

Tax on reserves to dampen investment

The recent proposed tax measure on retained earnings and reserve of publicly listed companies in the Budget for FY2019-20 raised concerns as many companies will face operational setback if the bill is passed. The Finance Minister placed the Finance Bill 2019 with the budget proposal where he proposed an additional tax of 15% on retained earnings and reserve if the figures exceed 50% of paid-up capital of the respective company. Analysis of Dhaka Stock Exchange (DSE) statistics shows, the retained earnings and reserve of 209 companies out of 317 listed companies have already exceeded over 50% of their respective paid-up capitals which are in total Tk519.03b. The excess amount of the retained earnings and reserves of these 209 companies after over 50% of their paid-up capital reached Tk719.49b and if 15% tax is imposed, these companies would be charged with Tk107.92b to pay to the government exchequer. Among these 209 companies, the top twenty nine companies would need to pay from around Tk1b to Tk7b each and fifty seven companies are to pay more than Tk500m each as additional taxes. Business associations and chambers criticized the proposal and expressed their fear that the measure will hamper growth of businesses. Although the measure was proposed to increase the disbursement of cash dividend by companies which, in turn, might attract investors along with liquidity in the stock market, it might deteriorate the condition of capital market instead since the move will reduce investment capacity of the companies by shrinking the growth of their profitability. On the other hand, the tax imposition on retained earnings and reserve will create further problems in the ailing banking sector. Banks and financial institutions require adequate capital as per Bangladesh Bank (BB) rules and must maintain a portion of capital as reserve as per Basel-III requirements. Economists also pointed out that the measure is likely to reduce Foreign Direct Investment (FDI) flow in the economy as a significant portion of FDI was generated by the re-investment of profits by the Multinational Companies.

Top 10 Companies with excess reserve (figures in Tk. billion)

Company	Paid-Up Capital	Total Reserve	Probable Tax
Titas Gas	9.89	55.75	7.62
Beximco	8.76	52.56	7.23
Square Pharma	7.89	48.30	6.65
Islami Bank	16.10	34.56	3.98
BATBC	0.60	22.51	3.33
ICB	6.98	22.63	2.87
Dutch Bangla Bank	5.00	21.07	2.79
Jamuna Oil	1.10	18.89	2.75
Beximco Pharma	4.06	17.76	2.36
Unique Hotel	2.94	17.02	2.33

SOURCE: DSE

Thirty-two percent of ADP to be spent in June

The government agencies implemented only 67.97% of the revised Annual Development Program (ADP) at the end of eleventh month of FY2018-19. The Ministries and Divisions spent Tk1.20-trillion during July-May period of the outgoing fiscal year, as per Implementation Monitoring and Evaluation Division (IMED). The government allocated Tk1.76-trillion for development spending in the Budget for FY2018-19 which was trimmed down to Tk1.65-trillion in the fourth quarter due to slow execution pace. The spending rate of the development budget, however, was 5.16% higher than that of the corresponding period in the previous FY2017-18. The ADP implementing agencies still lagged behind 32.03% of the revised allocation amounting Tk450b which need to be spent in only one month.

Mega borrowing target to choke private investments

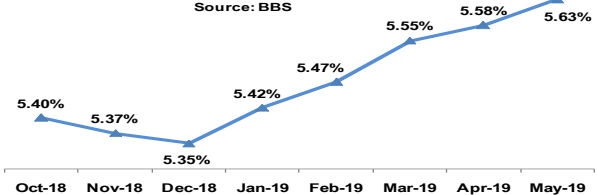
The government set a challenging target to raise private investment to 24.2% of GDP in the proposed budget for FY2019-20 amid sluggish private investment and acute liquidity shortage in the banking sector. According to the Bangladesh Bureau of Statistic (BBS), private investment reached 23.4% of GDP in FY2018-19 though the government had set target to raise private investment to 25.2% for the fiscal year. On the contrary, the government proposed in the fresh budget to borrow Tk473.64b from the banking sector to finance hefty deficit where the proposed borrowing target is 53.31% higher than the revised target of Tk308.95 in the outgoing fiscal. Experts have alerted that the persisting liquidity crunch will get intensified if the government sticks to its proposed target to borrow. Moreover, private sector credit growth dived to a 56-month low of 12.07% in April of 2019. Economists have opined that high borrowing target from banks would clog up private investment as the banking sector has been hobbling with liquidity crisis due to a number of reasons including hefty amount of Non-Performing Loans (NPLs). The experts have triggered a clarion call to restore discipline in the banking sector. On the other hand, bankers have asserted that most of the banks are already in pressure with Advance-Deposit Ratio (ADR), dearth of deposits and single digit interest rate. Consequently the set target is likely to hinder the private sector credit mobilization further.

Inflation hits 13-month high

Inflation crossed the ceiling of 5.6% set by the government for FY2018-19 as it rose to 5.63% in May of 2019 riding on a sharp rise in prices of non-food items on the occasion of Ramadan.

Inflation (Point-to-Point)

Source: BBS

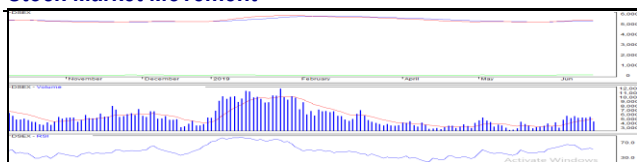


According to the Bangladesh Bureau of Statistics (BBS), the point-to-point inflation went up by five basis points in May from 5.58% in April 2019. The non-food inflation increased to 5.84%, up by twenty basis points from the previous month. As per the statement of the BBS, prices of clothes and furniture as well as the cost of health services and transport went up in May. However, food inflation shed five basis points from the previous month and stood at 5.49%. Economists opined that the declining trend of the price of rice, the biggest item in the food consumption basket, played the key role to take the food inflation down in the last month. In the proposed budget for FY2019-20, the government has targeted to contain inflation within 5.5%.

Tax to double on government savings certificates

The Finance Minister proposed to increase TDS (Tax Deduction at Source) to 10% from existing 5% on interest from government savings tools. The government has been under pressure with the burgeoning rise in sales of the saving certificates as it has to pay a large amount of interest on these every year. Moreover, bankers have been demanding for long to adjust the rates on saving certificates as the banks are in tight corner with the scarcity of deposits. However, the economists have urged to reconsider the decision as it will hit hard the people dependent on such saving schemes. They have also raised question on the ultimate beneficiaries of the certificates as the government has no detailed information of the buyers of those certificates.

Stock Market Movement



Global Markets

	This Week	Last Week	+/- %
S&P 500	2,950.46	2,886.98	2.20
FTSE 100	7,407.50	7,345.78	0.84
Nikkei 225	21,258.64	21,116.89	0.67
SENSEX	39,194.49	39,452.07	-0.65
KSE 100	35,125.25	35,572.95	-1.26

DSE Indicators

	This Week	Last Week	+/- %
DSE Broad Index	5,395.63	5,474.31	-1.44
Total Turnover, Tk	25,981,323,284.00	24,633,906,442.00	5.47
Market Capital, Tk	3,392,345,161,918	3,434,313,759,911	-1.22
No of Issue Gain	102	260	
No of Issue Loss	226	70	
No of Unchanged Issues	26	23	

Top Gainers

Weighted avg. Closing Price (Tk)

Company	Last Week	This Week	Change %	Turnover (Tk)
Sunlife Insurance	27.00	32.20	19.26	56,340,000
Eastern Insurance	47.70	56.00	17.40	480,171,000
BD Autocars Ltd.	227.80	257.10	12.86	201,310,000
Dragon Sweater	18.30	20.30	10.93	473,544,000
Nurani Dyeing	15.40	17.00	10.39	418,948,000
Global Insurance Co.	28.10	30.80	9.61	366,259,000
Republic Insurance	24.10	26.10	8.30	163,621,000
Sandhani Life Ins	27.00	29.20	8.15	137,867,000
Bangas Ltd.	277.80	300.10	8.03	265,165,000
Northern General Ins	23.90	25.80	7.95	296,907,000

Top Losers

Weighted avg. Closing Price (Tk)

Company	Last Week	This Week	Change %	Turnover (Tk)
SEML FBLSL G. MF	11.80	10.00	-15.25	27,000
Purabi Gen. Insurance	20.20	17.60	-12.87	178,985,000
National Bank Ltd.	10.00	8.80	-12.00	89,899,000
Bay Leasing	21.10	18.60	-11.85	9,483,000
One Bank Limited	14.80	13.20	-10.81	34,984,000
Union Capital Ltd.	12.20	11.00	-9.84	35,742,000
Premier Leasing	11.70	10.60	-9.40	78,159,000
Vanguard AML BD MF	7.60	6.90	-9.21	647,000
FAS Finance	10.60	9.70	-8.49	116,644,000
Northern Jute	1135.1	1046.70	-7.79	14,816,000

Sectoral Index & Turnover

Sector	Sectoral Index			Turnover (Tk.M)		
	This Week	Last Week	Change %	This Week	Last Week	Change %
Bank	417.66	427.46	-2.29	1,552.17	2,087.98	-25.66
Cement	274.61	280.74	-2.18	202.31	238.77	-15.27
Ceramic	672.62	675.20	-0.38	516.60	339.47	52.18
Engineering	2,563.07	2,644.23	-3.07	2,490.24	2,984.46	-16.56
Food & Al.	4,547.72	4,677.17	-2.77	1,000.21	935.12	6.96
Fuel & Pow.	4,302.72	4,299.30	0.08	1,956.75	2,399.37	-18.45
Insurance	1,698.86	1,678.89	1.19	5,802.07	3,906.35	48.53
IT	349.41	362.26	-3.55	494.19	548.37	-9.88
Jute	2,065.02	2,129.78	-3.04	159.13	62.95	152.79
Misc.	1,238.47	1,279.27	-3.19	1,175.12	1,413.32	-16.85
Mutual Fund	426.40	431.49	-1.18	86.35	126.40	-31.69
NBFI	1,175.66	1,212.71	-3.05	1,008.54	1,220.18	-17.35
Paper	8,986.66	9,191.08	-2.22	72.45	66.24	9.37
Pharma	1,186.71	1,182.88	0.32	2,670.47	2,447.80	9.10
Service	1,118.54	1,153.56	-3.04	336.25	490.95	-31.51
Tannery	866.84	861.61	0.61	711.07	533.08	33.39
Telecom	3,348.80	3,367.59	-0.56	440.58	435.53	1.16
Textile	1,546.02	1,552.82	-0.44	4,531.95	2,684.08	68.85
Travel & Leis	473.44	480.89	-1.55	94.78	110.77	-14.44

Technical Talk

Dhaka bourse closed in negative in the last week ended on Thursday breaking the gaining streak of three consecutive weeks as some proposed proposals in the National Budget for FY2019-20 for the capital market have disheartened the investors. Investors sold shares mostly from NBFIs, engineering, food, banking and telecom sectors. Among the major losers, IT sector decreased by 3.55% over the week followed by Engineering 3.07%, NBFI 3.05% and Banks 2.29%.

DSE Broad Index (DSEX) reached 5,395.63 points decreased by 78.68 points or 1.44% from the previous week. Total turnover reached at Tk25981.32m which was 5.47% higher than the previous week. Market capitalization decreased by 1.22% and stood at Tk3392.35b (\$40.17b) at the weekend against Tk3434.31b. DSE 30 decreased by 10.70 points or 0.56% and closed at 1,894.39 points against 1,905.09 points. Last week's weighted average Market PE was 14.07 which was 14.25 previous week.

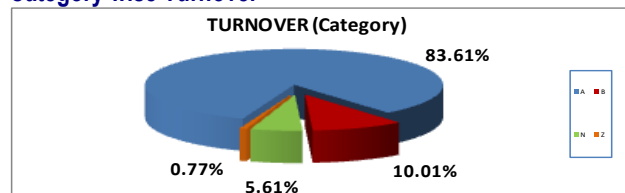
Top Turnover Companies

Company	Volume	Value (Tk)	% of total
United Power Generation	2,579,251	953,192,000	3.67
JMI Syringes & Medical	1,547,616	700,086,000	2.69
Eastern Insurance Co.	8,694,565	480,171,000	1.85
Dragon Sweater	23,479,939	473,544,000	1.82
New Line Clothings	18,461,144	459,048,000	1.77
Nurani Dyeing & Sweater	25,224,889	418,948,000	1.61

Top 10 Market Capital

Company	Volume	Value (Tk)	% of total
GP	485,163	Berger Paint	82,675
BATBC	244,422	BRAC Bank	77,949
Square Pharma	205,695	ICB	67,011
United Power	178,795	LafargeHolcim	47,603
RENATA	96,643	Olympic Ind.	46,226

Category wise Turnover



Commodity Price

	This Week	Last Week	Change %
Gold (USD/t oz.)	1,399.30	1,339.20	4.49
Silver (USD/t oz.)	15.31	14.87	2.92
Brent Crude Oil (USD/bbl.)	65.34	61.31	6.57

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	96.50	96.56	95.15	95.21	1.42	1.42
GBP	107.89	107.96	106.63	106.69	1.18	1.18
AUD	58.77	58.81	58.34	58.38	0.74	0.74
JPY	0.79	0.80	0.79	0.79	1.16	1.17
CAD	64.20	64.13	63.29	63.32	1.44	1.28
SAR	22.63	22.64	22.63	22.64	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)
Coppertech Industries	Mar 31 - Apr 09, 2019	10	200
Sea Pearl Beach Resort	Apr 23 - May 06, 2019	10	150