

Currency Outlook

USDBDT Exchange Rate

The country's banking sector has been experiencing higher repayment than borrowing of short-term external loans, leading the financial account to fall in deficit of nearly \$4 billion in July-September period of this FY. According to central bank data, the nation repaid \$24 billion in short-term foreign loans in the first eight months of this year, roughly \$5 billion more than it borrowed during the same period. The total private sector external debt declined to \$12.42 billion in September from \$16 billion in December last year. Forex reserves position fell to USD19.5bn as on 22 November (down 5% in 2 weeks). On the financial account front, in July-October FY24, foreign fund disbursement fell 17% YoY to USD1.6bn while commitments witnessed the opposite trend, rising to USD3.6bn in the period (from just USD414mn last year same period). The dip in foreign fund disbursement is attributed to the government agencies' limited spending capacity and disruptions caused by election-centered violence and blockades, impeding the smooth execution of development projects. On the trade front, in the same period, import of industrial inputs continued to be slow - the total value of LC opening fell 11.5% YoY to USD21.8bn, with LC opening for capex falling 21% YoY to USD731mn, for industrial raw materials falling 16% YoY to USD7.3bn and for intermediate goods falling 21% YoY to USD1.52bn. Export earnings edged up to \$17.45 billion in the July-October period from \$16.85 billion in the same period in the past FY. Inflow of remittances dropped by 4% to \$6.88 billion during this period compared to \$7.17 billion in the previous FY.

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 0.08% weekly change ▲

The pair faces some selling pressure, as the US Dollar finds its feet amid a mixed market sentiment and ahead of a slew of Fed speeches. Speeches from ECB officials also remain in focus. Month-end equity portfolio rebalancing flows could renew EUR/USD buying interest this week and guide the pair back above 1.0960 resistance which stands in the way of a rise to 1.10.

GBPUSD 0.20% weekly change ▲

GBP/USD could reach the resistance level at 1.2650. The next level to be tested is big figure 1.2700. The Pound Sterling (GBP) shows strength against the US Dollar (USD) for the fourth consecutive day, showcasing the resilience of the UK economy.

AUDUSD 0.36% weekly change ▲

Australian Dollar extends its gains despite downbeat Retail Sales data from the country. The AUD/USD pair hovers near its peak from early August near the 0.6625 level, benefiting from a downward bias that has left the Greenback appearing susceptible.

USDJPY -0.60% weekly change ▼

The US Dollar continues to reel from the pain of the ongoing sell-off in the USD/JPY pair. The Japanese Yen extends its bullish momentum against the US Dollar, as Japan's inflation data suggested that the economy is making progress

USDCNY 0.05% weekly change ▲

USD/CNY is hovering at 7.1560 and remains well propped above 200 DMA support of 7.1371. Chinese PMI data on Thursday may create downward momentum.

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Money Market and Interest Rate

Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	3953.26	-4.51%	8.12%	0.16%
Repo	1621.12	-13.72%	7.66%	0.20%
Term	53.1	-19.08%	8.60%	-1.09%

Excess reserve (Excess CRR: un-invested cash) in banking system decreased to BDT 59.91 bio by end of Sep'23 from BDT 78.21 bio as of end of Aug'23. Total liquid asset (excess of min required asset) including excess investment in government treasury securities decreased to BDT 4.28 bio at then end of Sep'23 from 4.37 bio at end of Aug'23.

Interest Rate

Bangladesh Bank raised the repo rate by 50bps to 7.75% (effective from 27 November) in a bid to control inflation. Surplus liquidity in the banking sector fell to BDT1.64tn (down 6% MoM), with banks having to rely on the central bank to meet their liquidity needs. On 23 November central bank's liquidity support through repo to the inter-bank market was BDT 547 bio. The depreciation of the local currency against the US dollar, NPL buildup under a lenient loan-rescheduling regime and higher government borrowing from the banking system following a contractionary stance on money supply among the matters sapping liquidity of the banks. On the other side, receding remittances and export receivables in the supply chain of funds are also prompting squeeze in the liquidity stock of the banks.

The Bangladesh Bank forecasts a minimum GDP growth of 6.5% in the fiscal 2023-24, down from the government's optimistic projection of 7.5%. This outlook aligns with the Asian Development Bank's September estimate but falls below assessments by the World Bank, the International Monetary Fund, and credit rating agencies Fitch and Moody's. Providing insights into inflation, the central bank estimates point-to-point inflation at 8% by January and 6% by June. It attributes this to contractionary measures implemented by the Bangladesh Bank and the government, including policy rate hikes and the removal of caps on lending and deposit rates to align with market forces. Additional measures to curb inflation involve the decision not to lend to the government by printing money and tightening import regulations.

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 broad market index was down 0.4% this week, while ADTV declined 8.0% WoW to BDT4.0bn. The latest policy rate hike by a further 50 basis points amid a tightened monetary space fueled concerns among investors regarding the market outlook
- The Advanced Chemical Industries (ACI) Limited has decided to raise BDT6bn through issuing Sukuk instruments. The company's board took the decision at a meeting on Sunday (26 November).
- The Dhaka Stock Exchange (DSE) has inaugurated a state-of-the-art data centre, aiming to enhance the efficiency of daily share transactions.

Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
27-Nov-23	91 Days	10.35%	10.20%
27-Nov-23	182 Days	10.50%	10.40%
27-Nov-23	364 Days	10.70%	10.60%
08-Nov-23	2 Years	10.90%	9.25%
15-Nov-23	5 Years	10.99%	10.09%
22-Nov-23	10 Years	11.02%	10.41%
29-Nov-23	15 Years	11.21%	10.55%
29-Nov-23	20 Years	11.26%	10.55%

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	6,233.71
FTSE 100	7,488.20
Nikkei 225	33,625.53
Dow Jones IA	35,390.15
S&P 500	4,559.34

USD SOFR

Tenor	SOFR
Overnight	5.31000
1M	5.34716
3M	5.38658
6M	5.39152
1Y	5.25962
Source	Refinitiv, CME Term SOFR

Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	80.58	-0.04%
Gold (OZS)	2,001.97	1.11%
ICE-US Cotton (LBS)	80.39	1.86%
Soybean (BSH)	1,330.75	-0.71%
Wheat (BSH)	548.75	-0.36%
Sugar (LBS)	26.98	-0.74%
Palm Oil (Tonne)	831.55	-1.04%
Steel (Tonne)	901.00	1.24%

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	4.87%	26.89%	-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%	7.75%
Government Bond 10Y	7.27%	15.12%	2.71%	11.02%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	3.20%	4.6%	2.90%	3.30%
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	4.47%	4.28%	3.27%*	0.77%

*10-Year Eurozone Central Government Bond Par Yield Curve

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

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