

BB officially declares single digit regime

Bangladesh Bank (BB) instructed the scheduled banks to cap lending rates at 9% for all existing and fresh loans to the large industries as well as Small and Medium Enterprises (SMEs) except credit card from April 01, 2020. However, the interest rate on pre-shipment credit to exporters will remain unchanged at maximum 7%. As per the latest circular of BB, 2% additional interest will be charged as penalty if any borrower fails to pay installments. Moreover, credit portfolios of the banks to private sector should not be lower than the average balance in the last three years. Earlier, the Association of Bankers Bangladesh (ABB) pleaded to keep SMEs out of the purview of single digit interest as the sector is relatively risky for bankers due to the very nature of the sector. However, BB did not pay heed to the plea. Until February 14, 2020, twenty-one banks lowered the deposit rate on Fixed Deposit Receipt (FDR) to 6% as per the decision taken at the ABB meeting held on January 28, 2020. However, a lawyer of Supreme Court (SC) lodged a writ petition to the High Court on public interest challenging the legality of the decision of the government on capping the deposit rates. Until now, the bankers extracted numerous facilities from BB to bring down the interest rate to single digit. Economists cautioned that the forceful implementation of single digit interest would harm the banking sector first and gradually the economy as banks would be more interested to sanction loans to the large corporate clients instead of the SMEs. However, the business community hailed the decision of BB.

GP pays first tranche to remain in business

In line with the order of the Appellate Division (AD) of the Bangladesh Supreme Court, Grameenphone (GP), the telecom giant, finally deposited a tranche of Tk10b in a bid to settle the claim against dues from Bangladesh Telecommunication Regulatory Commission (BTRC). The AD directed GP to pay next tranche of Tk10b to the BTRC within next three months after hearing a review petition filed by the mobile phone operator. The Court also warned that if GP failed to pay the amount within the stipulated time, the High Court injunction against the realization of the audit claim by the BTRC would be vacated. Earlier, the Supreme Court (SC) directed GP to pay Tk20b within three months as on November 24, 2019. GP, a subsidiary of Norwegian Telenor Group, has been in a bitter contention over audit claim amounting Tk125.80b for the best part of the last year. Of the total amount, the company owed Tk84.94b (Tk22.99b as original claim and Tk61.94b as late fee with interest) to the BTRC whereas the rest of the amount was the claim of the National Board of Revenue (NBR). According to the last audited financial statements for the period ending on December 31, 2019, the company reported net comprehensive income of Tk34.59b and Tk16.99b as retained earnings while cash and cash equivalents accounted Tk13.76b from which the company would have to pay Tk5.40b for the proposed 40% final cash dividend. As GP contested the audit claim of the BTRC, the company did not maintain any provision against the hefty claim though the company significantly reduced its proposed dividend for the last year. Financial analysts have feared that financial performance of the company at the end of the first half (January-June) of 2020 might stumble as the company has to pay Tk20b in the timeframe. Amid the ongoing dispute, share price of the company, the highest capitalized listed company on the Dhaka bourse, slid by 25.5% to Tk274.4 in the last fourteen months.

Provision shortfall shrinks by 18% in last quarter

Provisioning shortfall in the banking system decreased by 18% to Tk66.55b in the fourth quarter (Q4) of 2019 compared to Tk81.29b in September 2019, as the classified loans dropped by nearly 19% to Tk943.31b in December 2019 from Tk1.16-trillion three months ago. However, the overall shortfall increased slightly by 0.61% (Y-o-Y) to Tk66.55b in 2019 from a year earlier, as per the figures revealed by the Bangladesh Bank (BB). Under the regulations of BB, all banks are required to keep 0.25%- 5% provisions for general category loans, 20% for substandard category, 50% for doubtful loans and 100% against bad loans. However, twelve out of 59 banks failed to maintain the required provisions against Non Performing Loans (NPLs) mostly in the fourth quarter (Q4) of 2019. Among the state owned banks, BASIC bank recorded the highest shortfall of Tk33.34b and AB Bank among the private banks experienced the highest shortfall at Tk6.37b compromising the security of depositors' fund. Following the lenient rescheduling policy of Bangladesh Bank (BB), the percentage of Non Performing Loans (NPLs) in the total outstanding loans came down to 9.32% in December 2019 from 11.99% three months back and 10.30% in December 2018.

Provision Shortfall in Banks (Figures in Bn)

Source: Bangladesh Bank (BB)

Banks	Amount	Banks	Amount
BASIC Bank	33.34	National Bank	4.87
Sonali Bank	21.56	Dhaka Bank	4.25
Agrani Bank	14.42	Social Islami Bank	2.96
Rupali Bank	8.78	MTB	2.75
AB Bank	6.37	Trust Bank	1.64
Commerce Bank	5.38	Standard Bank	1.61

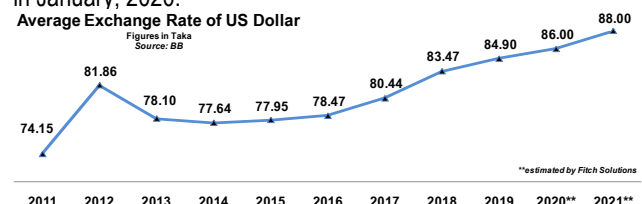
Taka likely to depreciate: Fitch prognosis

Fitch Solutions, a global credit & macro intelligence solutions provider, forecasted that the Bangladeshi Taka is expected to weaken against the greenback to Tk86 (on an average) by 2020 and Tk88 by 2021. In 2019, the exchange rate of Taka against the US dollar averaged Tk84.92. As per the statistics of Bangladesh Bank (BB), the average exchange rate of US currency was Tk83.47 in 2018 and Tk80.44 in 2017. The agency rationalized that BB would allow depreciation of Taka with a view to lifting up export earnings and boosting inward remittance in line with the projected GDP growth target of 8.2% for FY2019-20. In the first seven months of FY2019-20 apparel export, that accounts for about 85% of total exports, declined by 5.71% (Y-o-Y). However, inward remittance logged an impressive growth of 21.43% (Y-o-Y) in the same period riding on the 2% cash incentives. The rating agency feared that remittance inflow might get a blow this year because of weak oil prices as around 57% of total remittance comes from the Middle Eastern countries. Moreover, the growing coronavirus outbreak might pressurize BB to weaken Taka by a larger limit. Additionally, Ready-made Garments (RMG) exporters have been demanding the devaluation of local currency for long as the competing countries devalued their currencies to boost exports. However, the agency clarified that a sharp depreciation of Taka would be unlikely as rate of inflation breached the target of 5.5% and stood at 5.57% in January, 2020.

Average Exchange Rate of US Dollar

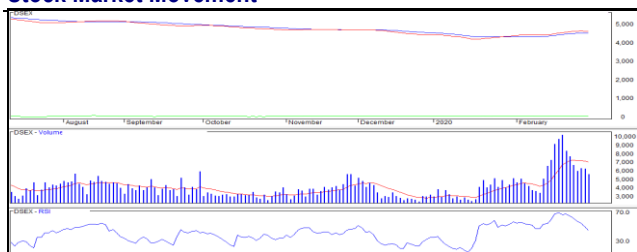
Figures in Taka

Source: BB



**estimated by Fitch Solutions

Stock Market Movement



Global Markets

	This Week	Last Week	+/- %
S&P 500	2,954.22	3,337.75	-11.49
FTSE 100	6,580.61	7,403.92	-11.12
Nikkei 225	21,142.96	23,386.74	-9.59
SENSEX	38,297.29	41,170.12	-6.98
KSE 100	37,983.62	40,249.22	-5.63

DSE Indicators

	This Week	Last Week	+/- %
DSE Broad Index	4,480.23	4,733.14	-5.34
Total Turnover, Tk	30,874,562,857.00	45,217,474,944.00	-31.72
Market Capital, Tk	2,843,846,238,524	3,005,155,420,945	-5.37
No of Issue Gain	66	242	
No of Issue Loss	280	91	
No of Unchanged Issues	12	25	

Top Gainers

Weighted avg. Closing Price (Tk)

Company	Last Week	This Week	Change %	Turnover (Tk)
Central Pharma	9.90	13.80	39.39	268,915,000
VFS Thread Dyeing	24.70	30.40	23.08	906,741,000
CVO Petrochemical	101.90	120.80	18.55	142,971,000
Far Chemical	9.50	11.20	17.89	381,814,000
Beacon Pharma	50.40	59.40	17.86	308,281,000
Bengal Windsor	19.50	22.80	16.92	79,033,000
Silva Pharma	18.00	21.00	16.67	445,958,000
Nahee Aluminum	39.00	45.40	16.41	302,040,000
Olympic Accessories	7.00	8.00	14.29	86,023,000
Intraco Refueling	15.20	17.10	12.50	161,407,000

Top Losers

Weighted avg. Closing Price (Tk)

Company	Last Week	This Week	Change %	Turnover (Tk)
Prime Insurance	25.9	19.40	-25.10	3,931,000
Saiham Textile Mills	43.2	33.30	-22.92	177,283,000
BRAC Bank Ltd.	48.0	37.10	-22.71	702,663,000
Northern Jute	462.2	373.90	-19.10	193,626,000
International Leasing	4.7	3.90	-17.02	30,948,000
FAS Finance	5.1	4.30	-15.69	24,034,000
BSRM Steels Limited	47.3	40.00	-15.43	69,440,000
Standard Ceramic	501.7	425.60	-15.17	185,378,000
RAK Ceramics (BD)	34.0	29.40	-13.53	45,569,000
VAMLRBBF	5.9	5.2	-11.86	3,458,000

Sectoral Index & Turnover

Sector	Sectoral Index			Turnover (Tk.M)		
	This Week	Last Week	Change %	This Week	Last Week	Change %
Bank	337.58	365.05	-7.53	1,800.68	3,065.19	-41.25
Cement	263.49	280.05	-5.91	1,151.32	1,802.75	-36.14
Ceramic	552.43	619.57	-10.84	319.32	646.28	-50.59
Engineering	2,007.48	2,100.89	-4.45	4,213.45	6,700.82	-37.12
Food & Al.	3,349.78	3,630.77	-7.74	1,512.92	1,987.99	-23.90
Fuel & Pow.	3,625.73	3,822.80	-5.16	2,449.54	4,631.27	-47.11
Insurance	1,530.05	1,617.94	-5.43	1,355.89	3,754.59	-63.89
IT	347.18	347.92	-0.21	878.91	1,316.96	-33.26
Jute	1,057.54	1,206.83	-12.37	233.01	270.94	-14.00
Misc.	1,139.23	1,157.40	-1.57	1,562.21	2,597.63	-39.86
Mutual Fund	408.42	426.32	-4.20	538.84	1,126.60	-52.17
NBFI	898.48	943.22	-4.74	548.88	1,059.63	-48.20
Paper	7,578.94	8,023.47	-5.54	399.23	467.80	-14.66
Pharma	1,090.99	1,127.52	-3.24	5,193.56	5,743.96	-9.58
Service	1,017.59	1,035.82	-1.76	194.64	404.64	-51.90
Tannery	670.94	690.54	-2.84	516.14	729.22	-29.22
Telecom	2,546.64	2,741.53	-7.11	1,346.96	1,348.24	-0.10
Textile	1,239.86	1,255.38	-1.24	4,692.21	6,093.57	-23.00
Travel & Leis	580.17	597.69	-2.93	487.69	329.54	47.99

Technical Talk

Dhaka stocks dived in the last week as anxious investors dumped their shares amid concern on the repercussion of the single-digit interest rate. Moreover, tension over coronavirus pandemic made local investors worried as stock markets around the world also plummeted last week fearing a huge toll on the global economy. No sector could not see an increase during the last week. Among the major sectors, Bank decreased by 7.53% over the week followed by Telecom 7.11%, Cement 5.91%, Insurance 5.43%, Fuel & Power 5.16%, NBFI 4.74%, Pharma 3.24%, Tannery 2.84% and Textile 1.24%.

DSE Broad Index (DSEX) reached 4,480.23 points decreased by 252.91 points or 5.34% from the previous week. Total turnover reached at Tk30,874.56m which was 31.72% lower than the previous week. Market capitalization decreased by 5.37% and stood at Tk2,843.85b (\$33.50b) at the weekend against Tk3,005.16b. DSE 30 decreased by 100.43 points or 6.31% and closed at 1,492.37 points against 1,592.80 points. Last week's weighted average Market PE was 11.88 which was 12.56 previous week.

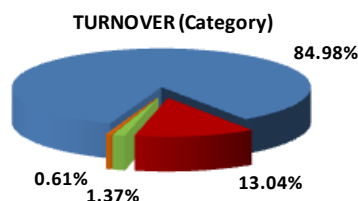
Top Turnover Companies

Company	Volume	Value (Tk)	% of total
Grameenphone Ltd.	3,825,042	1,156,657,000	3.75
VFS Thread Dyeing	31,879,209	906,741,000	2.94
Orion Pharma Ltd.	16,194,618	763,215,000	2.47
BRAC Bank Ltd.	17,568,706	702,663,000	2.28
Indo-Bangla Pharma	25,309,361	642,012,000	2.08
Orion Infusion Ltd.	6,904,943	616,823,000	2.00

Top 10 Market Capital

			In million
GP	370,522	BERGERPBL	65,230
BATBC	177,552	BRAC Bank Ltd.	61,549
Square Pharma	174,705	ICB	51,370
United Power	132,908	LafargeHolcim	51,217
RENATA	87,760	MARICO	45,758

Category wise Turnover



Commodity Price

	This Week	Last Week	Change %
Gold (USD/t.oz)	1,640.00	1,616.60	1.45
Silver (USD/t.oz)	17.66	18.31	-3.56
Brent Crude Oil (USD/bbl.)	51.73	59.31	-12.78

Exchange Rate

	This Week		Last Week		Change %	
	TT	BC	TT	BC	TT	BC
USD	84.90	84.95	84.90	84.95	0.00	0.00
EUR	94.10	94.15	92.55	92.61	1.67	1.67
GBP	109.13	109.20	110.38	110.45	-1.13	-1.13
AUD	55.55	55.59	56.56	56.59	-1.78	-1.78
JPY	0.79	0.79	0.77	0.77	3.24	3.24
CAD	63.69	63.73	64.54	64.58	-1.31	-1.31
SAR	22.74	22.76	22.75	22.76	-0.01	-0.01

Based on Standard Chartered selling rates to public in Taka. Notes: USD-US Dollar, GBP-Great Britain Pound, AUD-Australian Dollar, JPY- Japanese Yen, CAD-Canadian Dollar, SAR-Saudi Riyal.

Last Public Offerings

Company	Subscription Period	Offer Price	IPO (M.Tk)
N/A			