

Currency Outlook

USDBDT Exchange Rate

Interbank market is still showing high demand of USD as banks are struggling to meet import payments. BB is continuously supporting Government Banks to meet large ticket import payments to prevent further volatility in the exchange rate. Latest BB data shows reserves at USD 39.359 bio, whereas just a year ago it was 48.043 bio. BB has injected \$1.905 billion in first 55 days of FY 23 as on 25 August 2022 directly to commercial banks as liquidity support for import payments in the current fiscal year. Apparel exporters are feeling the pinch of a looming global recession, persisting higher inflation and dragging severe fallout of the Russia-Ukraine war as orders from international buyers have fallen.

The government has requested the World Bank to confirm a budgetary-support loan worth US\$1.0 billion and release the second tranche of a loan, approved earlier. The downtrend in global commodity and energy price along with recession fear may help to contain import volume in coming days. The government has already adopted some supply-side interventions to contain the aggregate domestic demand. It is expected that these initiatives from the government and the central bank will help control the situation or bring it to a desirable level in the next two to three months. LC opening came down to USD 5.6 bio in July, which is lower by USD 1.8 bio from June'22 but is 10.6% more than Jul'21. Imports need to be reined in to prevent draining of FX reserves.

Outlook: If commodity prices continue downward movement in international markets and recession hits global economy, USD may depreciate gradually in coming days.

Global Currencies

EURUSD -0.70% weekly change ↓

Powell fails to bend markets out of shape, status quo points to 1.0120/50. Bulls can target 1.0120/50 so long as 1.0000/0.9980 holds. However, the downside remains favored as odds are favoring a hawkish commentary on interest rates.

GBPUSD -0.68% weekly change ↓

GBP/USD has reversed its direction after having advanced to 1.1900. The pair fell sharply during Powell's presser as Fed's chief unwound risk-aversion. GBP/USD is consolidating the fall from the August 10 1.2277 high. The monthly outside bearish candle reinforces bearish tech signals.

AUDUSD 0.29% weekly change ↑

Federal Reserve's Jerome Powell's hawkish speech has sent a bid on the US dollar and has rocked financial markets with stocks down and bond yields up. Given its high beta status, the Aussie dropped heavily, losing around 35 pips on the knee jerk. The AUD/USD pair is mildly bullish according to the daily chart with 0.6960 is the immediate support level.

USDJPY 0.43% weekly change ↑

USD/JPY is extending gains above 137.00, as JPY bulls fail to capitalize on hotter Japanese inflation amid a potential BOJ inaction. The US dollar firms up in Asia, as risk tone turns sour ahead of Fed Chair Powell's speech at Jackson Hole. The Fed-BoJ policy divergence and a positive risk tone undermine JPY.

USDCNY 0.88% weekly change ↑

USD/CNH-Psychological 6.9000, major Fib in focus after Powell. USD/CNY edges up to 6.8555, maintaining bullish stance. Beijing yet to take bigger steps to deter yuan sellers. Break of 6.8970 puts 6.9850/7.000 resistance zone in focus.

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Money Market and Interest Rate

Money Market

Item	Avg. Vol. (Cr.)	% Δ (Vol.)	WAR	% Δ (WAR)
Call	4,448.52	-34.20%	5.49%	0.04%
Repo	3,766.00	7.29%	6.38%	0.24%
Term	39.34	-24.66%	8.10%	0.48%

Excess reserve (Excess CRR: un-invested cash) in banking system increased to BDT 268 bio by end of Jun'22 from BDT 220 bio as of end of May'22. Total liquid asset (excess of min required asset) including excess investment in government treasury securities increased to BDT 2.03 trio at end of Jun'22 from BDT 1.89 trio as of May'22.

Auction: 91D & 364D T-Bill auction has been cancelled yesterday. 15Y and 20Y cut off maintained previous level.

Outlook: Money Market is expected to remain moderately tight for uncertainty of repo support from Bangladesh Bank.

Interest Rate

Remaining focused on expenditure reduction, Government ADP spending scored 0.96% of its total allocation showing 15.78% YOY de-growth. Due to the austerity measures taken by Govt, ADP implementation rate of current fiscal year is expected to remain lower than in other fiscal years. On the other hand, overall revenue collection has increased by around 16% YOY in July due to 38% growth in customs duty. Total 0.177 trio has been collected by NBR in July which is BDT 30 bio less than the monthly target but shows growth in yearly comparison. Also, negative growth in base year helped growth rate to appear higher in the same month of the current fiscal year. On a special note, OPEC stands ready to cut output to correct the recent oil price decline driven by poor futures market liquidity and macro-economic fears of slowdown in china economy and recession in many countries including Europe, UK and USA.

Deposit flow decreased in banking channel significantly against soaring credit demand. In FY22 loan private sector credit growth was 13.66% while deposit growth was only 8.90%. The government's borrowing from the Bangladesh Bank increased to BDT 563.97bn in July 2022 compared with that of BDT 221.60bn in the same month of the past year due to liquidity pressure in the banking sector. In July 15 to July 31, the government borrowing from the central bank increased by BDT 47.20bn. Inflation is maintaining its upward pressure mainly attributable to Costly diesel, rocketing import costs followed by appreciation of US dollar and a war in the Europe, while market syndication here was fuelling up twinge further, according to experts.

Outlook: Interest rate is expected to remain upward due to inflationary pressure, higher credit demand and stressed liquidity in wholesale market.

Capital Market

- Due to the NBR suggested source tax on cash dividends, Mutual funds sector is experiencing price drop over past few week even after disbursing handsome dividends in recent times.
- IPO of Navana Pharma is set to open for subscription on September 13, aiming to raise BDT750 Mn under the book-building method. The cut-off price of the company's share was fixed at BDT34 each through electronic bidding by eligible investor

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Market Synopsis

Treasury Bill & Bond Yields

Latest Issue Date	Tenor	Latest Yield	Previous Yield
03-Nov-21	7 days (BB Bill)	1.95%	1.95%
10-Nov-21	14 Days (BB Bill)	2.46%	2.45%
18-Nov-21	30 Days (BB Bill)	2.65%	2.44%
22-Aug-22	91 Days	6.04%	6.24%
22-Aug-22	182 Days	6.69%	6.68%
16-Aug-22	364 Days	6.83%	6.89%
03-Aug-22	2 Years	7.52%	7.40%
10-Aug-22	5 Years	7.81%	7.89%
17-Aug-22	10 Years	8.19%	8.00%
24-Aug-22	15 Years	8.56%	8.55%
24-Aug-22	20 Years	8.65%	8.65%

Capital Market

Index	Value
DSEX	6,423.94
FTSE 100	7,427.31
Nikkei 225	28,641.38
Dow Jones IA	32,283.40
S&P 500	4,057.66

USD LIBOR

Tenor	LIBOR
1M	2.52386
2M	N/A
3M	3.06957
6M	3.56643
1Y	4.12329

Commodities

Commodity (unit)	Latest Price	Weekly Change
Brent Crude Oil (BBL)	100.99	4.41%
Gold (OZS)	1,736.86	-0.63%
ICE-US Cotton (LBS)	122.12	1.98%
Soybean (BSH)	1,605.25	7.82%
Wheat (BSH)	784.75	4.18%
Sugar (LBS)	18.47	2.10%
Palm Oil (Tonne)	929.00	1.67%
Steel (Tonne)	794.00	0.89%

USD SOFR

Tenor	SOFR
Overnight	2.28000
1M	2.45933
3M	2.90628
6M	3.25148
1Y	3.51904
Source	Reuters CME Term SOFR

Released Economic Data (South Asia & China)

Indicator	India	Pakistan	China	Bangladesh
CPI (YoY)	6.71%	24.90%	2.70%	7.48%
GDP Annual Growth Rate	4.10%	3.94%	0.40%	7.25 (P) %
Policy Repo Rate	5.40%	15.00%	3.65%	5.50%
Government Bond 10Y	7.22%	12.59%	2.67%	8.19%

Released Economic Data (G8 Countries)

Indicator	USA	UK	Eurozone	Japan
CPI (YoY)	8.5%	10.1%	8.90%	2.60%
GDP Growth Rate	1.7%	2.9%	3.9%	0.20%
Unemployment Rate	3.50%	3.80%	6.60%	2.60%
Base Rate	2.50%	1.75%	0.50%	-0.10%
Government Bond 10Y	3.03%	2.61%	2.18%	0.22%

*10-Year Eurozone Central Government Bond Par Yield Curve