

**Expansionary monetary policy for FY22**

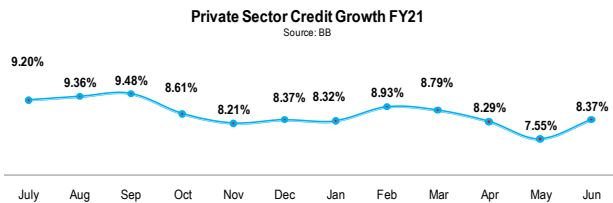
Bangladesh Bank (BB) has decided to continue with its ongoing expansionary monetary policy for the current 2021-22 fiscal year, aiming to speed up recovery of the pandemic-hit economy. Although the previous expansionary monetary policy largely failed to augment the demand in the economy battered by the coronavirus pandemic, the BB again took the same route to counter the impacts of the crisis. The MPS aims to support investment and employment-generating activities and help create enabling conditions for the businesses so that they could normalize production and restore supply chains. At the same time, the MPS acknowledges several risk factors which might hamper attainment of the monetary program during the fiscal year. Private sector credit growth target has been kept unchanged at 14.8%; a goal that economists think is too ambitious. Meanwhile, the excess liquidity hit an all-time high of Tk2.31 trillion as of June 30 this calendar year, fuelled by a lower private credit growth in a sign that the investment situation has cooled. Meanwhile, Bangladesh Bank has lowered the public sector credit growth target by 11.8 percentage points from last year to 32.6%, based on the forecasted government borrowing from banks as per the national budget of FY22. The central bank, however, fixed domestic credit growth target at 17.8% for FY22 while goals of broad money (M2) supply and reserve money have been projected at 15% and 10% respectively. The BB also slashed the repurchase agreement rate by 125 basis points to 4.75% and cut the reverse repo rate by 75 basis points to 4% to make funds cheaper for banks. The Gross Domestic Product (GDP) projection has been set at 7.2%, while it aims to keep inflation checked within 5.3%. Average inflation rose to 5.56% in FY2020-21. It was 5.48% in FY2018-19.

**BB warns against diversion of stimulus funds**

Bangladesh Bank (BB) instructed all scheduled banks to strengthen their internal monitoring and auditing system to ensure proper utilization of low-cost stimulus funds. The central bank has issued a letter to the banks on July 25, 2021 in this regard. In the letter, BB warned the commercial banks against diverting funds to unproductive sectors like stock market or real estate instead of proper utilization in the selected respective sectors. The BB has instructed that scheduled banks might have to submit the loan documents that have already been disbursed under the stimulus schemes to scrutinise the use of such loans. Earlier, it had directed banks not to allow the adjustment of any credit of the borrowers through the use of loans granted from such stimulus schemes. Till now, the government declared Tk1,284.4b worth stimulus packages as a part of monetary support to tackle the havoc created by Covid-induced losses. Of the total fund, the central bank has set a target to inject nearly Tk970b. However, this latest move of the central bank has come against the backdrop of the record performance of the capital market. On the other hand, the private sector credit growth maintained a downtrend over the months and tumbled to 8.37% in June 2021, as per BB statistics. As per the Asia Frontier Capital, there was no significant business expansion in Bangladesh even after the release of stimulus loans whereas the DSE recorded the best performance among the Asian frontier markets in May. This overall situation led the central bank to express its fear that if the fund flow continues unabated into the stock market; it is likely to create an asset bubble.

**Overall credit growth far from target**

Although banks are charging historically low interest on lending, the overall private sector credit growth in the last fiscal year was 8.62%, against a backdrop of the interrupted economic activities due to the intermittent lockdowns amid the second wave of Covid-19 pandemic. Besides, banks have adopted a cautious approach in giving out credits tend to become non-performing given the ongoing business slowdown. Consequently, the single-digit credit growth rate remained far below the monetary target of 14.8% which was set to be achieved by the end of FY2020-21.



**Government bank borrowing falls**

The net bank borrowing by the government fell sharply in the just concluded fiscal year due to lower implementation of the Annual Development Program (ADP) during the pandemic. Higher sales of National Savings Certificates (NSCs) have also pulled down the planned borrowing from the banking system. The net borrowing from banks dropped by 63.9% to Tk260.78b in FY2020-21 from Tk722.46b a year ago, according to Bangladesh Bank (BB). The net bank borrowing was more than 67% lower than that of the Tk797.49b revised target for FY2020-21. The original target was Tk849.80b for the fiscal year. Net borrowing through sales of savings certificates jumped by 239.53% to Tk373.86b during the July-May period of FY2020-21 from Tk110.11b in the same period of the previous fiscal year. The government has already set a lower borrowing target from the banking system to meet partly the budget deficit in FY2021-22. The borrowing target is set at Tk764.52b in FY2021-22 against Tk797.49b revised target in FY2020-21, according to the budget documents. For FY2021-22, the borrowing target from saving certificates is Tk320b.

**BB tightened monitoring of NBFIs**

Bangladesh Bank (BB) has streamlined reporting format for Non-Bank Financial Institutions (NBFIs) aiming to curb the rising trend of stressed assets through strengthening monitoring. BB issued a circular in this regard on July 26, 2021. The measures will come into force from September 2021. The central bank in its circular gave instructions on keeping provision against classified loans. The circular also sets segment-wise loan classification procedures and the tenure for loan instalment non-payment that would result in classification of loans. The BB circular said that the financial institutions would have to classify short-term loans, term loans, lease loans and home loans for any kind of confusion or doubt surfaced over the recovery of loans even if the repayment of such loans were found regular. Apart from downgrading loans, the NBFIs are also allowed to upgrade classification of loans based on improvement in financial condition of the borrowers. Along with keeping provision at the rate of 20%, 50% and 100% against substandard, doubtful and bad loans respectively, the NBFIs are also asked to maintain general provision against regular loans at variable rates depending on the nature of loans.

The week's data runs 15 July 2021 to 29 July 2021

## Stock Market Movement



### Global Markets

	This Week	Last Week	+/- %
S&P 500	4,395.26	4,411.79	-0.37
FTSE 100	7,032.30	7,027.58	0.07
Nikkei 225	27,283.59	27,548.00	-0.96
SENSEX	52,586.84	52,975.80	-0.73
KSE 100	47,055.29	47,793.07	-1.54

### DSE Indicators

	This Week	Last Week	+/- %
DSE Broad Index	6,425.26	6,307.36	1.87
Total Turnover, Tk	71,286,705,665	67,064,873,909	6.30
Market Capital, Tk	4,738,708,487,445	4,647,961,697,872	1.95
No of Issue Gain	199	267	
No of Issue Loss	167	94	
No of Unchanged Issues	11	16	

### Top Gainers

Company	Weighted avg. Closing Price (Tk)			Turnover (Tk)
	Last Week	This Week	Change %	
BarakaPatengaPower	31.90	44.70	40.13	1,635,616,000
GPH Ispat	37.00	49.50	33.78	1,824,947,000
Beacon Pharma	152.30	203.00	33.29	589,534,000
Fu-Wang Ceramic	20.70	26.80	29.47	1,553,890,000
Peoples Insurance	44.70	56.60	26.62	575,887,000
AFC Agro Biotech	24.90	30.30	21.69	531,420,000
Salvo Chemical Ind.	37.20	44.90	20.70	266,663,000
Rahima Food	241.80	289.90	19.89	511,310,000
eGeneration	52.60	63.00	19.77	544,772,000
Central Insurance	55.00	65.60	19.27	869,930,000

### Top Losers

Company	Weighted avg. Closing Price (Tk)			Turnover (Tk)
	Last Week	This Week	Change %	
Tamijuddin Textile Mills	90.30	76.50	-15.28	5,302,000
Familytex (BD)	5.90	5.00	-15.25	101,899,000
Tung Hai Knitting	7.60	6.50	-14.47	33,598,000
Pioneer Insurance	156.70	134.30	-14.29	280,879,000
Zeal Bangla Sugar Mills	164.70	143.30	-12.99	8,394,000
GQ Ball Pen Indu.	139.40	124.40	-10.76	74,366,000
ICB AMCLSecond M. F.	12.80	11.50	-10.16	47,118,000
Monno Fabrics	26.10	23.70	-9.20	47,279,000
International Leasing	8.70	7.90	-9.20	60,243,000
Fareast Finance & Inv.	7.80	7.10	-8.97	23,963,000

### Sectoral Index & Turnover

Sector	Sectoral Index			Turnover (Tk.M)		
	This Week	Last Week	Change %	This Week	Last Week	Change %
Bank	464.27	465.88	-0.34	5,336.74	2,046.02	160.83
Cement	378.85	382.93	-1.07	1,649.75	603.45	173.39
Ceramic	790.94	754.59	4.82	2,574.27	1,177.60	118.60
Engineering	8,005.68	8,100.80	-1.17	7,512.06	3,720.21	101.93
Food & Al.	5,242.46	5,192.96	0.95	3,879.19	1,333.72	190.85
Fuel & Pow.	4,016.59	4,053.39	-0.91	5,226.40	1,762.01	196.62
Insurance	3,130.53	3,139.00	-0.27	9,009.35	2,743.53	228.39
IT	537.76	513.06	4.81	2,304.41	892.91	158.08
Jute	1,140.46	1,180.26	-3.37	341.39	241.39	41.43
Misc.	2,197.39	2,293.58	-4.19	4,515.72	2,889.47	56.28
Mutual Fund	644.36	650.90	-1.00	3,535.30	3,000.12	17.84
NBFI	1,308.40	1,357.53	-3.62	2,817.71	1,300.67	116.64
Paper	6,980.78	7,137.45	-2.20	499.05	238.43	109.31
Pharma	1,531.18	1,514.06	1.13	7,685.68	3,080.03	149.53
Service	1,461.56	1,391.95	5.00	3,004.51	815.24	268.54
Tannery	763.42	755.26	1.08	737.17	488.65	50.86
Telecom	5,053.30	4,996.36	1.14	1,217.02	651.79	86.72
Textile	1,628.57	1,614.78	0.85	5,961.81	2,837.98	110.07
Travel & Leis	484.49	498.22	-2.76	367.77	293.90	25.14

## Technical Talk

The Dhaka stocks closed the week in green trajectory extended the winning streak for the six straight weeks as investors showed their buying appetite, encouraged by a persistent surge in share prices. DSEX hit an all-time high at 6,425.25 points in the last trading session of the week, highest since its inception in 2013. The DSEX soared by 1,173.5 points in the last 16 weeks with just one negative week. Out of its five trading sessions three sessions closed higher while two faced marginal correction. Among the major sectors, Telecom increased by 1.14% followed by Pharma 1.13% and Textile 0.85.

DSE Broad Index (DSEX) stood at 6,425.26 points after increasing by 117.90 points or 1.87% from the previous week. Total turnover reached at Tk71286.71m, which was 6.30% higher than the previous week. Market capitalization increased by 1.95% and stood at Tk4738.71b (\$55.82b) at the weekend against Tk4647.96b. DSE 30 increased by 52.97 points or 2.33% and closed at 2,327.88 points against 2,274.91 points. Last week's weighted average Market PE was 19.20 which was 18.81 previous week.

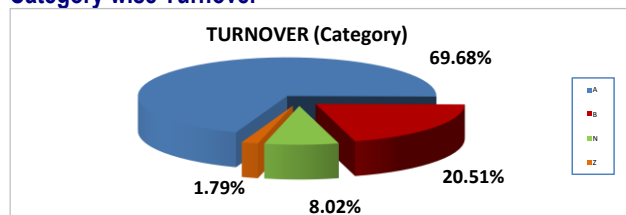
### Top Turnover Companies

Company	Volume	Value (Tk)	% of total
SAIF Powertec	88,050,224	2,508,865,000	3.52
Beximco	24,419,293	2,236,139,000	3.14
GPH Ispat	40,447,461	1,824,947,000	2.56
BATBC	2,982,768	1,708,806,000	2.40
Baraka Patenga Power	35,965,798	1,635,616,000	2.90
Fu-Wang Ceramic	62,991,736	1,553,890,000	2.18

### Top 10 Market Capital

			In million
GP	512,169	United Power	146,926
Walton Hi-Tech	423,282	RENATA	121,518
BATBC	306,288	ICB	90,482
ROBI	225,231	Berger Paint	82,474
Square Pharma	187,421	Beximco Ltd.	80,008

### Category wise Turnover



### Commodity Price

	This Week	Last Week	Change %
Gold (USD/t.oz.)	1,816.90	1,802.10	0.82
Silver (USD/t.oz.)	25.55	25.24	1.23
Brent Crude Oil (USD/bbl.)	75.19	74.21	1.32

### Exchange Rate

	This Week		Last Week		Change %	
	TT	BC	TT	BC	TT	BC
USD	84.90	84.95	84.90	84.95	0.00	0.00
EUR	102.14	102.20	102.18	102.20	-0.04	0.00
GBP	119.97	120.03	120.92	120.15	-0.79	-0.10
AUD	63.75	63.78	64.78	65.72	-1.59	-2.95
JPY	0.78	0.78	0.78	0.78	0.00	0.00
CAD	68.15	68.19	67.10	68.12	1.56	0.10
SAR	22.75	22.76	22.77	22.76	-0.09	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)
-	-	-	-