

### **Banks give cash dividend in capital erosion worries**

Banks were compelled to declare cash dividend for the year ended on December 2019 due to The Finance Act 2019, during the crisis period when they are required to hold cash to strengthen capital bases. According to the Act, the listed companies will be charged with 10% tax if their retained earnings and reserves exceed 50% of their paid-up capital and also, if they declare more stock dividend than the cash dividend in percentage. The objective of the act was to encourage cash dividend in the stock market that might attract investors and eventually, enhance liquidity in the market. However, banks should be declaring more stock dividends and fortifying their capital base to confront challenges arising from the ongoing pandemic in 2020. The ongoing economic distress caused by the pandemic aggravated the risk of credit loss among banks. Most banks have already reported lower capital base than the regulatory requirement as their Capital Adequacy Ratio (CAR) stood at 11.57% in December 2019 against the regulatory limit of 12.50% as per Basel III, according to Bangladesh Bank (BB) statistics. Additionally, the likelihood of increased default loans this year put the capital base of the banking sector in a tight spot during this year, economists expressing concerns. Of 30 listed banks, twenty-nine declared dividends for 2019 and twenty-four out of the twenty-nine declared cash dividends, though only twelve banks distributed cash dividend in the previous year.

### **Number of inactive BO accounts soar**

The prolonged bear-run in the stock market shattered the confidence level of retail investors and consequently number of inactive Beneficiary Owner (BO) accounts increased in the recent months. As of 30 June 2020, some 0.25m of the total BO accounts ended the fiscal year with no share, CDBL statistics shows. The statistics revealed that the number of BO accounts dropped by 9.10% (Y-o-Y) to 2.56m in June 2020. Meanwhile, only two companies and one corporate bond raised Tk3.07b through Initial Public Offering (IPO) in the just concluded fiscal year - which might be a reason behind the increasing number of inactive BO accounts as many investors open BO account only to apply for the IPO shares, experts assume. In addition, the Covid-19 outbreak together with the depressed outlook of the stock market also led many foreign and local investors to liquidate their investment to avoid loss. At the end of FY2019-20, DSEX, the key index of Dhaka Stock Exchange (DSE), settled at 3,989 points losing 1,432 points while the total market capitalization plunged by 22% (Y-o-Y) to Tk3,119b, as per DSE statistics.

### **Lowest ADP execution rate in 27-year**

Annual Development Program (ADP) spending plunged to 27-year low in FY2019-20 as development activities were almost halted due to the countrywide shutdown to contain the outbreak of Covid-19. According to the Implementation Monitoring Evaluation Division (IMED), the development expenditure dropped by 3.01% (Y-o-Y) to Tk1.61-trillion in the recently-concluded fiscal year against Tk1.66-trillion in FY2018-19. Ministries and Divisions spent 80.18% of the total revised ADP allocation during the concluded fiscal year. ADP spending in the last month of FY2019-20 went up significantly to Tk455.79b compared to the previous month since the government resumed all economic activities at the beginning of June. Meanwhile, the government set an audacious allocation of Tk2.05-trillion for ADP for the FY2020-21.

### **Bank interest spread drops below 3%**

Interest spread of the banking sector dropped below 3% for the first time after the introduction of single digit interest rate in the banks. According to Bangladesh Bank (BB), the overall weighted average interest rate spread squeezed to 2.92% in April 2020, the first month of enforcing lending rate ceiling, from 4.07% in March. The interest rate spread in banks was 2.94% in May. In February, the government asked all the scheduled banks to implement the lending rate ceiling from April 1, 2020. Earlier, BB reduced the interest rate spread by 1% from 5% in March 2018 as part of the move to bring down the lending and deposit rates to 9% and 6% respectively. Although the overall spread in the banking sector slipped, 13 banks still maintain a spread above the Bangladesh Bank-set limit of 4%. In May, the spread in the Private Commercial Banks (PCBs) came down to 2.97% as their weighted average deposit and lending rate dropped to 5.64% and 8.61% respectively. Economists opined that it would be better if the banks manage to lower Non-Performing Loans (NPLs) and deficit in provisioning to bring down the interest rate spread rather than lower deposit rates further and lending to Small and Medium Enterprises (SMEs).

### **Inflation exceeds target in FY2019-20**

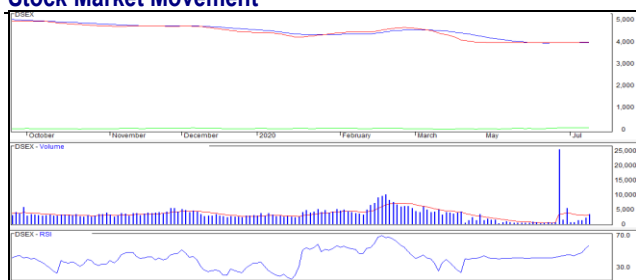
The weighted-average inflation rate rose to 5.65% in the just-concluded FY2019-20 exceeding the target of 5.50% for the year, as per the figures from Bangladesh Bureau of Statistics (BBS). Moreover, the inflation rate was 17 basis points higher over 5.48% of the previous fiscal year. Point-to-Point inflation hiked by 50 basis points in the last month of FY2019-20 and stood at 6.02% owing to a significant rise in urban Consumer Price Index (CPI) on the back of the supply chain disruption. The latest statistics revealed that the food inflation increased significantly to 6.54% in June from 5.09% in May while the non-food inflation dropped to 5.22% in June from 5.75% in May.

### **Government bank borrowing cross Tk850b in FY2019-20**

Government borrowing from the banking system exceeded Tk850b for the first time in the just concluded FY2019-20 on the back of dismal revenue collection and gloomy sales of National Savings Certificates (NSCs). According to the latest statistics released by Bangladesh Bank (BB), volume of government borrowing through Treasury bills/bonds mounted to Tk787.31b in the fiscal year where the banking sector contributed around 80% and the rest 20% came from NBFIs, insurance companies and others. In addition, the central bank lent another Tk65b to the government and consequently the total borrowing by government from the internal sources (excluding NSCs) stood at Tk852.31b in the fiscal year as against the target of Tk824.21b, set for the year. The government found no other way without bank borrowing as revenue collection fell short of the revised target for the FY2019-20 by Tk851b against the backdrop of coronavirus outbreak. As per the statistics of the National Board of Revenue (NBR), the revenue board managed to collect Tk2.15 trillion in the fiscal, down by 3.79%, or Tk84.92b, from Tk2.23 trillion collected in the earlier fiscal year. Moreover, net sale of NSCs also plunged by 76.43% (Y-o-Y) to Tk110.11b in the July-May period of the fiscal according to the statistics of the Directorate of National Savings, which also attributed to the hefty borrowing by the government. Veteran economists fear that the volume of government bank borrowing might continue to rise in the next FY2020-21 if the recovery of economy from the pandemic-induced contraction prolongs, which would eventually batter private sector investment.

The week's data runs 09 July 2020 to 16 July 2020

## Stock Market Movement



### Global Markets

	This Week	Last Week	+/- %
S&P 500	3,224.73	3,185.04	1.25
FTSE 100	6,290.30	6,095.41	3.20
Nikkei 225	22,696.42	22,290.81	1.82
SENSEX	37,020.14	36,594.33	1.16
KSE 100	37,330.85	36,190.40	3.15

### DSE Indicators

	This Week	Last Week	+/- %
DSE Broad Index	4,069.11	4,061.57	0.19
Total Turnover, Tk	15,080,407,619.00	9,405,637,342.00	60.33
Market Capital, Tk	2,572,062,743,934	2,567,041,466,391	0.20
No of Issue Gain	79	48	
No of Issue Loss	100	18	
No of Unchanged Issues	179	281	

### Top Gainers

#### Weighted avg. Closing Price (Tk)

Company	Last Week	This Week	Change %	Turnover (Tk)
GQ Ball Pen	77.20	107.70	39.51	164,475,000
Eastern Insurance	35.00	44.40	26.86	80,288,000
Fine Foods Limited	47.90	56.40	17.75	193,390,000
Agrani Insurance Co	20.90	24.60	17.70	94,456,000
Sonar Bangla Ins	32.60	38.10	16.87	134,574,000
Baraka Power	20.60	23.60	14.56	163,654,000
Paramount Textile	49.30	56.00	13.59	279,395,000
Pioneer Insurance	30.00	33.80	12.67	110,168,000
MIDAS Financing	9.60	10.80	12.50	11,325,000
Islami Bank Bd Ltd	17.60	19.80	12.50	159,711,000

### Top Losers

#### Weighted avg. Closing Price (Tk)

Company	Last Week	This Week	Change %	Turnover (Tk)
The Dacca Dyeing	4.80	3.80	-20.83	943,000
Appollo Ispat Complex	3.30	2.90	-12.12	3,533,000
Pubali Bank Ltd.	23.00	20.90	-9.13	16,167,000
Tallu Spinning Mills	3.30	3.00	-9.09	1,111,000
ICBEMF1S1	6.80	6.20	-8.82	15,310,000
Libra Infusions Limited	534.40	492.70	-7.80	2,767,000
Phoenix Fin 1 <sup>st</sup> MF	8.00	7.40	-7.50	30,143,000
Ambee Pharma Ltd.	470.20	440.60	-6.30	12,365,000
SEML FBLSL GF	8.30	7.80	-6.02	15,619,000
Active Fine Chemicals	13.30	12.50	-6.02	48,651,000

### Sectoral Index & Turnover

Sector	Sectoral Index			Turnover (Tk.M)		
	This Week	Last Week	Change %	This Week	Last Week	Change %
Bank	320.52	319.56	0.30	980.05	978.65	0.14
Cement	218.61	218.63	-0.01	167.60	3.97	4,124.88
Ceramic	497.76	497.76	0.00	180.18	7.14	2,422.07
Engineering	1,681.37	1,682.08	-0.04	1,255.65	274.61	357.24
Food & Al.	3,023.87	3,022.63	0.04	549.38	227.35	141.65
Fuel & Pow.	3,224.68	3,247.18	-0.69	1,068.90	537.16	98.99
Insurance	1,406.97	1,370.81	2.64	1,408.54	1,047.16	34.51
IT	310.47	305.34	1.68	442.11	64.38	586.73
Jute	952.32	970.96	-1.92	51.99	28.95	79.60
Misc.	1,023.85	1,034.47	-1.03	661.53	252.55	161.94
Mutual Fund	365.89	369.97	-1.10	287.55	207.59	38.52
NBFI	792.07	797.90	-0.73	149.12	89.95	65.77
Paper	6,490.76	6,435.45	0.86	215.77	9.55	2,159.16
Pharma	1,053.88	1,047.93	0.57	4,010.23	3,511.56	14.20
Service	822.60	824.02	-0.17	92.70	17.38	433.51
Tannery	588.44	588.39	0.01	62.59	4.41	1,320.49
Telecom	2,252.21	2,228.53	1.06	882.73	575.46	53.40
Textile	1,030.95	1,022.13	0.86	779.13	148.23	425.62
Travel & Leis	570.71	570.71	0.00	0.93	1.79	-47.90

## Technical Talk

Dhaka stocks closed higher for the fourth straight week ended on Thursday despite profit booking sell-offs. However, the ultimatum of the BSEC to hold minimum shareholding of directors and directive of the central bank on easing foreign investment also created a positive impact. Among the major sectors, Insurance increased by 2.64% over the week followed by Telecom 1.06%, Textile 0.86% and Pharma 0.57%.

DSE Broad Index (DSEX) reached 4,069.11 points increased by 7.54 points or 0.19% from the previous week. Total turnover reached at Tk15080.41m which was 60.33% higher than the previous week. Market capitalization increased by 0.20% and stood at Tk2572.06b (\$30.30b) at the weekend against Tk2567.04b. DSE 30 decreased by 0.61 points or 0.04% and closed at 1,368.76 points against 1,369.37 points. Last week's weighted average Market PE was 10.96 which was 10.90 previous week.

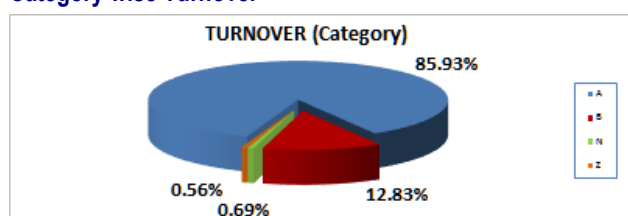
### Top Turnover Companies

Company	Volume	Value (Tk)	% of total
Beximco Pharma	10,811,199	805,419,000	5.34
Square Pharma	3,370,413	607,829,000	4.03
Indo-Bangla Pharma	21,429,290	468,983,000	3.11
Bangladesh Submarine	4,805,958	445,443,000	2.95
Grameenphone Ltd.	1,805,861	437,288,000	2.90
Orion Pharma Ltd.	8,871,705	395,899,000	2.63

### Top 10 Market Capital

Company	Market Capital (In million)
GP	60,690
BATBC	52,493
Square Pharma	49,219
United Power	42,296
RENATA	41,693

### Category wise Turnover



### Commodity Price

	This Week	Last Week	Change %
Gold (USD/ft.oz.)	1,798.70	1,799.20	-0.03
Silver (USD/ft.oz.)	19.50	18.88	3.26
Brent Crude Oil (USD/bbl.)	43.37	42.35	2.41

### 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	98.98	99.04	97.87	97.93	1.13	1.13
GBP	109.34	109.41	109.32	109.39	0.02	0.02
AUD	59.73	59.79	59.31	59.34	0.70	0.76
JPY	0.80	0.80	0.80	0.80	-0.09	-0.10
CAD	62.86	62.90	62.80	62.84	0.10	0.10
SAR	22.75	22.76	22.75	22.77	-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)
Express Insurance	June 14-July 02, 2020	10	260.79
Walton Hi-Tech indus.	August 09-August 16, 2020	252	1,000