

UPDATE ON Dhaka Stock Market



The Journal is running a series of updates on Financial Market of Bangladesh (i.e. Money Market and Capital Market). In this issue of THE COST & MANAGEMENT, Mr. Mohammad Shamsur Rahman, FCMA has given a reflection of relevant changes and updates on Financial Market. The analysis of the market has been done considering the period from January 01, 2020 to February 29, 2020. Mr. Rahman is currently working as Chief Regulatory Officer (CRO) of Chittagong Stock Exchange Limited.

Bangladesh Economic Outlook

- ◆ Bangladesh Bank has revised its monetary policy for the second half of the fiscal year 2019-2020, raising the target of broad money supply by 0.50%, to 13% from 12.5%, with a view to boosting investment in the private sector, including the capital market. The central bank also revised upward the government's bank borrowing target to 37.7% from 24.3% it had projected for the January-June period of FY20 when it announced the annual monetary policy statement in July last year. Besides, the BB kept its projection of attaining 14.8% private sector credit growth unchanged.
- ◆ The Financial Institutions Division has set the interest rates of deposits by the state-owned enterprises in the private and public commercial banks and non-bank financial institutions amid demand by the bankers for the funds for implementing much-vaunted single-digit lending rate from the revised deadline of April 1. It set the rate at the highest 6% for depositing maximum 50% of their funds by the state agencies in the private banks, according to a circular issued by the FID. The division set the interest at 5.5% for depositing funds by the state agencies in the public commercial banks. Money meant for endowment, pension and provident fund will not come under the purview of the directive.
- ◆ Reserve money recorded an increase of Taka 16254.00 crore or 6.93 percent at the end of December 2019 against the increase of Taka 17674.10 crore or 8.15 percent at the end of December 2018. Of the sources of reserve money, net foreign assets of Bangladesh Bank also increased by Taka 11421.70 crore or 4.61 percent and net domestic assets of Bangladesh Bank increased by Taka 4832.30 crore or 37.08 percent at the end of December 2019 as compared to December 2018.
- ◆ Money multiplier gradually increased and it reached 5.16 at the end of December 2019 from 4.95 at the end of June 2019.
- ◆ Total liquid assets of the scheduled banks stood at Taka 310962.61 crore as of end December, 2019 which was Taka 271806.00 crore at the end of June, 2019. The minimum required liquid assets of the scheduled banks were Taka 205316.61 crore as of end December, 2019.
- ◆ Sectoral distribution of total liquid assets as of end December, 2019 in the form of cash in tills & balances with Sonali Bank Ltd., CRR, excess reserves, foreign currency balances with Bangladesh Bank and unencumbered approved securities were 5.75 percent, 21.94 percent, 3.40 percent, 3.58 percent and 65.33 percent respectively.
- ◆ The twelve-month average general inflation marginally increased to 5.60 percent in January 2020 from 5.59 percent in December 2019 which was 0.10 percentage point higher than the target of 5.50 percent for FY20.
- ◆ Point to point general inflation significantly dropped to 5.57 percent in January 2020 which was 5.75 percent in December 2019. The Food inflation dropped to 5.12 percent in January 2020 from 5.88 percent in December 2019. Non food inflation significantly increased to 6.30 percent in January 2020 from 5.55 percent of December 2019.
- ◆ The weighted average call money rate in the inter-bank money market increased to 5.06 percent up to February 23, 2020 from 4.84 percent in January, 2019, moving in-between the interest rate (Repo & Reverse Repo) corridor.
- ◆ Total merchandise commodity export during July-January, 2019-20 fell by USD 1.26 billion or 5.21

percent to USD 22.92 billion compared to USD 24.18 billion during July-January, 2018-19. The export in January 2020, however, edged up by 0.09 billion or 2.62 percent to USD 3.62 billion in January, 2020 from USD 3.53 billion in December, 2019.

- ◆ Custom based import during July-December, 2019 fell by USD 0.82 billion or 2.73 percent and stood at USD 29.25 billion against USD 30.07 billion of July-December, 2018. Settlement of import LCs during July-December, 2019 decreased by 0.49 percent and stood at USD 27.19 billion against USD 27.32 billion of July-December, 2018.
- ◆ Bangladesh received total foreign aid amounting to USD 2.71 billion during July-December, 2019 which decreased by USD 0.18 billion or 6.25 percent compared to July-December, 2018.
- ◆ Bangladesh Taka and Indian Rupee (INR) have depreciated by 0.47 percent and 3.62 percent respectively against the US dollar at the end of January 2020 as compared from its level of end June 2019. As per the latest available data, Bangladesh Taka has recently been appreciating against the Indian Rupee.
- ◆ The central bank (BB) has cut account maintenance fees imposed by banks with a view to encouraging small savers to park their deposits in the banking sector. Clients will not have to pay any account maintenance fee for their deposits of up to Tk 10,000 in savings account from the previous charge-free ceiling of Tk 5,000.

The summary of the economic outlook depicted below:

Particulars	30 January 2020	19 February 2020
Foreign Exchange Reserve (In million US\$)	32400.76	32701.50
Interbank Taka-USD Exchange Rate (Average)	84.9000	84.9500
Call Money Rate (Weighted Average Rate)	5.04	5.09
	December 2018	December 2019
Import (C&F) (in million US\$)	4744.00	5254.00
Import (f.o.b) (in million US\$)	4391.00	4866.00
	January 2019	January 2020
Export (EPB) (in million US\$)	3679.72	3617.31
	December 2019	January 2020
Rate of Inflation on the basis of Consumer Price Index for National (Base:2005-06=100)		
a) Twelve Month Average Basis	5.59	5.60
b) Point to Point Basis	5.75	5.57
GDP Growth Rate (in percent, Base: 2005-06=100)	7.86 (2017-18)	8.15 (2018-19)

Source: Bangladesh Bank

Bangladesh Capital Market Updates

- ◆ Bangladesh Securities and Exchange Commission has approved bidding for discovering cut-off price of Walton Hi-Tech Industries under the book building method for raising Tk 100 crore from the capital market through an initial public offering. The company will use the Tk 100 crore of IPO proceeds in business expansion, paying bank loans and meeting the IPO expenses. AAA Finance and Investment Limited is the issue manager of the company's IPO.
- ◆ Bangladesh Securities and Exchange Commission has allowed Islamic Finance and Investment Limited to float non-convertible subordinated bond worth Tk 300 crore. As per the BSEC approval, the bank will float unsecured, unlisted Mudaraba subordinated bond worth Tk 300 crore. The face value of each unit of the bond will be Tk 25 lakh and the bond will be fully redeemable in seven years. Banks, insurance companies, corporate institutions and other eligible investors will be allowed to subscribe the bonds through private placement. The company will use the funds in business expansion, paying bank loans and other sectors. ICB Capital Management Limited acts as the trustee for the bond while Capitec Asset Management Limited is the mandated lead arranger for the bond.

- ◆ Bangladesh Securities and Exchange Commission has extended the timeframe till December 31, 2022 for keeping provision against unrealized losses in margin accounts of stock dealers' and stockbrokers' clients. The unrealized losses took place due to revaluation of portfolios of the merchant banks and stock dealers and their clients. The existing deadline of keeping provision against unrealized losses will end on December 31, 2020.
- ◆ Bangladesh Securities and Exchange Commission has approved amendment to the cyber security guidelines for the capital market in Bangladesh.
- ◆ The securities regulator (BSEC) approved the draft prospectus of Ekush First Unit Fund. The initial size of the open-end mutual fund will be Tk 100 million, of which Tk 10 million will be contributed by its sponsor Ekush Wealth Management, also the asset manager of the fund. The remaining Tk 90 million will be collected from general investors through sales of units. The offer price of the fund's units will be Tk 10 each.
- ◆ Government has recently decided to offload its shares in some government owned companies through direct listing. B-R Powergen Limited, a state-owned power generating company has moved a step forward to be listed on the stock market. B-R Powergen is a joint venture of the Bangladesh Power Development Board and the Rural Power Company Limited. Currently, it is operating a 150MW power plant in Gazipur's Kodda. The company is constructing a 150MW plant at Bangabandhu Sheikh Mujib Industrial City in Chattogram's Mirsarai which is expected to start commercial operations this year. Besides, construction of another 150MW plant of the company is underway in Gazipur's Sreepur. B-R Powergen's revenue was Tk573 crore in 2018-19 fiscal year, and net profit was Tk75.36 crore.
- ◆ The BSEC has allowed Delta Hospital Limited to find the cut-off price of its shares under the book building method for raising Tk 50 crore from the capital market through an initial public offering. The selling price of the company's shares would be set through the bidding process with participation of eligible investors. The company will use the Tk 50 crore raised in IPO proceeds for the purchase of machinery, payment of bank loans and the IPO expenses. Prime Finance Capital Management Limited is the issue manager of the company's IPO and ICB Capital Management Limited will act as registrar to the issue. The commission also decided that each eligible investor who intends to participate in the bidding process of Delta Hospital must have a portfolio of at least Tk 1 crore five days before the electronic bidding of the company starts.
- ◆ The securities regulator has approved the IPO proposal of Express Insurance which will raise a capital worth Tk 260.79 million under fixed price method. Express Insurance will offload above 26.07 million shares at an offer price of Tk 10 each. The company will invest the IPO (initial public offering) fund in treasury bond and in other sectors along with bearing the IPO expense. The securities regulator also imposed the condition of investing at 20 per cent of the capital raised through IPO in the capital market. AAA Finance & Investment, IIDFC Capital and BLI Capital are working as issue managers of Express Insurance.
- ◆ The BSEC has allowed City Bank to float non-convertible zero-coupon bonds worth Tk 300 crore on the market. the bank will float the bonds that will include unsecured nonconvertible, unsecured and zero-coupon bonds. The face value of each unit bond will be Tk 5,000 and the bond will be fully redeemable in three years' time. SBL Capital Management Limited is to act as the trustee for the bond while City Bank Capital Resources Limited is the lead arranger for the bond.
- ◆ The BSEC approved AFC Agro Biotech will raise a capital worth Tk 1.0 billion issuing fully redeemable non-convertible zero-coupon bond. The face value of each unit of the bond will be Tk 10 lakh. Only institutional investors and other eligible investors will be allowed to subscribe the bonds through private placement. The purpose of the issue is to strengthen current capital and pay bank loans. CAPM Advisory Limited acts as the trustee for the bond.
- ◆ The BSEC approved the draft prospectus of LB Gratuity Opportunities Fund whose initial size will be Tk 200 million. The sponsor of the fund will contribute Tk 30 million while remaining Tk 170 million will be collected through sales of units. Lank Bangla Asset Management is the fund manager of the LB Gratuity Opportunities Fund.
- ◆ The regulator approved the prospectus of an open-ended mutual fund — 1st ACACIA SRIM SME Growth Unit Fund — with an initial target size of Tk 10 crore. Of the target size, sponsor-directors will provide Tk 1 crore while the remaining Tk 9 crore will be raised from general investors by selling its units. The sponsor and asset management of 1st ACACIA SRIM SME Growth

Unit Fund is Acacia SR Investment Management Limited. Sentinel Trustee and Custodial Services limited will act as trustee and custodian of the fund.

- ◆ The BSEC has approved the draft of the Bangladesh Securities and Exchange Commission (Debt Securities) Rules, 2020.

DSE and CSE Market Updates (From January 01, 2020 to February 27, 2020)

- ◆ The benchmark index of Dhaka Stock Exchange (DSEX) was 0.61 percent higher than of the previous month. The daily turnover was highest on February 18, 2020. Changes in indices of DSE (From January 01, 2020 to February 27, 2020):

Indices	Open	Close	Point Change	% change
DSEX	4,453.29	4,480.23	26.94	0.61%
DSES	1,003.66	1,044.91	41.25	4.11%
DS30	1,501.79	1,492.37	-9.42	-0.63%

(*considering January as base)

- ◆ The benchmark index of Chittagong Stock Exchange (CSE50) was 1.65 percent higher than of the previous month. The daily turnover was highest on February 19, 2019. Changes in indices of CSE (From January 01, 2020 to February 27, 2020):

Indices	Open	Close	Point Change	% change
CASPI (All share index)	13519.47	13742.96	223.49	1.65%
CSE-30	11412.68	11912.38	499.70	4.38%
CSCX	8195.15	8332.96	137.81	1.68%
CSE 50 (Benchmark)	985.67	977.81	-7.86	-0.80%
CSI (CSE Shariah Index)	860.69	901.18	40.49	4.70%

(*considering January as base)

- ◆ The total market capitalization of all shares and debentures of the listed securities of DSE stood higher by 0.86 percent at Tk. 3,429.83 billion as on February 27, 2020 from Tk. 3,400.48 billion on January 01, 2020. On the other hand, the total market capitalization of all shares and debentures of the listed securities of CSE stood higher 1.75 percent at Tk. 2,741.11 billion as on February 27, 2020 from Tk. 2,693.99 billion on January 01, 2020.

Source: website of BSEC, DSE & CSE

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