

BSEC limits declaration of bonus shares

The Bangladesh Securities and Exchange Commission (BSEC) has imposed restrictions on bonus (stock dividend) share declaration by companies listed with the twin bourses following criticisms from investors as many listed companies have been declaring bonus shares for years without any justifiable reason. As per the latest notification of the capital market regulator, the listed companies must justify the issuance of bonus shares through Price Sensitive Information (PSI) and highlight the utilization of such retained amounts as capital. The notification also affirms that if any company intends to declare stock dividend, it must ensure that the bonus shares are declared from accumulated profit or share premium but not from capital reserve or revaluation reserve or any unrealized gain or out of profit earned prior to incorporation of the company or through reducing paid-up capital or doing anything so that the post-dividend retained earnings become negative or debit balance. Stock market experts have hailed the move and opined that some companies declare bonus shares without any reason, thereby hurting the interest of shareholders.

BB sets periphery for investment in non-listed securities

Bangladesh Bank (BB) issued a guideline to regulate investment of banks in non-listed securities aiming to reduce risk of the banks. Earlier, the central bank permitted to deduct investment of banks in non-listed securities from the calculation of capital market exposure. As per the fresh guideline, investment of a bank in non-listed equity share must be less than 5% of their paid-up capital, share premium, statutory reserve and retained earnings. However, the investment of a bank must be lower than 10% of the paid-up capital of the non-listed company. The guideline also stated that the price of shares of non-listed companies including premium should not be higher than 110% of its Net Asset Value (NAV). For investment in preference shares, the security should be non-convertible and cumulative in nature and would be included in the single borrower exposure limit of the bank. The tenure of preference shares should not be higher than five years and its interest or cash dividend should be fixed. In case of investment in open-ended Mutual Funds (MFs), investment of banks must not be higher than 5% of the total capital of the banks and at the same time, the investment should not be higher than 15% of the total size of the MF. The guideline also required that the banks must submit quarterly statements to the central bank on the status of investment in non-listed securities. The central bank officials opined that the guideline will indirectly encourage banks to boost investment in listed scrips.

Twelve banks post profit by dint of special favor

Among the 30 banks listed with the Dhaka bourse, at least 12 banks managed to post profit for the year of 2018 with special favor from Bangladesh Bank (BB) on maintaining required provisions against classified loans. As per letters issued to the banks, BB allowed the banks to allocate the deficit in required provisioning in the next four years. Thus, the banks were able to report higher profit or lesser loss. However, BB barred the banks from declaring any cash dividend for the year. For 2018, BB asked the One Bank to maintain provisioning of Tk9.98b though the bank was able to maintain only Tk4.58b. However, BB allowed the bank to allocate deficit amount of Tk2.40b within 2021 and consequently the banks reported Tk1.40b profit for 2018. Other listed banks that availed the facility are National Bank, Mercantile Bank, MTB, Premier Bank, Southeast Bank, Standard Bank, Trust Bank, Rupali Bank, First Security Bank, Social Islami Bank and Shahjalal Islami Bank.

BB unveils banking sector stability status

The rising trend of gross Non-Performing Loan (NPL) ratio, especially in the State-owned Commercial Banks (SCBs) is responsible for the deterioration of the overall asset quality of the banking sector, as the Bangladesh Bank (BB) detailed in its Financial Stability Report (FSR) 2018. The gross NPL ratio increased by 10.3% in 2018 from 9.3% a year earlier. At the end of the year 2018, the total default loans in banking sector stood at Tk933.70b, of which 52% was held by the SCBs. BB attributed the mounting NPL ratio in the state banks to their overall inefficiency in loan management. The report also showed that the amounts of loan rescheduling by banks have been rising alarmingly. According to BB findings, loan rescheduling by banks grew to Tk232.10b in 2018, up by 21.39% (Y-o-Y). The ratio of rescheduled loan over total loan outstanding was the highest in industrial sector, 26.8% of the total. The report also stated that the large amount of bad loans triggered the swelling provision requirement of banks, which shrunk profitability, eroded capital base and eventually led to insolvency of banks. In 2018, the operating profit of banks rose by 8.07% (Y-o-Y) to Tk266.40b compared to previous year whereas their net profit dropped by 57.52% (Y-o-Y) to Tk40.40b against Tk95.10b in 2017 due to the provisioning requirement of Tk146.20b. The Return on Equity (ROE) and Return on Assets (ROA) of banks dropped by 6%-points and 0.4%-points to 4.4% and 0.3% respectively in 2018. The Net Interest Margin (NIM) for the banking sector increased slightly to 2.2% at the end of 2018 from 2% a year before that. The Advance-Deposit Ratio (ADR) of the banking sector increased to 77.6% during the year under review from 75.9% a year ago. As per FSR 2018, the loans & advance, deposits and overall assets in banks grew by 14.1%, 10.5% and 11.5% during the year respectively. The proportion of capital and risk-based assets in banking sector has decreased slightly to 10.5% which is almost close to the required minimum rate of 10%. According to BB findings, the assets in banking sector were highly concentrated to a handful people and their failure of repayment would leave banks in an intense capital inadequacy and might even result to bankruptcy. The most concerning issue is that the capital adequacy of the banking system would decrease to 8.88% from the existing 10.5% if only three largest borrowers of the sector fail to repay their loans.

Interest rate spread narrows down in April

The weighted average interest rate spread of the overall banking sector came down to 4.04% in April this year from 4.15% in the previous month, the central bank reports. As per Bangladesh Bank (BB) figures, the weighted average deposit rate increased to 5.42% in April from 5.35% a month earlier while the weighted average lending rate decreased to 9.46% in April last compared to the rate of 9.50% in March. According to bankers, the uptrend in deposit rate might continue in May 2019 ahead of Eid festival.

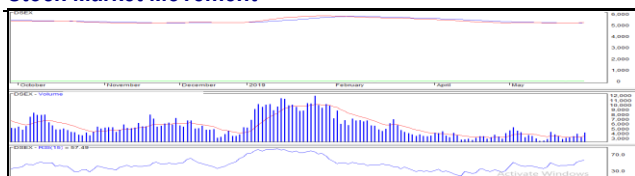


Remittance on strong momentum ahead of Eid

The remittance inflow is approaching to see a robust growth in May as the expatriates have already sent US\$1.35b till May 24, 2019, according to latest report of Bangladesh Bank (BB). As per BB, remittance is in buoyant trend due to *Eid-ul-Fitr* and might cross US\$1.5b during the month. The average daily remittance stood at US\$56.2m during the first 24 days of May.

The week's data runs 23 May 2019 to 30 May 2019

Stock Market Movement



Global Markets

		This Week	Last Week	+/- %
S&P 500	↑	2,873.34	2,826.06	1.67
FTSE 100	↑	7,331.94	7,277.73	0.74
Nikkei 225	↓	20,884.71	21,117.22	-1.10
SENSEX	↑	39,615.90	39,434.72	0.46
KSE 100	↓	35,505.29	35,703.81	-0.56

DSE Indicators

		This Week	Last Week	+/- %
DSE Broad Index	↑	5,377.75	5,250.60	2.42
Total Turnover, Tk	↑	18,414,700,526.00	17,930,201,054.00	2.70
Market Capital, Tk	↑	3,354,149,512,662.3	3,271,544,949,926	2.52
No of Issue Gain		199	171	
No of Issue Loss		113	143	
No of Unchanged Issues		40	37	

Top Gainers

Company	Weighted avg. Closing Price (Tk)			Turnover (Tk)
	Last Week	This Week	Change %	
National Life Ins	182.30	221.60	21.56	482,432,000
Premier Leasing	9.20	11.10	20.65	86,541,000
MIDAS Financing	17.50	21.00	20.00	57,988,000
Federal Insurance	10.70	12.80	19.63	125,883,000
Prime Islami life Ins	51.10	60.70	18.79	48,012,000
Global Insurance Co.	18.40	21.40	16.30	281,061,000
Purabi Gen.	16.10	18.70	16.15	122,517,000
JMI Syringes	330.50	373.90	13.13	425,841,000
Standard Ceramic	238.40	267.60	12.25	121,710,000
City General	15.70	17.60	12.10	86,646,000

Top Losers

Company	Weighted avg. Closing Price (Tk)			Turnover (Tk)
	Last Week	This Week	Change %	
Meghna Condensed	21.80	18.40	-15.60	2,194,000
Phoenix Finance	32.30	28.50	-11.76	4,690,000
Beach Hatchery Ltd.	18.40	16.50	-10.33	15,836,000
Imam Buton Industries	32.20	29.50	-8.39	6,590,000
Dulamia Cotton	51.20	47.30	-7.62	3,022,000
Monno Ceramic	235.60	218.00	-7.47	288,361,000
United Airways (BD)	2.70	2.50	-7.41	10,366,000
Eastern Insurance Co.	48.50	45.00	-7.22	74,499,000
Rupali Life Insurance	71.80	66.90	-6.82	240,249,000
Savar Refractories	122.00	114.30	-6.31	1,979,000

Sectoral Index & Turnover

Sector	Sectoral Index			Turnover (Tk.M)		
	This Week	Last Week	Change %	This Week	Last Week	Change %
Bank	433.55	416.37	4.12	2,866.26	3,412.61	-16.01
Cement	276.65	273.51	1.15	170.24	145.47	17.03
Ceramic	671.94	671.91	0.00	442.84	382.07	15.90
Engineering	2,571.13	2,548.57	0.88	1,941.56	2,235.79	-13.16
Food & Al.	4,438.84	4,459.92	-0.47	743.13	442.71	67.86
Fuel & Pow.	4,186.12	4,068.98	2.88	1,604.90	1,393.09	15.21
Insurance	1,592.90	1,484.21	7.32	2,771.98	1,448.58	91.36
IT	342.78	341.88	0.27	244.28	361.37	-32.40
Jute	2,083.80	2,050.68	1.62	25.08	27.52	-8.87
Misc.	1,230.54	1,275.12	-3.50	906.42	1,256.33	-27.85
Mutual Fund	440.20	435.17	1.16	89.33	81.91	9.06
NBFI	1,191.64	1,141.91	4.35	1,119.95	946.12	18.37
Paper	9,005.85	9,024.05	-0.20	35.92	43.35	-17.15
Pharma	1,151.65	1,134.83	1.48	1,744.99	1,402.19	24.45
Service	1,098.80	1,093.26	0.51	63.44	57.79	9.78
Tannery	850.53	833.33	2.06	469.26	880.96	-46.73
Telecom	3,311.01	3,156.37	4.90	404.97	380.94	6.31
Textile	1,492.61	1,468.34	1.65	1,519.65	1,169.72	29.92
Travel & Leis	466.69	464.13	0.55	50.21	41.06	22.29

Technical Talk

Dhaka stocks closed higher in the last week ended on Thursday as the general investors saw a ray of hope that the market would maintain its uptrend after Eid holidays amid the fresh move of the market regulator to review the public issue rules. Investors also expected favorable budget declaration. Among the major gainers, Insurance sector increased by 7.32% over the week followed by Telecom 4.90%, NBFI 4.35%, Bank 4.12%, Fuel & Power 2.88% and Textile 1.65%.

DSE Broad Index (DSEX) reached 5,377.75 points increased by 127.15 points or 2.42% from the previous week. Total turnover reached at Tk18414.70m which was 2.70% higher than the previous week. Market capitalization increased by 2.52% and stood at Tk3354.15b (\$39.72b) at the weekend against Tk3271.54b. DSE 30 increased by 43.78 points or 2.39% and closed at 1,876.60 points against 1,832.82 points. Last week's weighted average Market PE was 13.96 which was 14.00 previous week.

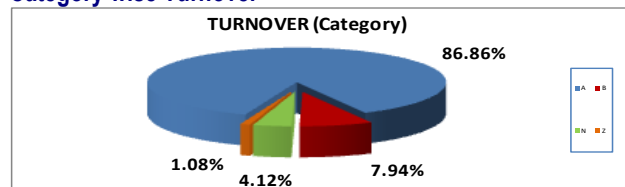
Top Turnover Companies

Company	Volume	Value (Tk)	% of total
United Power Generation	1,916,602	642,714,000	3.49
National Life Insurance	2,255,689	482,432,000	2.62
British American	356,028	459,569,000	2.50
Square Pharmaceuticals	1,749,998	434,560,000	2.36
New Line Clothings	19,753,520	427,709,000	2.32
JMI Syringes & Medical	1,195,075	425,841,000	2.31

Top 10 Market Capital

			In million
GP	479,492	ICB	82,605
BATBC	238,662	BRAC Bank	79,676
Square Pharma	201,039	Berger Paint	66,260
United Power	164,710	LafargeHolcim	46,455
RENATA	94,331	Olympic Ind.	45,146

Category wise Turnover



Commodity Price

	This Week	Last Week	Change %
Gold (USD/ton)	1,337.60	1,284.80	4.11
Silver (USD/ton)	14.87	14.58	2.00
Brent Crude Oil (USD/bbl)	61.67	67.76	-8.99

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	96.20	96.26	95.12	95.17	1.14	1.14
GBP	107.85	107.91	107.66	107.72	0.18	0.18
AUD	59.41	59.45	58.77	58.81	1.08	1.08
JPY	0.79	0.79	0.78	0.78	1.03	1.02
CAD	63.98	64.02	63.17	63.21	1.29	1.29
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)
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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