

Bank graft poses major threat to economy

The Metropolitan Chamber of Commerce and Industry (MCCI) identified the graft-ridden banking sector as the major downside risk for economy in its quarterly (January-March) review. The oldest chamber of the country also urged Bangladesh Bank to beef up vigilance to bring discipline back in the banking sector. As per the statistics of Bangladesh Bank, the amount of Non-Performing Loans (NPLs) in the sector grew to Tk939.11b at the end of 2018 from Tk224.82b in 2009 due to the rampant corruption and scams in the sector. According to a report published by the Centre for Policy Dialogue (CPD) in December last year, a total of Tk225.02b was plundered from the banking sector through major scams, irregularities and heists in the last one decade. The MCCI report also stated that private sector credit registered a much lower growth of 12.54% in the period between February 2018 and February 2019 compared with 18.49% growth in the corresponding period a year ago. The MCCI in its report also identified some other downside risks for economic growth including power and gas shortage, insufficiency of investment, weak infrastructure and poor implementation of public investment programs. Based on expectation of peaceful political environment, the body forecast that export, import and foreign exchange reserve are expected to increase. However, the report also mentioned that remittance inflow might fall in June as an aftermath of the holy month of Ramadan.

Treasury yield rise sharply

Yield on government Treasury bonds (T-bonds) rose sharply as on May 14, 2019 amid an upward trend of interest rates in the money market. The cut-off yield on T-bonds with a maturity of five years hiked to 7.46% on the day from 6.99% of the previous auction held on April 09 as per the statistics of Bangladesh Bank (BB). On that day, the government borrowed Tk7b through the T-bonds with maturity of five years. On the other hand, the government has already revised its auction calendar for the month of May to meet its budget deficit. As per the revised calendar, the government can avail up to Tk88b as gross borrowing from the banking system this month (May) by issuing Treasury securities. Treasury experts have projected that yield on the government securities might continue to rise till July due to higher demand for liquidity on the closing of the fiscal year.

BB to relax bank exposure in stock market

Bangladesh Bank (BB) has promised to look favorably in to the proposal to exclude non-listed securities from capital market exposure of banks with a view to relaxing the liquidity crunch in the faltering stock market, though the banks themselves are facing dearth of liquidity. BB has intended to render the policy support in a tripartite meeting with the Ministry of Finance (MoF) and the Bangladesh Securities and Exchange Commission (BSEC). As per the Banking Companies Act 1991 (amended in 2013), stock market exposure of banks is limited up to 25% of their total capital. The meeting also instructed the monitoring committee of the capital market refinance scheme to take immediate decision on utilization of the scheme fund at the earliest since the government has extended the tenure of the scheme up to December 31, 2022. The scheme was formed with fund size of Tk9b in 2012 to support with soft loans the small investors in the capital market who incurred losses, out of which Tk8.56b has since been repaid. The MoF and the central bank also advised Sonali Bank to invest Tk5b in the unsubscribed portion of the ICB bonds though Sonali Bank added condition to get repaid more than Tk800m dues from the ICB.

Regulators failing to address liquidity crisis

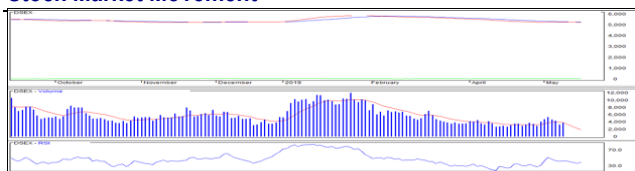
The liquidity crisis is intensifying in the banking sector on the back of growing default loans and eroding public confidence on the sector. The inadequate corporate governance practices and weak supervision by the Bangladesh Bank (BB) are largely responsible behind the crisis. Banks are struggling to pull liquidity even though many reportedly raised the interest rate to 11%-12% to attract deposits, indicating erosion of public confidence. The deposit growth in the banking sector came down to 8%-9% in 2018 while the sector observed more than 10% deposit growth in 2017. On the other hand, the amount of default loans in the sector continued to rise caused by financial scams, poor recovery strategy of banks and the lack of effective measures taken by the regulatory bodies to tackle the issue. As of December 31, 2018, the total default loans in the banking sector stood at Tk933.70b, which is 10.30% of the total outstanding loans. According to economists, the rising trend of toxic loans cannot be slowed down without setting an exemplary punishment for the loan scammers. Instead of taking strict punitive action against the scammers, the regulator decided to revise loan classification policy of banks giving the wrongdoers more time to be entitled as defaulter. Furthermore, BB is set to frame a bail-out package for defaulters, making it more difficult for banks to recover cash. The bail-out package which will enable defaulters to reschedule their classified loans with small down payment is leading many defaulters reportedly to stop regularizing their default loans and is likely to provoke good borrowers to turn into defaulters. Consequently, the banking sector is observing the erosion of public confidence, resulting to the declining trend in deposit growth. Without regulators addressing the issue of growing toxic loans and restoring discipline in the financial sector, depositors might shy away further from the banking sector, aggravating the liquidity crisis.

Reserve weakens on rising imports

The amount of foreign exchange (forex) reserve in Bangladesh has mostly hovered around US\$30b-mark during the last three years. Despite its relatively stable status during the time period, the capacity of the reserve deteriorated each year i.e. the ability of the existing reserve to pay import obligation came down to around five months while it was capable to pay seven months' import obligation three years ago. According to Bangladesh Bank (BB) statistics, the highest forex reserve of US\$33.68b was recorded on September 05, 2017. The reserve stood at US\$30.99b as of 08 May 2019, the latest statistics shows. The increasing import payment obligations have been putting strain on the reserve. BB reports showed that import grew by more than 7% in the first nine months of FY2018-19 on the back of rising import of Liquefied Natural Gas (LNG), petroleum products, intermediate goods like coal, clinker and scrap vessels, construction materials etc. Government-led mega infrastructure projects have been playing a pivotal role behind the growing trend of imports. On the other hand, the central bank sell dollars to commercial banks to meet the soaring demand from high imports with a view to put brake on depreciation of Taka against the greenback. According to economists and banking sector experts, the practice of BB to pump dollars in the market or to purchase those back from banks is precarious for economy. They added that it has already created a wide gap between nominal effective exchange rate of the local currency relative to the US Dollar and real effective exchange rate – the latter is inflation-adjusted. They fear if this practice goes on amid swelling imports, the reserve might hit the bottom in near future.

The week's data runs 09 May 2019 to 16 May 2019

Stock Market Movement



Global Markets

	This Week	Last Week	+/- %
S&P 500	2,859.53	2,881.40	-0.76
FTSE 100	7,348.62	7,203.29	2.02
Nikkei 225	21,250.09	21,344.92	-0.44
SENSEX	37,930.77	37,462.99	1.25
KSE 100	33,166.62	34,716.53	-4.46

DSE Indicators

	This Week	Last Week	+/- %
DSE Broad Index	5,230.79	5,275.83	-0.85
Total Turnover, Tk	14,615,179,833.00	21,448,169,880.00	-31.86
Market Capital, Tk	3,261,872,185,260	3,299,301,234,661	-1.13
No of Issue Gain	122	152	
No of Issue Loss	195	179	
No of Unchanged Issues	33	20	

Top Gainers

Weighted avg. Closing Price (Tk)

Company	Last Week	This Week	Change %	Turnover (Tk)
United Insurance	56.70	64.60	13.93	59,474,000
IFIC Bank Ltd.	10.70	11.90	11.21	278,793,000
LR Global BD MF1	6.20	6.80	9.68	110,000
Bank Asia Ltd.	18.20	19.70	8.24	95,907,000
Popular Life	85.40	92.30	8.08	7,906,000
Rupali Life Insurance	82.70	89.00	7.62	48,123,000
Dhaka Bank Ltd.	13.40	14.40	7.46	112,358,000
Pragati Insurance	30.40	32.60	7.24	15,379,000
Paramount Ins	15.80	16.90	6.96	18,333,000
Trust Bank Ltd.	29.20	31.20	6.85	24,492,000

Top Losers

Weighted avg. Closing Price (Tk)

Company	Last Week	This Week	Change %	Turnover (Tk)
S. S. Steel Limited	33.40	30.00	-10.18	200,571,000
Intraco Refueling	24.80	22.30	-10.08	112,730,000
Dulamia Cotton	55.80	50.60	-9.32	8,401,000
Esquire Knit Composite	51.10	46.40	-9.20	297,698,000
Indo-Bangla Pharma	28.00	25.50	-8.93	246,612,000
Navana CNG Limited	48.70	44.70	-8.21	29,552,000
Aman Cotton Fibrous	36.20	33.30	-8.01	39,587,000
Jamuna Bank Ltd.	19.20	17.70	-7.81	232,299,000
BRAC Bank Ltd.	60.90	56.30	-7.55	673,154,000
Meghna Pet Industries	14.80	13.70	-7.43	601,000

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	411.11	407.86	0.80	2,799.25	1,983.60	41.12
Cement	277.24	283.27	-2.13	267.56	317.74	-15.79
Ceramic	674.69	683.82	-1.34	421.86	874.82	-51.78
Engineering	2,402.88	2,442.96	-1.64	1,809.56	3,131.70	-42.22
Food & Al.	4,456.93	4,573.35	-2.55	404.66	863.56	-53.14
Fuel & Pow.	4,034.11	4,020.72	0.33	1,400.68	1,982.94	-29.36
Insurance	1,442.57	1,421.02	1.52	587.81	952.03	-38.26
IT	347.33	351.32	-1.14	465.87	829.30	-43.82
Jute	2,090.70	2,075.38	0.74	18.43	35.66	-48.31
Misc.	1,305.06	1,329.06	-1.81	898.20	1,382.15	-35.01
Mutual Fund	430.61	428.03	0.60	118.10	135.59	-12.90
NBFI	1,112.99	1,118.19	-0.47	435.04	539.75	-19.40
Paper	9,120.87	9,583.39	-4.83	57.90	152.18	-61.95
Pharma	1,136.29	1,161.93	-2.21	1,319.74	2,331.17	-43.39
Service	1,099.39	1,111.71	-1.11	62.13	104.63	-40.62
Tannery	828.48	833.50	-0.60	972.20	1,790.98	-45.72
Telecom	3,220.46	3,306.57	-2.60	394.63	549.99	-28.25
Textile	1,470.71	1,492.45	-1.46	1,531.99	2,741.60	-44.12
Travel & Leis	462.23	477.66	-3.23	70.08	108.13	-35.19

Technical Talk

Dhaka stocks continued its losing streak for the second consecutive week ended on Thursday depicting the confidence deficiency among investors. During the week, the cautious investors were worried about the ongoing gloomy market, liquidity shortage in the financial sector and rising deposit interest rate in the banking sector. Among the major losers, Telecom sector decreased by 2.60% over the week followed by Pharma 2.21%, Engineering 1.64% and Textile 1.46%.

DSE Broad Index (DSEX) reached 5,230.79 points decreased by 45.04 points or 0.85% from the previous week. Total turnover reached at Tk14615.18m which was 31.86% lower than the previous week. Market capitalization decreased by 1.13% and stood at Tk3261.87b (\$38.62b) at the weekend against Tk3299.30b. DSE 30 decreased by 33.14 points or 1.79% and closed at 1,818.21 points against 1,851.35 points. Last week's weighted average Market PE was 14.00 which was 14.18 previous week.

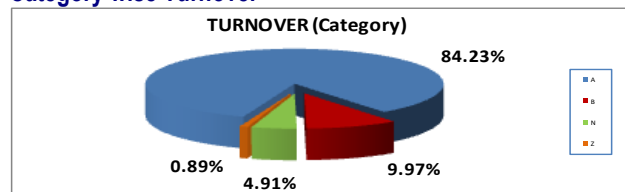
Top Turnover Companies

Company	Volume	Value (Tk)	% of total
Fortune Shoes Limited	19,480,160	733,417,000	5.02
BRAC Bank Ltd.	11,819,527	673,154,000	4.61
Bangladesh Shipping Co.	7,709,972	394,441,000	2.70
Power Grid Company	6,099,540	393,646,000	2.69
Oimex Electrode Limited	8,502,641	309,628,000	2.12
Monno Ceramic	1,276,431	298,886,000	2.05

Top 10 Market Capital

Company	Volume	Value (Tk)	% of total
GP	466,259	ICB	76,395
BATBC	241,542	Berger Paint	73,625
Square Pharma	196,226	BRAC Bank	69,439
United Power	152,014	LafargeHolcim	46,919
RENATA	93,760	Marico	44,346

Category wise Turnover



Commodity Price

	This Week	Last Week	Change %
Gold (USD/t.oz.)	1,285.00	1,283.50	0.12
Silver (USD/t.oz.)	14.48	14.71	-1.55
Brent Crude Oil (USD/bbl.)	72.62	70.39	3.17

Exchange Rate

	This Week		Last Week		Change %	
	TT	BC	TT	BC	TT	BC
USD	84.45	84.50	84.45	84.50	0.00	0.00
EUR	94.72	94.77	95.37	95.43	-0.69	-0.69
GBP	107.71	107.77	110.04	110.11	-2.12	-2.12
AUD	58.31	58.34	59.43	59.46	-1.89	-1.89
JPY	0.77	0.78	0.78	0.78	-0.12	-0.12
CAD	63.08	63.12	63.23	63.32	-0.24	-0.32
SAR	22.63	22.65	22.63	22.65	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	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

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