

BB frames cautious H2 MPS of FY2018-19

Bangladesh Bank (BB) has pursued its cautious stance in the Monetary Policy Statement (MPS) for the second half (January-June) of the FY2018-19 to accommodate GDP growth along with containing inflationary pressure. In the MPS, BB has inched down private sector credit growth ceiling by 30 basis points to 16.50% for the period as the actual growth rate in the first half of the current fiscal year was 13.20% against the target of 16.80%. However, the central bank has raised the public sector credit growth ceiling to 10.90% from 8.50% in the previous MPS to adjust the upward trend of government borrowing in the first half of the fiscal year. Balancing the inflation and output risks, BB has kept the policy rates i.e. CRR (Cash Reserve Requirement), Repo and Reverse Repo rates intact at 5.5%, 6% and 4.75% respectively. Moreover, monetary program targets of Broad Money (M2) and Domestic Credit (DC) are also retained at 12% and 15.9% respectively. In the MPS, the central bank has reinforced the priority to bringing down the default loans by ensuring corporate governance in the financial sector. In the addressing note, the BB governor has clarified that BB has taken the cautious stance to contain inflation as core inflation shot up to 4.52% in December last year from 3.74% in June. The governor has attributed that the tension reeling from the parliamentary elections has impeded the achievement of the private sector credit growth target in the July-December period last year. However, BB expects that investment would pick up in the second half of the fiscal year. To clarify the status of banking sector, BB governor mentioned that the March deadline of adjusting Advance-Deposit Ratio (ADR) will not intensify the liquidity crisis in the money market though the bankers are skeptical to the assurance of the governor. However, the governor has admitted that higher rates in National Savings Certificates (NSCs) has complicated the monetary policy transmission channels and squeezed deposit mobilization in the banking channel. On the other hand, veteran economists have commented that the policy paper has been unveiled at a time when the economy is hobbling with soaring default loans, depreciation of Taka against the greenback and imbalance in Balance of Payment (BoP). They have urged the banking sector regulator to offer flexibility in the foreign exchange market with the view to averting the pressure on reserves.

RMG exports to UK slows down amid BREXIT alarm

Readymade Garment (RMG) exports to the United Kingdom (UK) accounted US\$1.87b in the first half of the FY2018-19, registering a marginal growth of 1.30% (Y-o-Y). As per the statistics of Export Promotion Bureau (EPB), apparel exports to USA also grew by 18.93% (Y-o-Y) to US\$3.09b during July-December period followed by Canada that imported apparels worth US\$526.67m registering 20.16% growth. Moreover, apparel exports to the non-traditional markets like Australia, Japan, Korea, Russia, China and India registered a robust growth of 36.21% with earnings of US\$2.89b during the period of the current fiscal year. Economists have opined that the tension evolved from the BREXIT issue has impelled the UK buyers to adopt a 'wait and watch' approach as the possibility of a no-deal divorce from the European Union still clouds the BREXIT process. Economists have also urged the government to expedite diplomatic moves to retain the UK market after the BREXIT as Bangladesh currently enjoys duty-free market access for all products to UK under the Generalized System of Preferences (GSP) under EU trade agreements.

ADR eases to regulatory limit

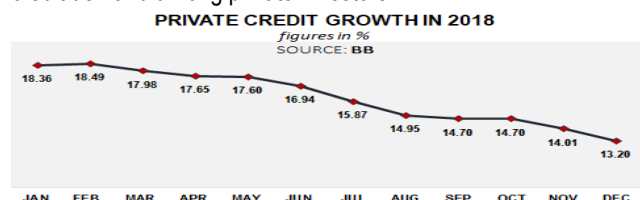
The average Advance-Deposit Ratio (ADR) of private banks came down to 84.38% at the end of September 2018, which is basically within the existing regulatory limit of 85%. Bangladesh Bank (BB) reported that the ADR of private banks crossed 85% in April last year to 86.23% and remained above the limit in the following quarter which ended in June 2018. However, BB slashed the ADR for conventional banks by 1.5% to 83.5% in January 2018 to limit the lending capacity of banks – effective from March 2019. The strategy put banks under pressure to slow down their aggressive lending and led to the decline in average ADR in September last year. Nevertheless, bankers recently requested the central bank to extend the time to adjust their ADR or withdraw the new limit since maintaining the new ADR will be a challenge for banks this year as the credit demand from both public and private sectors is likely to shoot up after the December 30 election. BB statistics also revealed that eleven private banks had their ADR above the authorized limit in September 2018.

Bangladesh among top countries with illicit money flow

Bangladesh ranked second in South Asia in terms of most Illicit Financial Flows (IFFs), according to findings of Global Financial Integrity (GFI). The Washington-based research organization studied the International Monetary Fund (IMF) data on trade and came out with the conclusion. The GFI unearthed that around US\$5.9b was laundered from Bangladesh illicitly in 2015 through trade misinvoicing. In its previous study, GFI detected US\$6b-US\$9b outflow in 2014 and a total of US\$75b IFFs between 2005 and 2014 from Bangladesh. According to the latest analysis, Bangladesh was one of the top 30 countries, ranked by dollar value of illicit outflows in 2015. Other Asian countries which were positioned among the top 30 are Malaysia, India and Philippines, making India and Bangladesh the only South Asian countries to be found on the top 30 list.

Private sector credit growth trends down in 2018

Liquidity pressure in banking sector hit private sector credit growth hard in the year 2018 causing the growth rate fall to 13.2% at the end of the year - the lowest since September 2015. Bangladesh Bank (BB) set the ceiling of private sector credit growth at 16.80% for July-December period of FY2018-19. The credit growth came down below the 16%-mark in July 2018 and from there it experienced downward movement till the very end of the year. Several factors contributed toward the decline of private sector credit growth throughout the year. Firstly, the adjustment of Advance-Deposit Ratio (ADR) introduced by Bangladesh Bank (BB) to check the imminent liquidity pressure played a significant role to restrain banks from aggressive lending policy. Secondly, rising Non-Performing Loans (NPLs) had been gradually deteriorating the liquidity of banks, leading them to limit their lending activities. Thirdly, the pressure from government to keep the lending rate at single digit led the banks to focus on collecting deposits and recovering the dues. Additionally, national election, which took place at the end of the year, took a toll in the business activities, causing a decline in credit demand among private investors.



The week's data runs 24 January 2019 to 31 January 2019

Stock Market Movement



Global Markets

	This Week	Last Week	+/- %
S&P 500	2,706.53	2,664.76	1.57
FTSE 100	7,020.22	6,809.22	3.10
Nikkei 225	20,788.39	20,773.56	0.07
SENSEX	36,469.43	36,025.54	1.23
KSE 100	41,112.71	40,264.78	2.11

DSE Indicators

	This Week	Last Week	+/- %
DSE Broad Index	5,821.01	5,950.01	-2.17
Total Turnover, Tk	51,713,336,420.00	48,277,441,271.00	7.12
Market Capital, Tk	3,573,992,772,717	3,609,091,246,307	-0.97
No of Issue Gain	105	196	
No of Issue Loss	238	136	
No of Unchanged Issues	5	16	

Top Gainers

Weighted avg. Closing Price (Tk)

Company	Last Week	This Week	Change %	Turnover (Tk)
Provati Insurance	25.50	39.40	54.51	636,856,000
Asia Insurance Co.	26.10	38.30	46.74	588,752,000
Monno Jute Stafflers	1421.20	1800.60	26.70	144,677,000
Prime Insurance	20.40	25.40	24.51	117,029,000
Janata Insurance	19.10	23.30	21.99	287,020,000
Malek Spinning Mills	20.30	24.70	21.67	245,228,000
Purabi Gen. Ins	18.30	21.60	18.03	341,883,000
Monno Ceramic	256.00	298.60	16.64	487,204,000
Paramount Ins	23.60	27.00	14.41	325,122,000
Sonar Bangla Ins	39.20	44.20	12.76	568,998,000

Top Losers

Weighted avg. Closing Price (Tk)

Company	Last Week	This Week	Change %	Turnover (Tk)
Meghna Pet Industries	20.9	16.70	-20.10	2,115,000
Emerald Oil Industries	27.1	22.70	-16.24	35,168,000
BD.Autocars Ltd.	370.6	319.70	-13.73	129,281,000
BIFC	7.4	6.50	-12.16	638,000
Prime Islami life Ins	69.1	60.80	-12.01	71,868,000
Tallu Spinning Mills	7.5	6.60	-12.00	2,981,000
Maksons Spinning Mills	8.7	7.70	-11.49	180,665,000
ACI Limited.	338.0	299.30	-11.45	119,355,000
MIDAS Financing Ltd.	31.1	27.70	-10.93	76,287,000
Khulna Printing	20.2	18.0	-10.89	13,455,000

Sectoral Index & Turnover

Sectoral Index

Turnover (Tk.M)

Sector	Sectoral Index			Turnover (Tk.M)		
	This Week	Last Week	Change %	This Week	Last Week	Change %
Bank	467.67	494.15	-5.36	6,103.29	9,613.69	-36.51
Cement	320.20	326.31	-1.87	335.41	428.36	-21.70
Ceramic	798.51	761.99	4.79	633.30	336.41	88.25
Engineering	2,692.28	2,728.48	-1.33	5,498.25	4,809.00	14.33
Food & Al.	4,161.25	4,072.33	2.18	1,485.86	1,877.25	-20.85
Fuel & Pow.	4,610.26	4,478.98	2.93	5,425.79	3,464.88	56.59
Insurance	1,720.84	1,746.62	-1.48	8,884.89	6,246.42	42.24
IT	310.83	316.27	-1.72	1,288.82	1,226.76	5.06
Jute	2,566.55	2,405.12	6.71	159.29	190.97	-16.59
Misc.	1,291.65	1,256.82	2.77	2,057.96	1,543.07	33.37
Mutual Fund	465.72	480.18	-3.01	248.91	407.78	-38.96
NBFI	1,312.85	1,411.12	-6.96	3,487.49	5,100.36	-31.62
Paper	11,311.88	12,089.29	-6.43	186.28	147.13	26.61
Pharma	1,192.80	1,200.63	-0.65	4,325.81	4,458.46	-2.98
Service	1,263.72	1,277.72	-1.10	1,472.36	430.65	241.89
Tannery	917.20	923.81	-0.71	843.49	815.09	3.48
Telecom	3,696.14	3,657.89	1.05	2,053.26	1,043.57	96.75
Textile	1,644.61	1,664.89	-1.22	5,812.1	5,473.2	6.19
Travel & Leis	502.15	510.41	-1.62	231.78	302.80	-23.45

Technical Talk

Dhaka stocks finished the last week in red trajectory ended on Thursday snapping a six-week rally as investors were nervy following the unveiling of the cautious Monetary Policy Statement (MPS) by Bangladesh Bank. Among the major sectors, general insurance sector dominated the turnover chart capturing 15.4% of the total turnover followed by banking sector (12.9%) and textile (11.5%). Among the major losers, NBFI decreased by 6.96% over the week followed by Banks 5.36%, Mutual Funds 3.01%, Cement 1.87%, Insurance 1.48%, Engineering 1.33% and Textile 1.22%.

DSE Broad Index (DSEX) reached at 5,821.01 points decreased by 129 points or 2.17% from the previous week. Total turnover reached at Tk51713.34m which was 7.12% higher than the previous week. Market capitalization decreased by 0.97% and stood at Tk3573.99b (\$42.60b) at the weekend against Tk3609.09b. DSE 30 has decreased by 41.40 points or 2% and closed at 2,007.96 points against 2,049.00 points. Last week's weighted average Market PE was 16.38 which was 16.55 previous week.

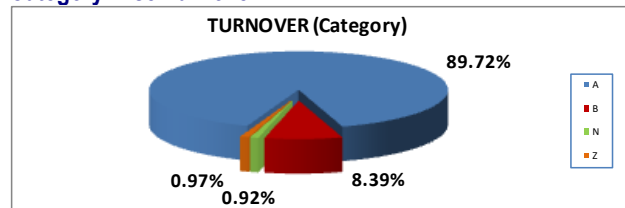
Top Turnover Companies

Company	Volume	Value (Tk)	% of total
United Power Generation	5,024,012	1,931,508,000	3.74
Premier Bank Ltd.	97,134,257	1,621,312,000	3.14
Grameenphone Ltd.	3,290,996	1,338,853,000	2.59
Eastern Housing Limited	20,637,242	1,290,959,000	2.50
United Finance Limited	27,555,922	823,751,000	1.59
Square Pharmaceuticals	2,927,486	789,526,000	1.53

Top 10 Market Capital

Company	Volume	Value (Tk)	% of total
GP	537,689	ICB	85,675
BATBC	214,044	BRAC Bank	84,191
Square Pharma	207,746	Berger Paint	68,254
United Power	187,467	LafargeHolcim	51,217
RENATA	91,778	Olympic Ind.	48,065

Category wise Turnover



Commodity Price

	This Week	Last Week	Change %
Gold (USD/t.oz)	1,317.40	1,279.10	2.99
Silver (USD/t.oz)	15.88	15.25	4.10
Brent Crude Oil (USD/bbl.)	62.82	61.52	2.11

Exchange Rate

	This Week		Last Week		Change %	
	TT	BC	TT	BC	TT	BC
USD	83.90	83.95	83.90	83.95	0.00	0.00
EUR	96.62	96.68	96.27	96.32	0.37	0.37
GBP	110.12	110.19	111.06	111.12	-0.84	-0.84
AUD	61.17	61.21	60.64	60.68	0.88	0.88
JPY	0.77	0.77	0.77	0.77	0.04	0.05
CAD	64.42	64.45	63.85	63.89	0.89	0.89
SAR	22.48	22.50	22.48	22.50	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)
Runner Automobiles	Jan 31 - Feb 10, 2019	67	400
Esquire Knit Composite	Jan 06 - Jan 20, 2019	40	562
Genex Infosys	Nov 18 - Nov 29, 2018	10	200
SEML FBLSL Growth Fund	Dec 02 - Dec 13, 2018	10	1,000

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