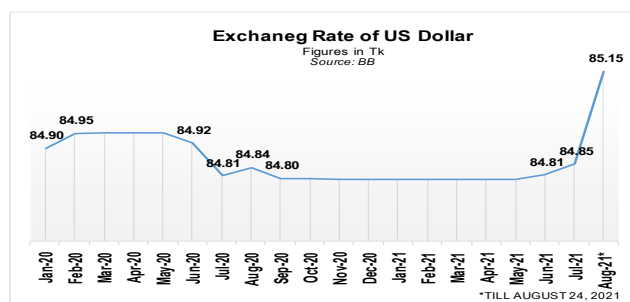


Increasing capital market exposure by banks worries BB

Investment by banks in the capital market started rising since last year as per Financial Stability Report of Bangladesh Bank (BB). According to it, such investments rose by Tk41b last year while income from core banking shrunk due to the lending rate-cap of 9% alongside sluggish business activity due to the Covid-19 pandemic. The consolidated capital market exposure of banks rose to 24% of the total paid-up capital in 2020 from 22.8% earlier in 2019. However, the investment was much lower than their permissible limit since the maximum exposure limit was 50% of their total paid-up capital. Although the central bank introduced a liquidity support scheme in February 2020 allowing banks to form special fund of Tk2b each to invest in the capital market over the next 5 years to strengthen the deteriorating liquidity condition in the capital market during that time, banks showed reluctance to invest in the capital market till June last year. However, a substantial rise in money supply in the banking system by BB to stimulate the economy along with a strong inflow of foreign currency and a lack of demand for loans by the private sector resulted in the highest ever excess liquidity in the banking sector. Liquidity glut in the banking sector reached Tk2315b in June 2021 this year, up from Tk1395b in June 2020. This huge influx of liquidity led the banks to increase their investments in the capital market. The stock market investment by banks was further fueled by the minimal return on investments in the money market instruments. However, the BB recently moved to curb the increasing money flow in the capital market through banks. As per the latest move, BB instructed banks to report capital market exposure and short term loans on a daily basis. Moreover, BB has already pulled out Tk126.75b from the banking sector through issuing bills. BB accepted bids at the highest yield rate last week in the auction to curtail the rising money flow to non-productive sectors from banks.

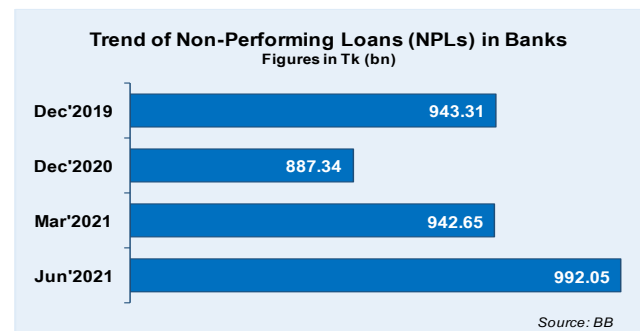
Taka depreciate against US Dollar

After remaining stable for more than a year, Bangladeshi Taka (BDT) depreciated by 35 paisa against the US Dollar on August 24, 2021 due to higher demand for the greenback to settle import payments. Besides, both export earnings and inward remittance plunged in July 2021 that also contributed for the depreciation. Dollar was quoted at Tk85.15 in the interbank market on the day against Tk85.10 of the previous working day. It was Tk84.80 on August 02 this year, according to the recent reports of Bangladesh Bank (BB). However, the central bank has kept the market stable by buying dollars continuously for the last one and a half years. In the FY2020-21, BB bought a total of US\$8b from the commercial banks, which is registered as record purchase ever.



Toxic loan up in H1

Default loans in the banking sector rose by Tk104.71b during the first half of 2021 despite enjoying policy support from the central bank with relaxed and suspended loan classification and provisioning requirements. The volume of Non-Performing Loans (NPLs) stood at Tk992.05b at the end of June 2021, which was 8.18% of the total outstanding loans of the sector, according to the Bangladesh Bank (BB) reports. NPLs increased as the central bank lifted the moratorium, which had prevented downgrading of the credit status of borrowers. Default loans went down last year as the central bank offered a repayment moratorium facility and loan classification for all kinds of borrowers, considering the economic distress arising from Covid-19 pandemic. But in a new circular issued by BB on March 24, 2021, it has been mentioned that the repayment moratorium would be offered for specific sectors on the basis of bank-customer relationships. Different types of facilities have been extended depending on the type of loans. Some banks did not extend the deferral facility for bad customers, which was one of the reasons for the increasing trend of NPLs. Later on June 27, this year, BB again extended the policy relaxation on loan installments payment. Under the new deadline, if 20% of the installment that was required to be paid by 30 June is paid by 31 August, the borrower will not be considered as a defaulter. State-owned banks have been overburdened with defaulted loans the amount of which in these banks rose to Tk438.36b from Tk422.73b as on December 31 last year. On the other hand, the total amount of classified loans with private banks reached Tk491.91b as on June 30 last from Tk403.61b in the final quarter of last year. Foreign commercial banks saw defaulted loans increase to Tk24.92b from Tk20.38b in Q4 of 2020, whereas classified loans in specialized banks came down to Tk36.85b as on June 30 last from Tk40.61b six months before.



Dismal investment scenario

Private investment scenario of the country is not very satisfying owing to the lingering uncertainty caused by the coronavirus pandemic and continuing structural weaknesses. In the FY2020-21, the Private Investment-to-Gross Domestic Product (GDP) ratio declined to 21.25%, the Bangladesh Bureau of Statistics (BBS) revealed. This is the lowest ratio since 2007-08. The overall Investment-to-GDP ratio was 29.92% in FY21, the lowest in five years. However, the Public Investment-to-GDP ratio increased amid the pandemic as the government accelerated spending to safeguard the economy and the people from the crisis. The Public Investment-to-GDP ratio was 8.67% in FY21, up from 8.41% in FY20 and 8.03% in FY19.

The week's data runs 19 August 2021 to 26 August 2021

Stock Market Movement



Global Markets

	This Week	Last Week	+/- %
S&P 500	4,509.37	4,441.67	1.52
FTSE 100	7,148.01	7,087.90	0.85
Nikkei 225	27,641.14	27,013.25	2.32
SENSEX	56,124.72	55,329.32	1.44
KSE 100	47,136.53	47,599.82	-0.97

DSE Indicators

	This Week	Last Week	+/- %
DSE Broad Index	6,851.32	6,760.62	1.34
Total Turnover, Tk	130,424,354,866	103,118,525,595	26.48
Market Capital, Tk	4,971,122,263,504	4,901,987,986,127	1.41
No of Issue Gain	218	224	
No of Issue Loss	139	143	
No of Unchanged Issues	21	11	

Top Gainers

Company	Last Week	This Week	Change %	Turnover (Tk)
SBACBANK	17.60	24.60	39.77	1,140,354,000
Metro Spinning	27.30	35.00	28.21	1,099,552,000
Janata Insurance	44.50	56.90	27.87	781,182,000
PadmaIslami Life Ins	35.40	43.90	24.01	282,459,000
Regent Textile Mills	13.50	16.70	23.70	264,849,000
IPDC Finance	33.90	41.00	20.94	997,780,000
Union Capital	10.70	12.70	18.69	270,247,000
Shahjibazar Power	90.10	106.90	18.65	2,000,465,000
Aziz Pipes	119.00	140.10	17.73	256,934,000
MHSML	20.00	23.20	16.00	588,124,000

Top Losers

Company	Last Week	This Week	Change %	Turnover (Tk)
EBL NRB Mutual Fund	7.50	7.00	-6.67	162,953,000
Miracle Industries	45.70	42.80	-6.35	283,481,000
Shinepukur Ceramics	38.70	36.30	-6.20	619,233,000
Stylecraft	193.20	181.40	-6.11	234,699,000
Desh General Ins.	51.30	48.30	-5.85	234,078,000
National Housing Fin.	68.40	64.50	-5.70	1,012,585,000
Pioneer Insurance	145.80	137.90	-5.42	322,207,000
Appollo Ispat Complex	13.30	12.60	-5.26	607,731,000
Anlima Yarn Dyeing	49.90	47.30	-5.21	208,404,000
Pacific Denims	16.60	15.80	-4.82	267,756,000

Sectoral Index & Turnover

Sector	Sectoral Index			Turnover (Tk.M)		
	This Week	Last Week	Change %	This Week	Last Week	Change %
Bank	498.66	493.29	1.09	13,603.48	13,288.98	2.37
Cement	430.58	423.05	1.78	3,720.37	3,429.36	8.49
Ceramic	866.39	878.77	-1.41	1,878.56	1,845.14	1.81
Engineering	8,208.49	8,227.64	-0.23	12,609.58	9,183.13	37.31
Food & Al.	5,286.52	5,246.35	0.77	3,374.73	2,706.72	24.68
Fuel & Pow.	4,441.21	4,308.32	3.08	14,093.62	7,534.79	87.05
Insurance	3,124.00	3,074.34	1.62	14,615.58	8,199.31	78.25
IT	587.02	583.08	0.68	2,410.61	2,002.25	20.39
Jute	1,216.30	1,187.96	2.39	533.34	232.11	129.78
Misc.	2,336.36	2,367.95	-1.33	9,036.24	7,538.91	19.86
Mutual Fund	627.00	619.73	1.17	3,431.57	2,344.07	46.39
NBFI	1,556.97	1,420.75	9.59	13,382.02	11,573.13	15.63
Paper	7,682.05	7,499.27	2.44	792.07	610.91	29.65
Pharma	1,594.07	1,577.98	1.02	10,811.98	8,794.22	22.94
Service	1,519.76	1,498.46	1.42	1,872.74	1,961.43	-4.52
Tannery	815.89	782.76	4.23	1,117.89	365.70	205.69
Telecom	4,942.13	4,834.57	2.22	1,587.32	997.09	59.19
Textile	1,819.41	1,801.62	0.99	18,284.61	15,629.68	16.99
Travel & Leis	490.72	508.00	-3.40	532.88	461.99	15.34

Technical Talk

The Dhaka stocks closed the week in green trajectory for the tenth straight week as a section of investors showed buying appetite amid a very few investment options in the wake of Covid outbreak in the country. Of the five trading sessions last week, first three sessions witnessed sharp rise while last two saw moderate corrections following the central bank's money-market-probe news. Among the major sectors, NBFI increased the highest by 9.59%, followed by Fuel & Power 3.08%, Telecom 2.22%, Cement 1.78% and Mutual Fund 1.17%.

DSE Broad Index (DSEX) stood at 6,851.32 points after increasing by 90.70 points or 1.34% from the previous week. Total turnover reached at Tk130424.35m, which was 26.48% higher than the previous week. Market capitalization increased by 1.41% and stood at Tk4971.12b (\$58.35b) at the weekend against Tk4901.99b. DSE 30 increased by 29.88 points or 1.23% and closed at 2,453.43 points against 2,423.55 points. Last week's weighted average Market PE was 20.01 which was 19.71 previous week.

Based on the daily charts of DSE movement, which is used to track short-term trend, technical readings are as under:

Relative Strength Index (RSI)

The RSI indicator reached to overbought territory indicating susceptibility to price correction. Last week, RSI was 81.66.

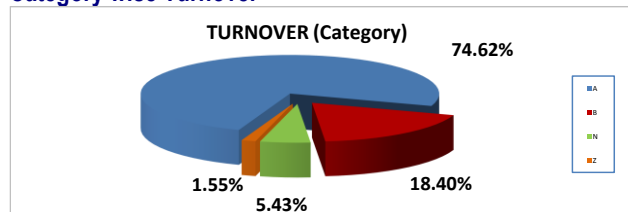
Top Turnover Companies

Company	Volume	Value (Tk)	% of total
Beximco Ltd.	57,991,574	6,153,273,000	4.72
LankaBangla Finance	76,691,061	3,115,799,000	2.39
Power Grid	50,053,880	2,914,197,000	2.23
LafargeHolcim BD	35,920,855	2,670,371,000	2.05
Beximco Pharma	12,871,077	2,567,688,000	1.97
IFIC Bank	121,214,918	2,054,026,000	1.57

Top 10 Market Capital

Company	Volume	Value (Tk)	% of total
GP	492,724	United Power	153,777
Walton Hi-Tech	421,494	RENATA	125,088
BATBC	307,584	ICB	104,065
ROBI	227,850	Beximco Ltd.	91,225
Square Pharma	193,584	LafargeHolcim	85,477

Category wise Turnover



Commodity Price

	This Week	Last Week	Change %
Gold (USD/t oz.)	1,820.50	1,782.60	2.13
Silver (USD/t oz.)	24.08	22.97	4.83
Brent Crude Oil (USD/bbl.)	71.59	64.98	10.17

Exchange Rate

	This Week		Last Week		Change %	
	TT	BC	TT	BC	TT	BC
USD	85.20	85.25	84.90	84.95	0.35	0.35
EUR	102.23	102.29	103.11	103.48	-0.85	-1.15
GBP	119.51	119.58	120.25	120.32	-0.62	-0.62
AUD	62.17	62.23	63.02	63.21	-1.35	-1.55
JPY	0.78	0.78	0.78	0.79	0.00	-1.27
CAD	67.83	67.87	68.48	68.52	-0.95	-0.95
SAR	22.23	22.85	22.75	22.78	-2.29	0.31

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)
Beximco Green Sukuk Al Istisna'a	16 Aug - 06 Sep, 2021	100	7,500