage houses must secure the approval by the BSEC.
- Seven Bangladeshi companies have earned spots on Bloomberg's sustainability list consisting of more than 16,000 global corporations. Their inclusion in the prestigious list is attributed to their strong performance in environmental, social and governance (ESG) initiatives. The companies are Grameenphone, British American Tobacco (BAT) Bangladesh, Marico Bangladesh, BRAC Bank, IDLC Finance, Square Pharmaceuticals, and Walton Hi-Tech Industries.
- Inflation, BDT depreciation and soaring energy prices appear to have adversely impacted a majority of listed MNCs. Eight out of 13 have reported a decline in their business performance in the July-September quarter of this year, as opposed to the preceding April-June quarter.

## Market Synopsis

### Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
06-Nov-23	91 Days	9.90%	9.80%
06-Nov-23	182 Days	9.95%	9.90%
06-Nov-23	364 Days	10.00%	10.00%
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%
25-Oct-23	15 Years	10.55%	9.64%
25-Oct-23	20 Years	10.55%	9.85%

### SMART \*\*

Month	SMART
May-23	7.13%
Jun-23	7.10%
Jul-23	7.10%
Aug-23	7.14%
Sep-23	7.20%
Oct-23	7.43%

### Capital Market

Index	Value
DSEX	6,267.90
FTSE 100	7,426.99
Nikkei 225	32,708.48
Dow Jones IA	34,061.32
S&P 500	4,358.34

### USD SOFR

Tenor	SOFR
Overnight	5.33000
1M	5.32176
3M	5.38017
6M	5.42589
1Y	5.32590
Source	Refinitiv, CME Term SOFR

### Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	84.89	-6.18%
Gold (OZS)	1,992.27	-0.67%
ICE-US Cotton (LBS)	79.62	-5.64%
Soybean (BSH)	1,327.50	2.33%
Wheat (BSH)	572.5	-0.52%
Sugar (LBS)	27.77	1.57%
Palm Oil (Tonne)	797.29	0.87%
Steel (Tonne)	873.00	0.81%

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

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	5.02%	26.9%	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	7.32%	15.23%	2.67%	10.41%

### Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	3.70%	6.7%	2.90%	3.00%
GDP Growth Rate	4.90%	0.20%	-0.10%	1.20%
Unemployment Rate	3.90%	4.30%	6.50%	2.60%
Base Rate	5.50%	5.25%	4.50%	-0.10%
Government Bond 10Y	4.58%	4.29%	3.58%*	0.92%

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

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

For further information please contact:

Dealing Room, Treasury & Financial Institutions, BRAC Bank Limited

Phone: +88028801257-58 E-mail: dealing.room@bracbank.com