B a n g l a d e s h
Weekly Market Review
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BSEC scraps index-based margin loan limit

The Bangladesh Securities and Exchange Commission (BSEC) repealed a previous instruction linking margin loan limit with the prime index of the Dhaka bourse. From now on, broker and merchant banks can extend credit facilities at 1:0.80 ratio if the Price to Earnings (P/E) ratio of the concerned security remains within 40. Earlier on 12 August 2021, the BSEC introduced the index-linked margin loan limit for the first time to reduce increasing risk of leveraged investors from over-priced stocks as the continued surge of the market was going on. Later on 21 September 2020, the BSEC made amendments on the limit as the index reached 7000 points. As per the previous order of August, the BSEC directed reduction of margin loan limit from 1:0.80 to 1:0.50 as soon as the prime stock market index cross 7,000 points. The September amendment enabled merchant banks and brokerage houses to provide margin loans to their clients at maximum 80% of their total investment as long as the key index of Dhaka Stock Exchange (DSE) remained below 8,000 points and at maximum 50% of their total investment if the DSEX crosses 8,000 points. While some market experts viewed the index-linked margin loan limit was one of the psychological barriers to spontaneous market movement, some others opine the frequent shifting of goalpost as knee-jerk reactions.

Liquidity in banks shrink on rising credit demand

Credit growth rate in the private sector increased to 8.77% in September 2021 from 8.42% a month back, with signs of acceleration of economic recovery. Meanwhile, the rising credit demand has already put pressure on money rates. Due to the pandemic-induced sluggish economic activities, credit growth registered a historic low of 7.55% in May this year, which turned upward in June (8.35%) and maintained the uptrend till now. Lending rates, call money rates, bond rates all are now on the upward trend. Demand for loans has grown significantly with the improved pandemic control condition. Liquidity in the banking system went up during the epidemic. According to statistics released by Bangladesh Bank (BB), liquidity glut in the banking sector surged by 66% (Y-o-Y) to reach Tk2,315b on June 30, 2021, hitting an all-time high amount. The figure was Tk1,395b in June 2020 and Tk856b in June 2019. The central bank has initiated a move last August to mop up excess liquidity flow from the money market. At present, Covid-19 cases have come down and investment activities have increased. Consequently, liquidity is also decreasing. Call money rate was at 14-month high on 15 November 2021, due to a sudden increased demand of cash in banks with increased activities in various sectors of the economy recently. Additionally, the banks have to keep 13% of deposit volume in the form of Statutory Liquidity Ratio (SLR) with the central bank. Therefore, the banks are more inclined to the money market to patch shortfalls in face of high demand of monies, as a result of which the money market rate is increasing. Interest rates in the call money market rose to 4.5% on 16 November 2021, due to high demand. Even a month ago, interest rates in the call market were at an all-time low. Many private banks were following the policy of borrowing cheaply from the call money market without taking deposits at higher interest rates. The BB has set a floor on deposit interest rates as banks have been reducing such rates. No bank can pay interest on term deposits less than the prevailing rate of inflation. For this particular reason, many banks have recently reduced their deposits while preferring borrowing from the call money market.

Banks facing revaluation losses on secondary securities

Since the central bank mopped up surplus liquidity from the money market, yields on the government securities surged significantly in the recent months that subsequently hit the Primary Dealers (PDs) of these public-debt tools with revaluation losses. According to a report of Bangladesh Bank (BB), cut-off yield on 10-years Bangladesh Government Treasury Bonds (BGTBs) rose to 7.44% on October 10 this year from 5.38% on 23 June 2021. Meanwhile, cut-off yield on 15-Year BGTBs and 20-Year BGTBs stood at 7.19% and 7.44% respectively on the same day, which was 6.04% and 5.65% receptively on July 28, 2021. However, the government borrowed only Tk11b against the pre-auction target of Tk20b, through issuing 10-Year BGTBs to partly meet the budget deficit. If it had borrowed the full amount of pre-auction target, the cut-off yield on this risk-free instrument would have reached 8.10%, as forecasted. On November 17 this year, the primary dealers proposed the central bank to increase the maximum limit of holding the securities of Statutory Liquidity Ratio (SLR) under Held-To-Maturity (HTM) at 175% instead of the existing level of 135% for retreating their revaluation losses on the public-debt instruments. PDs also urged to introduce a re-measured category, for valuation of the holding of treasury bonds by the dealer banks to help minimize any adjustment losses. PDs now calculated the value of these risk-free securities on the basis of 1-year tenure of the HTM investment while they revalued these secondary tools on a weekly basis for the Held-For-Trading (HFT) investment using ‘marked-to-market’ system. As per their proposal, the valuation of treasury bonds, issued from September 01, 2020 to September 30, 2021 and categorized as HFT by the PDs, may be re-measured at an ‘amortized cost’, instead of ‘marking-to-market’ system of valuation.

Forex reserve decline

The foreign exchange (forex) reserves, which was on the rise during the Covid-19 pandemic period last year, has now declined to US$45.07b on 10 November 2021. The reserve level touched record US$48b mark on 24 August 2021. The forex reserves are under pressure from different dimensions, principally for recent unabated dollar-price appreciation and costlier imports. The lower inflow of remittance and higher import bills also have built up pressure on the reserves, leading to a steady devaluation of Bangladesh Taka (BDT) against the US dollar. The settlement of Letters of Credit (LCs), generally termed as actual import, stood at US$17.04b in the first quarter of the current fiscal year, up 47.2% (Y-o-Y). In the first four months of the FY2021-22, remittance inflow plunged 20% (Y-o-Y) to US$7.05b against US$8.82b in the same period of the last fiscal year. Due to lower foreign currency earnings against spending, the central bank had to pump the greenback on the market with a view to preventing an abnormal hike in the exchange rate. Despite the fact, the exchange rate of US dollar on the interbank money market increased to Tk85.79 on 11 November from Tk84.8 on 01 August 2021. Some US$1.6b has so far been injected this fiscal year in order to tackle the depreciation of the Taka against the US dollar. The central bank bought total US$8b from the commercial banks last fiscal year as a part of its move to rein in the devaluation of Taka, which is registered as a record purchase ever. In addition, Bangladesh paid Asian Clearing Union (ACU) US$1.63b on 04 November 2021, to settle payment for imports, putting an adverse impact on the reserve.

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The week's data runs 11 November 2021 to 18 November 2021

Stock Market Movement

Global Markets

		This Week	Last Week	+/- %
S&P 500	↑	4,697.96	4,682.85	0.32
FTSE 100	↓	7,223.57	7,347.91	-1.69
Nikkei 225	↑	29,745.87	29,609.97	0.46
SENSEX	↓	59,636.01	60,686.69	-1.73
KSE 100	↑	46,489.41	45,749.15	1.62

DSE Indicators

		This Week	Last Week	+/- %
DSE Broad Index	↑	7,091.82	6,995.93	1.37
Total Turnover, Tk	↑	69,926,184,888	58,984,734,690	18.55
Market Capital, Tk	↑	4,963,805,527,796	4,918,326,733,677	0.92
No of Issue Gain		173	141	
No of Issue Loss		191	208	
No of Unchanged Issues		16	30	

Top Gainers

Company	Weighted avg. Closing Price (Tk) Last Week	This Week	Change %	Turnover (Tk)
Sena Kalyan Ins.	16.00	25.60	60.00	212,000
Orion Infusion	77.40	94.10	21.58	342,437,000
BRAC Bank	48.70	58.50	20.12	2,939,402,000
1STPRIMFMF	20.20	24.00	18.81	122,345,000
One Bank	12.70	14.70	15.75	567,993,000
NCC Bank	15.10	17.30	14.57	399,704,000
Index Agro Industries	107.10	122.30	14.19	107,417,000
Mercantile Bank	17.10	19.50	14.04	1,292,661,000
AB Bank	14.10	16.00	13.48	551,491,000
Genex Infosys	156.10	176.60	13.13	1,679,167,000

Top Losers

Company	Weighted avg. Closing Price (Tk) Last Week	This Week	Change %	Turnover (Tk)
National Feed Mill	23.80	19.20	-19.33	71,402,000
Premier Cement Mills	73.40	60.70	-17.30	68,137,000
Saiham Cotton Mills	19.10	16.00	-16.23	89,203,000
Bd.Thai Aluminium	23.80	20.10	-15.55	185,999,000
Pacific Denims	13.90	11.80	-15.11	124,664,000
Fu Wang Food	16.70	14.20	-14.97	64,186,000
Safko Spinnings Mills	30.60	26.10	-14.71	183,072,000
Alif Industries	54.30	46.70	-14.00	64,576,000
Alif Manufacturing Co.	18.70	16.20	-13.37	923,822,000
Desh Garments	157.00	136.30	-13.18	14,072,000

Sectoral Index & Turnover

Sector	Sectoral Index This Week	Last Week	Change %	Turnover (Tk.M) This Week	Last Week	Change %
Bank	539.66	497.57	8.46	16,821.49	6,397.31	162.95
Cement	428.10	435.03	-1.59	1,503.48	2,364.63	-36.42
Ceramic	785.91	830.48	-5.37	372.00	505.30	-26.38
Engineering	7,233.59	7,305.05	-0.98	3,380.78	3,458.17	-2.24
Food & Al.	5,698.13	5,589.20	1.95	2,371.28	2,596.20	-8.66
Fuel & Pow.	4,243.33	4,339.51	-2.22	2,822.64	2,379.82	18.61
Insurance	3,022.42	2,957.42	2.20	4,755.33	3,082.20	54.28
IT	671.92	631.69	6.37	2,197.36	2,562.23	-14.24
Jute	1,059.16	1,137.96	-6.92	33.78	26.34	28.26
Misc.	2,927.79	3,023.19	-3.16	8,311.00	8,336.91	-0.31
Mutual Fund	544.09	537.02	1.32	668.56	508.85	31.39
NBFI	1,477.85	1,437.02	2.84	3,122.22	2,390.12	30.63
Paper	6,439.23	6,633.59	-2.93	575.63	634.22	-9.24
Pharma	1,685.36	1,704.87	-1.14	8,303.65	7,818.13	6.21
Service	1,758.96	1,843.82	-4.60	1,028.86	1,473.31	-30.17
Tannery	1,175.59	1,153.36	1.93	2,216.37	857.36	158.51
Telecom	4,742.35	4,774.84	-0.68	519.27	523.00	-0.71
Textile	1,787.67	1,862.28	-4.01	7,560.37	8,188.79	-7.67
Travel & Leis	548.08	568.11	-3.53	364.25	252.08	44.50

Technical Talk

The Dhaka stocks extended the winning streak for the second straight week as investors went for buying banking shares amid positive expectations. Out of its five trading sessions, the first session ended lower while the last four ended higher. In line with the surge in the key index of DSE, two other indices-DS30 and DSE Shariah Index (DSES) also ended higher. Among the major sectors, Bank increased by 8.46%, followed by NBFI 2.84%, Insurance 2.20% and Mutual Fund 1.32%.

DSE Broad Index (DSEX) stood at 7,091.82 points after increasing by 95.89 points or 1.37% from the previous week. Total turnover reached at Tk69926.18m, which was 18.55% higher than the previous week. Market capitalization increased by 0.92% and stood at Tk4963.81b ($57.85b) at the weekend against Tk4918.33b. DSE 30 increased by 13.98 points or 0.52% and closed at 2,694.95 points against 2,680.97 points. Last week's weighted average Market PE was 18.78 which was 18.63 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 illustrates if the change of price movements is in overbought or oversold territory. Last week, RSI stood at 66.1.

Top Turnover Companies

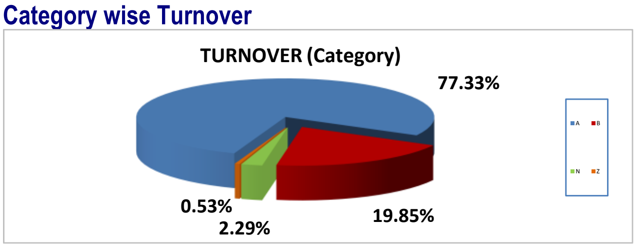
Company	Volume	Value (Tk)	% of total
Beximco	42,982,090	7,640,153,000	10.93
IFIC Bank	217,532,507	4,413,378,000	6.61
Brac Bank	52,354,292	2,939,402,000	4.20
Orion Pharma	24,195,615	2,456,040,000	3.51
NRB Commercial Bank	58,814,750	2,242,030,000	3.21
Delta Life Insurance	10,088,934	2,210,534,000	3.16

Top 10 Market Capital

In million

GP	486,918	United Power	156,750
Walton Hi-Tech	352,760	Beximco Ltd.	153,268
BATBC	343,062	RENATA	128,671
ROBI	203,232	ICB	100,002
Square Pharma	199,363	Beximco Pharma	96,539

Category wise Turnover



Commodity Price

	This Week	Last Week	Change %
Gold (USD/t oz.)	1,846.80	1,867.70	-1.12
Silver (USD/t oz.)	24.63	25.41	-3.07
Brent Crude Oil (USD/bbl.)	78.46	82.01	-4.33

Exchange Rate

	This Week TT	This Week BC	Last Week TT	Last Week BC	Change % TT	Change % BC
USD	85.80	85.85	85.80	85.85	0.00	0.00
EUR	98.81	98.86	100.24	100.30	-1.43	-1.44
GBP	117.78	117.85	117.43	117.50	0.30	0.30
AUD	62.40	62.43	63.24	63.28	-1.33	-1.34
JPY	0.76	0.76	0.76	0.76	0.00	0.00
CAD	68.23	68.27	69.75	68.79	-2.18	-0.76
SAR	22.99	23.01	22.99	23.01	0.00	0.00

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)
-	-	-	-

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