

Three new banks get nod amid outcry of experts

Bangladesh Bank (BB) has decided to approve three more Private Commercial Banks (PCBs) when the banking sector is stressed with mounting Non-Performing Loans (NPLs) and lack of corporate governance. With the completion of the licensing process of the PCBs- Bengal Bank, People's Bank and Citizen Bank, the number of scheduled banks will increase to sixty-two. In the last board meeting of BB, the directors has settled to issue Letter of Intents (Lols) to the proposed banks after scrutinizing all relevant documents since 2017. However, the board required the banks to put up paid-up capital to Tk5b instead of the existing Tk4b. The central bank officials has stated that BB normally gives six months to fulfill conditions on the Lols and the proposed banks will have to apply again for seeking final approval after fulfilling the Lols conditions. In 2018, BB declined to give approval to the new banks despite reported pressures from the Ministry of Finance but finally yielded to the political pressure. Earlier, BB provided licenses to nine banks, known as fourth generation banks, in 2013 on political connections and most of the banks are currently mired in irregularities. Even, one of the banks has changed its name to mend its image reeling in gross irregularities and corruption by former board members. Later, Shimanto Bank Limited, owned by Border Guard Bangladesh Welfare Trust, was also given license in 2016 followed by Community Bank Limited, owned by Bangladesh Policy Welfare Trust in 2018. Veteran economists have questioned the necessity of new banks in terms of the size of the economy. Moreover, the new entrants would exert additional pressure on the monitoring capacity of BB. On the other side, the banking sector experts have warned that the new banks would intensify the fierce competition of attracting deposits resulting in hike of interest rate. The experts have also prescribed the banking sector regulator to initiate the process to merge the banks that are performing poorly.

Moody's skeptical on new write-off policy

Moody's, a global credit ratings giant, has stated in its latest report that the revised loan write-off policy formulated by Bangladesh Bank (BB) would not shrink Non-performing Loans (NPLs) significantly mainly for the perennial weaknesses in corporate governance and lengthy legal processes. Recently, BB has introduced a fresh loan write-off policy by extending scope of the banks to write-off bad debts without filing any lawsuit to clear up the toxic assets on the balance sheets. As per the new policy, BB would allow banks to write-off loans worth up to Tk0.2m without filing any lawsuit in place of the previous limit of Tk50,000. Moreover, the relaxed policy would also allow banks to write-off bad loans after three years of being classified without any possibility of recovery in near future as against five years in the previous policy. Moody's in the latest report has specified that the relaxed loan write-off policy would not increase the amount of written-off loans. The report opined that the bankers might avoid higher provisioning costs as the banks with significant NPLs currently face pressures on profitability and capital adequacy. Moreover, total loans amounting up to Tk0.2m comprises only 3% of the total disbursed loans while large scale loans hold the major chunk of default loans. Moody's has underscored the necessity of comprehensive actions to strengthen corporate governance practices in banking sector and speed up the legal procedures to recover default loans.

GP strangled with SMP status

The Bangladesh Telecommunication Regulatory Commission (BTRC) named Grameenphone (GP) as a mobile operator with Significant Market Power (SMP) recently in order to curb monopoly in the telecom sector. According to gazette notification published on 14 November 2018, the SMP is a regulation that imposes restrictions on an operator once it covers 40% of the subscribers, revenues and spectrum. Grameenphone is the leading mobile operator in Bangladesh with 46.33% share of the active customer base and with more than 50% market revenue share as of December 2018, according to BTRC. The telecom regulator, with the authority of the SMP regulation, has already imposed four restrictions on Grameenphone. As part of the move, Grameenphone is now barred from signing any exclusive deals with goods and service providers. The vendors were allowed to extend offers to only Grameenphone customers, shutting out other operators from negotiating such deals. The other restrictions include- more than 2% call drop not acceptable for the SMP operator, barred from conducting nationwide campaigns and finally, making it easier for customers to leave the market dominant operator under the mobile number portability facility. According to industry expert, the move might hamper profitability of Grameenphone, limit its investment capacity and eventually decelerate its growth.

Revised ADP to get bigger after decades

The Planning Division of the government proposed to raise the development spending budget to Tk2.01-trillion from the actual allocation of Tk1.81-trillion for FY2018-19. If finalized, this would be the first Annual Development Program (ADP) in the last two decades to be revised upward. The ADP witnessed only cutbacks from its original allocation during the last two decades. The Planning Commission drafted the proposal as the Ministries and Divisions of government demanded more allocation to execute the ambitious plans of the government. Around 35 Ministries and Divisions demanded Tk360b in additional allocations from the government. Among the ministries that asked for additional funds, Roads and Highways Department demanded Tk57.97b which is the highest despite being a poor performer, followed by Local Government Division Tk40.69b and Power Division Tk38.19b. According to the Implementation, Monitoring and Evaluation Division (IMED) report, the development spending stood at Tk622.82b during the last seven months of the ongoing fiscal year – the highest in six years. The amount spent by the ministries and divisions was 34.43% of the total allocation and was also a 13.82% increase compared to the implementation in the corresponding period of FY2017-18. The standout performers were: the Energy and Mineral Resources Division spending 62.25% of its respective allocation to be the top performer followed by Power Division with 52.74% spending. Government expects full utilization of the total allocation during the ongoing fiscal year.

BBS to revise GDP base year

The Bangladesh Bureau of Statistics (BBS) has planned to adopt a new base year for calculating Gross Domestic Product (GDP), effective from July 2020. Under the rebasing procedure, the new replacement of the existing base year FY2005-06 will be FY2015-16. The proposed change may increase the size of the economy by at least 10%. At present, the statistical agency of the government considers 15 sectors and the proposed baseline will raise the number of sectors to 21. Last time when BBS replaced FY1995-96 with FY2005-06 as base year to calculate GDP, it resulted to 12% expansion in size of the economy.

Stock Market Movement



Global Markets

| | This Week | Last Week | +/- % |
|------------|-----------|-----------|-------|
| S&P 500 | 2,792.67 | 2,775.60 | 0.62 |
| FTSE 100 | 7,178.60 | 7,236.68 | -0.80 |
| Nikkei 225 | 21,425.51 | 20,900.63 | 2.51 |
| SENSEX | 35,871.48 | 35,808.95 | 0.17 |
| KSE 100 | 40,016.13 | 40,486.67 | -1.16 |

DSE Indicators

| | This Week | Last Week | +/- % |
|------------------------|-------------------|-------------------|--------|
| DSE Broad Index | 5,745.83 | 5,750.29 | -0.08 |
| Total Turnover, Tk | 29,134,225,638.00 | 40,783,084,903.00 | -28.56 |
| Market Capital, Tk | 3,568,542,898,867 | 3,568,309,222,686 | 0.01 |
| No of Issue Gain | 94 | 155 | |
| No of Issue Loss | 229 | 178 | |
| No of Unchanged Issues | 26 | 16 | |

Top Gainers

| Company | Last Week | This Week | Change % | Turnover (Tk) |
|-----------------------|-----------|-----------|----------|---------------|
| Mercantile Insurance | 26.80 | 33.30 | 24.25 | 280,606,000 |
| BSCCL | 150.80 | 168.20 | 11.54 | 1,721,049,000 |
| Monno Ceramic | 332.20 | 363.00 | 9.27 | 851,583,000 |
| Rangpur Foundry | 145.60 | 155.90 | 7.07 | 81,010,000 |
| Eastern Insurance | 52.30 | 55.90 | 6.88 | 182,450,000 |
| United Power | 393.10 | 419.10 | 6.61 | 1,949,438,000 |
| Dutch-Bangla Bank | 153.60 | 163.30 | 6.32 | 255,630,000 |
| Meghna Petroleum | 217.50 | 231.10 | 6.25 | 251,754,000 |
| S. Alam Cold Rolled | 30.20 | 32.00 | 5.96 | 214,640,000 |
| Rupali Life Insurance | 104.10 | 110.00 | 5.67 | 270,464,000 |

Top Losers

| Company | Last Week | This Week | Change % | Turnover (Tk) |
|-------------------------|-----------|-----------|----------|---------------|
| Savar Refractories | 112.60 | 92.10 | -18.21 | 8,296,000 |
| Provati Insurance | 41.70 | 35.00 | -16.07 | 159,892,000 |
| Asia Insurance Co. Ltd. | 37.60 | 32.30 | -14.10 | 120,125,000 |
| Agrani Insurance Co | 42.70 | 36.80 | -13.82 | 157,788,000 |
| BD Autocars Ltd. | 291.60 | 251.90 | -13.61 | 172,265,000 |
| Samata Leather | 57.20 | 50.10 | -12.41 | 17,414,000 |
| Global Insurance Co. | 24.20 | 21.30 | -11.98 | 117,004,000 |
| Janata Insurance | 20.20 | 17.80 | -11.88 | 29,157,000 |
| Phoenix Insurance | 34.50 | 30.80 | -10.72 | 24,401,000 |
| Bangladesh National In | 27.50 | 24.70 | -10.18 | 91,570,000 |

Sectoral Index & Turnover

| Sector | Sectoral Index | | | Turnover (Tk.M) | | |
|---------------|----------------|-----------|----------|-----------------|-----------|----------|
| | This Week | Last Week | Change % | This Week | Last Week | Change % |
| Bank | 451.62 | 449.77 | 0.41 | 1,848.19 | 2,248.51 | -17.80 |
| Cement | 308.50 | 313.90 | -1.72 | 213.65 | 296.34 | -27.90 |
| Ceramic | 845.67 | 809.81 | 4.43 | 926.20 | 1,531.81 | -39.54 |
| Engineering | 2,705.04 | 2,702.61 | 0.09 | 3,427.63 | 4,181.35 | -18.03 |
| Food & Al. | 4,203.90 | 4,227.54 | -0.56 | 634.98 | 968.68 | -34.45 |
| Fuel & Pow. | 4,724.84 | 4,600.57 | 2.70 | 3,463.00 | 4,881.97 | -29.07 |
| Insurance | 1,637.77 | 1,682.99 | -2.69 | 2,963.88 | 5,106.42 | -41.96 |
| IT | 373.21 | 382.87 | -2.52 | 717.24 | 1,322.98 | -45.79 |
| Jute | 2,272.47 | 2,414.67 | -5.89 | 74.64 | 123.75 | -39.69 |
| Misc. | 1,457.93 | 1,493.82 | -2.40 | 989.95 | 1,595.23 | -37.94 |
| Mutual Fund | 450.36 | 451.87 | -0.33 | 103.47 | 148.53 | -30.34 |
| NBFI | 1,258.77 | 1,261.55 | -0.22 | 823.38 | 1,563.14 | -47.33 |
| Paper | 11,262.62 | 11,099.56 | 1.47 | 110.70 | 192.86 | -42.60 |
| Pharma | 1,217.50 | 1,216.35 | 0.09 | 2,657.55 | 4,146.10 | -35.90 |
| Service | 1,230.71 | 1,237.69 | -0.56 | 177.50 | 348.52 | -49.07 |
| Tannery | 938.98 | 958.53 | -2.04 | 1,688.58 | 3,264.27 | -48.27 |
| Telecom | 3,613.74 | 3,632.20 | -0.51 | 2,198.64 | 1,717.78 | 27.99 |
| Textile | 1,639.90 | 1,683.46 | -2.59 | 4,498.14 | 5,813.11 | -22.62 |
| Travel & Leis | 506.89 | 502.54 | 0.86 | 564.78 | 181.67 | 210.88 |

Technical Talk

Dhaka stocks slipped marginally in the last week ended on Wednesday with a fall of turnover in the bourse as investors were nery and sold their shares of some major sectors. During the week, the investors were mostly concentrated on the textile sector, which grabbed 17.2% of the market turnover, followed by engineering (16.1%) and fuel & power (11.8%). Among the major losers, Insurance decreased by 2.69% over the week followed by Textile 2.59%, Cement 1.72%, Telecom 0.51% and NBFI 0.22%.

DSE Broad Index (DSEX) reached at 5,745.83 points edged down by 4.46 points or 0.08% from the previous week. Total turnover reached at Tk29134.23m which was 28.56% lower than the previous week. Market capitalization, however, inched up marginally by 0.01% and stood at Tk3568.54b (\$42.41b) at the weekend against Tk3568.31b. DSE 30 has decreased by 3.10 points or 0.15% and closed at 2,002.18 points against 1,999.08 points. Last week's weighted average Market PE was 16.31 which was 16.31 previous week.

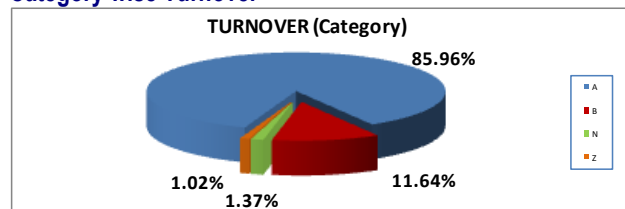
Top Turnover Companies

| Company | Volume | Value (Tk) | % of total |
|-------------------------|------------|---------------|------------|
| United Power Generation | 4,776,562 | 1,949,438,000 | 6.69 |
| Bangladesh Submarine | 10,369,027 | 1,721,049,000 | 5.91 |
| Fortune Shoes Limited | 31,840,125 | 1,177,303,000 | 4.04 |
| Square Pharmaceuticals | 3,349,654 | 896,584,000 | 3.08 |
| Monno Ceramic | 2,457,973 | 851,583,000 | 2.92 |
| Alif Industries Limited | 8,101,645 | 664,313,000 | 2.28 |

Top 10 Market Capital

| Company | Market Capital (In million) |
|---------------|-----------------------------|
| GP | 520,811 |
| BATBC | 218,952 |
| Square Pharma | 212,953 |
| United Power | 200,785 |
| RENATA | 94,203 |
| BRAC Bank | 84,942 |
| Berger Paint | 84,315 |
| ICB | 84,209 |
| LafargeHolcim | 47,616 |
| Olympic Ind. | 46,786 |

Category wise Turnover



Commodity Price

| | This Week | Last Week | Change % |
|----------------------------|-----------|-----------|----------|
| Gold (USD/t oz.) | 1,326.70 | 1,318.80 | 0.60 |
| Silver (USD/t oz.) | 15.79 | 15.76 | 0.23 |
| Brent Crude Oil (USD/bbl.) | 66.93 | 66.29 | 0.97 |

Exchange Rate

| | This Week | | Last Week | | Change % | |
|-----|-----------|--------|-----------|--------|----------|-------|
| | TT | BC | TT | BC | TT | BC |
| USD | 84.15 | 84.20 | 84.15 | 84.20 | 0.00 | 0.00 |
| EUR | 95.95 | 96.01 | 95.55 | 95.60 | 0.42 | 0.42 |
| GBP | 110.15 | 110.21 | 108.82 | 108.88 | 1.22 | 1.22 |
| AUD | 60.32 | 60.35 | 60.46 | 60.50 | -0.24 | -0.24 |
| JPY | 0.77 | 0.77 | 0.77 | 0.77 | -0.18 | -0.18 |
| CAD | 64.43 | 64.46 | 63.88 | 63.92 | 0.85 | 0.85 |
| SAR | 22.55 | 22.56 | 22.55 | 22.56 | 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 |
| SEMIL FBLSL Growth Fund | Dec 02 - Dec 13, 2018 | 10 | 1,000 |
| New Line Clothings | Feb 18 - Feb 28, 2019 | 10 | 300 |