

Higher deposit rates hit the stock market hard

A hefty volume of liquidity has drained out from the stock market as general investors are rushing for depositing their funds in banks and government savings tools at higher rates leaving the stock market in dire straits. Against the backdrop, the Dhaka bourse has been faltering for the last thirteen consecutive weeks where the broad index of the bourse, DSEX, lost around 700.23 points during the period to finish at 5,266.18 points. The ongoing liquidity crunch in the money market along with preserving higher provisioning for the mounting bad loans has pressed the banks to hike deposit rates to attract more funds whereas the government savings tools have been pulling deposits at higher rates from earlier. Earlier, private bankers promised to truncate the interest rate to single digit and in exchange the bankers bagged some generous facilities from the central bank including the 50% government deposits and adjustment of Cash Reserve Requirement (CRR). However, most of the banks are far away from the single digit interest. Currently, many banks are collecting deposits at more than 9% while disbursing loans at the rate of 15%-18%. Stock market experts have elucidated that higher deposit rate generally pulls funds from stock market as stock market is the alternative investment window for general investors. As the banks are currently offering higher deposit rates and the stock market is also enduring a gloomy wave, the general investors are liquidating their funds in the secondary market and depositing in the less risky basket. To tackle the situation, the experts have urged the government to accelerate its efforts to overhaul the overall financial sector.

DSE places proposals to overhaul the ailing market

The Dhaka Stock Exchange (DSE) has submitted a bunch of proposals to the Bangladesh Securities and Exchange Commission (BSEC) aiming to ease the ongoing pessimism in the stock market. The DSE has handed over the proposals focusing on four key points – pre-IPO placement process, sale of shares by sponsor-directors, supply of securities with strong fundamentals and revision of the limit of exposure of banks to the capital market. The DSE officials have stated that a separate category for the shares held by the sponsor and directors has been proposed so that the trading system cannot execute sale order of shares without giving prior declaration as many sponsors and directors are engaged in share business instead of running their companies efficiently. The DSE has also recommended a ceiling on pre-IPO placement shares limiting to 25% of paid-up capital and one year lock-in on the shares of the placement holders from the date of debut trading instead of the date of approving the IPO prospectus.

ICB seeks the repaid loan of Tk8b as fresh loan

The Investment Corporation of Bangladesh (ICB), the state-run investment company, has tabled a proposal to the Ministry of Finance (MoF) to get back the repaid loans taken under the refinancing scheme to provide support to the stock market as the market continues to bleed amid severe deficiency of confidence among general investors. In 2013, the ICB obtained Tk9b from the government through three installments under the capital market refinancing scheme. The government provided the fund to reduce the sufferings of small investors affected during 2010-11 stock market debacle. The officials of the ICB have opined that the concerned committee has already recovered above Tk8b and deposited to the central bank. The investment company has sought that fund at lower interest to provide instant support to the capital market.

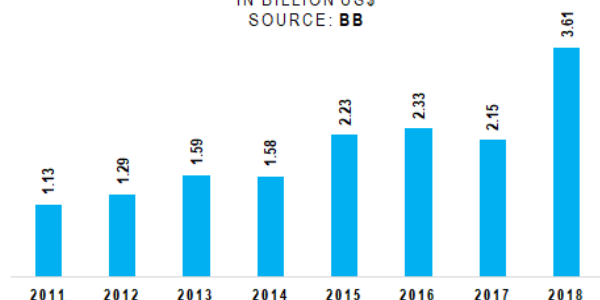
BB loosens its grip for banks over loan classification

Bangladesh Bank (BB) continued to introduce “incentives” for loan defaulters by relaxing rules and policies for banks to check the growing default loans that eventually might turn detrimental for the banking sector. BB recently eased the loan classification rules by extending the time for treating overdue loans as doubtful and bad by amending its earlier rules issued in September 23, 2012. This amendment followed on the heels of its other controversial move where it relaxed the loan write-off policy to show Non-Performing Loans (NPLs) amount less. BB, in compliance with global standard, constructed the loan classification policy in 2012 where it had set three, six and nine months’ timeframe of non-repayment of a loan to be classified as sub-standard, doubtful and bad respectively. As per the new revision which will be effective from June 30 this year, the timeframe has been extended to nine months and twelve months to be treated as doubtful and bad while, however, the duration for categorizing substandard remained unchanged at three months. These revised rules will be applicable for continuous loans, demand loans and fixed-term loans. According to the circular, a portion of substandard loans will be reported as defaulted loan. The latest statistics of BB revealed that the amount of bad loans grew to Tk939.11b in 2018 and of which, loans worth Tk87.80b were classified as sub-standard, Tk44.34b as doubtful and the rest Tk806.96b as bad loan. Experts opined that this amendment will shrink the size of provision against default loans, leading to artificially increase the capacity of banks to issue fresh loans. They fear that habitual defaulters and in extreme case, even good borrowers might be encouraged to be defaulter by the policy relaxation streaks of BB.

Net FDI stood at US\$3.61b in 2018

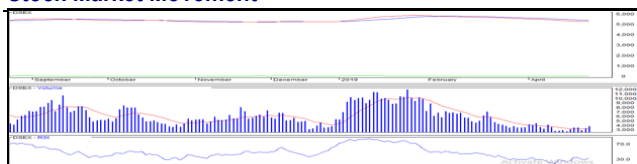
Bangladesh received net Foreign Direct Investment (FDI) of US\$3.61b in 2018, up by 67% (Y-o-Y) from US\$2.15b in 2017, according to the final count done by Bangladesh Bank (BB). BB reported that the gross inflow of FDI was at US\$4.54b before taking away disinvestment, loan repayments and losses which require to be subtracted to determine net FDI as per the International Monetary Fund (IMF) guideline. The statistics revealed that US\$1.31b of net FDI was sourced by reinvestment made by the existing multinational entities in Bangladesh while the net amount of fresh investment or equity and investment through intra-company loans stood at US\$1.12b and \$1.18b respectively in 2018. According to Economists, the ratio of FDI to GDP (Gross Domestic Product) here is below 2% while it should be 4%-5% to pace up the economic growth. Government needs to work on improving the business environment to boost the inflow.

NET INFLOW OF FDI
IN BILLION US\$
SOURCE: BB



The week's data runs 18 April 2019 to 25 April 2019

Stock Market Movement



Global Markets

	This Week	Last Week	+/- %
S&P 500	2,939.88	2,905.03	1.20
FTSE 100	7,428.19	7,459.88	-0.42
Nikkei 225	22,258.73	22,200.56	0.26
SENSEX	39,067.33	39,140.28	-0.19
KSE 100	37,130.63	37,292.47	-0.43

DSE Indicators

	This Week	Last Week	+/- %
DSE Broad Index	5,266.18	5,321.41	-1.04
Total Turnover, Tk	13,662,856,373.00	12,326,204,471.00	10.84
Market Capital, Tk	3,307,976,985,599	3,365,190,297,910	-1.70
No of Issue Gain	96	176	
No of Issue Loss	224	143	
No of Unchanged Issues	28	29	

Top Gainers

Weighted avg. Closing Price (Tk)

Company	Last Week	This Week	Change %	Turnover (Tk)
Standard Ceramic	209.10	264.20	26.35	157,947,000
Bangas Ltd.	225.00	265.30	17.91	104,500,000
National Life Ins	168.40	189.00	12.23	80,937,000
Genex Infosys	35.30	39.10	10.76	113,484,000
Daffodil Computers	50.50	55.30	9.50	172,895,000
Aziz Pipes Ltd.	148.00	162.00	9.46	13,094,000
Fortune Shoes	35.80	38.50	7.54	1,001,780,000
ICB AMCL 3RD NRB	5.40	5.80	7.41	2,858,000
Jamuna Bank Ltd.	17.80	19.00	6.74	165,878,000
Fine Foods Limited	42.80	45.60	6.54	194,443,000

Top Losers

Weighted avg. Closing Price (Tk)

Company	Last Week	This Week	Change %	Turnover (Tk)
Agrani Insurance Co	38.60	31.00	-19.69	84,623,000
Provati Insurance	32.90	27.40	-16.72	64,661,000
Asia Insurance Co. Ltd.	28.00	23.40	-16.43	63,407,000
Premier Bank Ltd.	12.90	11.00	-14.73	135,188,000
United Power	328.00	281.10	-14.30	647,572,000
Eastern Insurance Co.	48.40	41.60	-14.05	44,321,000
Mercantile Insurance	31.80	27.40	-13.84	15,520,000
Global Insurance Co.	14.60	12.70	-13.01	13,269,000
Premier Cement Mills	76.10	67.70	-11.04	2,566,000
Republic Insurance	21.70	19.40	-10.60	9,923,000

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	409.34	409.00	0.08	1,357.80	971.71	39.73
Cement	280.06	285.62	-1.95	108.38	141.33	-23.32
Ceramic	682.83	698.54	-2.25	858.16	802.00	7.00
Engineering	2,389.71	2,440.47	-2.08	2,033.89	1,552.17	31.04
Food & Al.	4,702.62	4,816.35	-2.36	578.89	442.01	30.97
Fuel & Pow.	3,891.40	4,123.53	-5.63	1,447.70	1,101.00	31.49
Insurance	1,439.36	1,467.83	-1.94	807.70	982.79	-17.82
IT	332.04	323.17	2.75	420.38	195.63	114.89
Jute	2,118.77	2,203.28	-3.84	48.22	63.58	-24.16
Misc.	1,360.17	1,385.66	-1.84	537.01	506.94	5.93
Mutual Fund	427.18	426.90	0.07	68.30	47.68	43.24
NBFI	1,105.28	1,115.13	-0.88	265.62	294.04	-9.67
Paper	8,983.38	9,269.75	-3.09	75.04	56.85	32.01
Pharma	1,167.82	1,171.77	-0.34	1,044.90	1,289.98	-19.00
Service	1,082.48	1,085.21	-0.25	86.39	72.50	19.16
Tannery	912.58	907.33	0.58	1,170.81	966.55	21.13
Telecom	3,411.51	3,459.19	-1.38	703.64	864.09	-18.57
Textile	1,454.86	1,483.66	-1.94	1,164.48	1,165.62	-0.10
Travel & Leis	463.33	473.18	-2.08	86.47	59.64	44.97

Technical Talk

Dhaka bourse continued the bear spell in the last week ended on Thursday extending the losing streak for the thirteenth straight week as nervous investors were yet to get any sign of turnaround. The nervous investors sold their holdings from financial institutions, food, pharma, banks and telecom sectors. Among the major losers, Fuel & Power sector decreased by 5.63% over the week followed by Ceramic 2.25%, Engineering 2.08%, Textile 1.94%, Insurance 1.94% and Telecom 1.38%.

DSE Broad Index (DSEX) reached 5,266.18 points decreased by 55.23 points or 1.04% from the previous week. Total turnover reached at Tk13662.86m which was 10.84% higher than the previous week. Market capitalization decreased by 1.70% and stood at Tk3307.98b (\$39.22b) at the weekend against Tk3365.19b. DSE 30 decreased by 33.64 points or 1.77% and closed at 1,863.94 points against 1,897.58 points. Last week's weighted average Market PE was 14.11 which was 14.36 previous week.

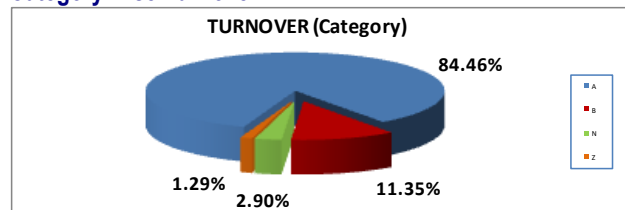
Top Turnover Companies

Company	Volume	Value (Tk)	% of total
Fortune Shoes Limited	26,347,139	1,001,780,000	7.33
Monno Ceramic	2,732,954	676,003,000	4.95
United Power Generation	2,076,826	647,572,000	4.74
Bangladesh Submarine	3,358,598	547,112,000	4.00
National tubes Ltd.	4,407,700	542,460,000	3.97
BRAC Bank Ltd.	4,374,325	276,737,000	2.03

Top 10 Market Capital

Company	Volume	Value (Tk)	% of total
GP	491,779	Berger Paint	79,700
BATBC	258,642	BRAC Bank	78,813
Square Pharma	204,669	ICB	76,954
United Power	134,671	LafargeHolcim	46,107
RENATA	95,121	MARICO	43,483

Category wise Turnover



Commodity Price

	This Week	Last Week	Change %
Gold (USD/t oz.)	1,276.40	1,272.20	0.33
Silver (USD/t oz.)	14.88	14.92	-0.28
Brent Crude Oil (USD/bbl.)	74.35	71.62	3.81

Exchange Rate

	This Week		Last Week		Change %	
	TT	BC	TT	BC	TT	BC
USD	84.35	84.40	84.35	84.40	0.00	0.00
EUR	94.56	94.62	95.39	95.44	-0.86	-0.86
GBP	109.27	109.33	109.96	110.03	-0.63	-0.63
AUD	59.69	59.72	60.65	60.69	-1.59	-1.59
JPY	0.76	0.76	0.76	0.76	0.29	0.30
CAD	63.01	63.05	63.33	63.37	-0.51	-0.51
SAR	22.61	22.62	22.61	22.62	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)
Runner Automobiles	Jan 31 - Feb 10, 2019	67	1,000
New Line Clothings	Feb 18 - Feb 28, 2019	10	300
Silco Pharmaceuticals	Mar 07 - Mar 19, 2019	10	300
Coppertech Industries	Mar 31 - Apr 09, 2019	10	200
Sea Pearl Beach Resort	Apr 23 - May 06, 2019	10	150