

## Currency Outlook

### USDBDT Exchange Rate

With the expiry of grace periods for some mega projects such as the Padma Bridge rail and Bangabandhu Tunnel, Bangladesh is facing increasing pressure to service its debt comprising principal and interest amounts. The impending inclusion of the Rooppur Nuclear Power Plant in this list in 2026 is expected to significantly heighten the burden of loan repayment, as per the ERD. The foreign debt service burden is now set to increase by \$1.19 billion in the current fiscal year, followed by \$1.31 billion and \$1.41 billion in the subsequent two fiscal years. Bangladesh's balance of payments faces moderate risk among four South Asian countries owing to a drastic fall in foreign currency reserves, according to global credit ratings agency Moody's. The current account showed a small surplus of USD892mn in 1QFY24 (was a deficit of USD3.68bn in 1QFY23) following the strong squeezing of imports (down 24% YoY) while the trade deficit declined to USD1.8bn (was USD7.6bn in 1QFY22). Overall, the Balance of Payments deficit widened by more than USD1bn YoY to USD2.8bn in 1QFY24, driven by the widening of the financial account (dipped to negative USD4bn compared to the positive balance of USD839mn in 1QFY22). This can be attributed to the slide in the private sector's short-term external borrowing; the outstanding balance fell to USD12.53bn in September (a fall of USD1.23bn in one quarter). According to EPB data, total export earnings fell 13.6% YoY to USD3.76bn (26-month low) in Oct'23 as apparel exports faced difficulties (down 13.9% YoY to USD 3.17bn).

**Outlook:** Through country's current account became surplus, BDT may depreciate further against USD due to the pressure in the financial account.

### Global Currencies

#### EURUSD 2.12% weekly change ▲

EUR/USD trades higher near 1.0920 as Fed is expected to end rate hikes. EUR/USD could reach immediate resistance around the major level at 1.0950. Technical indicators suggest a stronger momentum; bulls could target August's high at 1.1064. A firm break below 1.0900 could inspire the bears.

#### GBPUSD 1.96% weekly change ▲

GBP/USD edges higher amid weaker USD, remains below 100-day barrier near 1.2500. Bets that the Fed will not hike rates again and a positive risk tone undermine the Greenback. Expectations that the BoE will start cutting rates in 2024 amid looming recession to cap gains.

#### AUDUSD 2.26% weekly change ▲

Australian Dollar gains ground after China's interest rate decision. Australia's Dollar receives upward support due to the downbeat Greenback. PBoC kept LPR unchanged at 3.45% as expected. US Dollar plunged on Friday despite upbeat US housing data.

#### USDJPY -1.24% weekly change ▼

USD/JPY slides back closer to monthly low amid the emergence of fresh USD selling. Dovish Fed expectations continue to weigh on the USD and act as a headwind for the pair. A positive risk tone could undermine the safe-haven JPY and help limit any further losses.

#### USDCNY -1.07% weekly change ▼

USD/CNY cracks another big figure, reaching low of 7.1856. Clean break through 7.2000 psych barrier has cleared path. Little technical resistance seen on daily USD/CNY charts. 7.1500 may be the next target for USD as punters flip bets.

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## Money Market and Interest Rate

### Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	4139.95	-17.99%	7.96%	0.21%
Repo	1621.12	-13.72%	7.66%	0.20%
Term	65.6	101.36%	9.70%	1.08%

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

Bank deposits in September grew 9.51% YoY to BDT16.2tn (+4% MoM); the growth rate, however, fell 67bps on a MoM basis. High inflation rates continue to be a concern- headline inflation rose to 9.93% in October (30bps MoM) with food inflation standing at 12.56% (+19bps MoM) and nonfood at 8.30% (+48bps MoM). Given the current high rates scenario, the government is expected to rely more on shorter tenures (bills and short-tenure bonds) to meet their borrowing needs. The government's net borrowing from savings certificates declined by BDT 12.6bn in the September quarter, as new borrowings (BDT216.6bn) were less than repayments (BDT229.2bn). Financial crunch incapacitates Petrobangla to pay its way as gas bills defaulted by state-owned power plants and fertilizer factories bills for over past nine months after tariff hike. The energy corporation, as such, is left in a double bind: it is failing to make payment to overseas LNG suppliers and domestic natural gas-producing multinationals while overdue bills getting accumulated.

The government's ADP spending from its own purse rose in the first four months of the current fiscal year while the use of the funds from the foreign aid portion of the budget fell. Between July and October of 2023-24, implementation was about 11.54%.

**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 government's revenue earnings from the Dhaka Stock Exchange declined by 82.61% or BDT 7.29bnn (USD 65.7mn) in the July-October period of the current financial year 2023-24 compared with that from the DSE in the same period of the previous financial year. The National Board of Revenue received taxes worth BDT 8.8bn (USD 79.5mn) in July-October of FY24 against BDT 1.6bn (USD 14.5mn) in the same period of FY23, according to DSE data.
- Dhaka Stock Exchange (DSE) seeks authority to review applications of initial public offerings (IPO) so that it can ensure quality listings in order to boost investors' confidence. Once the stock exchanges had the opportunity to examine IPO applications and give their review, but currently the Bangladesh Securities and Exchange Commission (BSEC) approves all types of public offerings.

## Market Synopsis

### Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
20-Nov-23	91 Days	10.20%	10.00%
20-Nov-23	182 Days	10.40%	10.20%
20-Nov-23	364 Days	10.60%	10.30%
08-Nov-23	2 Years	10.90%	9.25%
15-Nov-23	5 Years	10.99%	10.09%
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	6,241.44
FTSE 100	7,504.25
Nikkei 225	33,446.34
Dow Jones IA	34,947.28
S&P 500	4,514.02

### USD SOFR

Tenor	SOFR
Overnight	5.32000
1M	5.33253
3M	5.36693
6M	5.36347
1Y	5.20073
Source	Refinitiv, CME Term SOFR

### Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	80.61	-1.01%
Gold (OZS)	1980.01	2.23%
ICE-US Cotton (LBS)	78.92	2.07%
Soybean (BSH)	1340.25	0.51%
Wheat (BSH)	550.75	-4.26%
Sugar (LBS)	27.18	-0.40%
Palm Oil (Tonne)	840.32	3.98%
Steel (Tonne)	890.00	-0.34%

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

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	4.87%	26.9%	-0.2%	9.93%
GDP Annual Growth Rate	7.8%	5.97%	4.90%	6.03%
Policy Repo Rate	6.50%	22.00%	3.45%	7.25%
Government Bond 10Y	7.23%	15.07%	2.66%	10.41%

### Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	3.20%	4.6%	2.90%	3.00%
GDP Growth Rate	4.90%	0.00%	-0.10%	-0.5%
Unemployment Rate	3.90%	4.20%	6.50%	2.60%
Base Rate	5.50%	5.25%	4.50%	-0.10%
Government Bond 10Y	4.45%	4.10%	3.40%*	0.753%

\*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