

UPDATE ON Financial 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 May 05, 2022 to June 30, 2022. Mr. Rahman is former Chief Regulatory Officer (CRO) of Chittagong Stock Exchange Limited and is currently working as Deputy General Manager of Small and Medium Enterprise Foundation.

Bangladesh Economic Outlook

- ◆ The central bank announced an expansionary as well as accommodative monetary policy stance for fiscal year (FY), 2022-23 for offsetting adverse impact of the coronavirus pandemic on the economy along with creating fresh employment opportunities in the country. The central bank is also set to unveil a 'cautious' monetary policy for the next FY 2022-23 to curb inflation without hampering the country's economic growth, giving top priority to curbing inflation and helping productive sectors for achieving maximum economic growth. As part of the cautious monetary policy stance, the central bank is likely to make the lending rate cap flexible for containing inflation through reducing import payment pressure on the economy.
- ◆ Bangladesh received a record US\$8.41 billion in foreign loans in 11 months of the current FY22. At the current exchange rate, the amount is equivalent to Tk782.21 billion, the highest loan ever received in a single fiscal year. The amount is 47 per cent higher than the previous fiscal year. The ERD officials estimate that the foreign debt will exceed \$9.0 billion by the end of the fiscal year on June 30, 2022.
- ◆ The government gave the final approval to the draft of Universal Pension Management Act, 2022, aiming to bring the growing elderly population under a sustainable social safety net so they can better cope with the fallout from unemployment, disease, old age complications, or penury amid the high life expectancy rate. People aged between 18 and 50 can participate in this pension scheme. The expatriate Bangladeshis can also take part in it. As per the draft law, a person will have to provide a premium for at least 10 years to get pension from the age of 60 until his death. The amount of premium will be determined by a rule under the proposed law. At any time, people could withdraw themselves from the scheme and they will get back their money.
- ◆ As Bangladesh marches toward upper-middle-income country (UMIC) status, the World Bank is preparing a five-year country partnership framework (CPF) to facilitate its development. The CPF will be a strategy paper which will help Bangladesh overcome challenges through getting support to its priority areas from the Washington-based development financier. The upcoming CPF will be implemented from FY23 to FY27, the prime time in the process of Bangladesh's graduation from the LDC status.
- ◆ The government approved a Tk 2.46 trillion annual development programme (ADP) for the next fiscal year (FY) 2022-23, aiming to facilitate quick recovery of the economy. The transport and communication sector has got the highest allocation in the ADP. The government also prioritised ensuring optimum utilisation of public funds through checking misuse. The size of the original ADP in the current fiscal year (FY22) was Tk 2.25 trillion, which was later downsized to Tk 2.07 trillion. The fresh ADP for FY23 is around 9.21 per cent higher than the original ADP of the current fiscal year and 18.56 per cent higher than the revised ADP of the current fiscal year.

- ◆ Bangladesh's foreign exchange reserve money recorded a decrease to Taka 41,826.70 crore at the end of June 2022 as compared to June 2021.
- ◆ The twelve-month average general inflation increased to 6.15 percent in June 2022 which was 5.99 in the month of May 2022.
- ◆ The point-to-point Food inflation increased to 7.56 percent in June 2022 from 7.42 percent in May 2022.

The summary of the economic outlook depicted below:

Particulars	30 June 2021	30 June 2022
Foreign Exchange Reserve (In million US\$)	46391.44	41,826.70
Interbank Taka-USD Exchange Rate (Average)	84.8146	93.4500
Call Money Rate (Weighted Average Rate)	2.23	4.42
Import (C&F) (in million US\$)	May, 2021	May, 2022
Import (f.o.b) (in million US\$)	6135.80	7276.30
	5676.00	6731.00
Export (EPB) (in million US\$)	June, 2021	June, 2022
	3577.49	4908.03
Rate of Inflation on the basis of Consumer Price Index for National (Base:2005-06=100)	May, 2022	June, 2022
a) Twelve Month Average Basis	5.99	6.15
b) Point to Point Basis	7.42	7.56
GDP Growth Rate (in percent, Base: 2015-16=100)	6.94 (2020-21)	7.25 (2021-22)

Source: Bangladesh Bank

Bangladesh Capital Market Updates

- ◆ Bangladesh Bank (BB) has disbursed Tk 2.05 billion to the capital market refinancing scheme to enhance liquidity support in the capital market through market operators. The central bank disbursed the fund on receipt of a letter from the supervisory committee of the refinancing scheme. The fund came following the government's announcement regarding extension of tenure of the revised refinancing scheme until December 2027 to help revamp the capital market which recently saw persistent downward trend. The fund will be disbursed among market operators including Investment Corporation of Bangladesh (ICB) with an interest rate of 4.0 per cent.
- ◆ The Bangladesh Securities and Exchange Commission allowed ONE Bank Limited to float non-convertible subordinated bond worth Tk 400 crore. As per the BSEC approval, the bank will float unsecured, non-convertible, fully redeemable floating rate subordinated bond worth Tk 400 crore. The face value of each unit of the bond will be Tk 1 crore. Only corporate bodies, financial institutions, high-net worth individuals and other eligible investors will be allowed to subscribe the bonds through private placement. The purpose of the issue is to strengthen the bank's Tier-II capital base. Sena Kalyan Insurance Company Limited acts as the trustee for the bond while Standard Chartered Bank Limited is the mandated lead arranger for the bond. The BSEC approved the bond on condition that the bond would be listed on the alternative trading board of stock exchanges.
- ◆ The Bangladesh Securities and Exchange Commission raised the minimum stock market investment requirement to Tk 50,000 from Tk 20,000 for the general investors for enjoying initial public offering quota. The minimum investment for non-resident Bangladeshi was set at Tk 1 lakh. BSEC raised the minimum stock market investment requirement to Tk 3 crore from Tk 1 crore for eligible investors (EIs) for getting IPO quota. The minimum investment for approved pension funds, recognised provident funds and approved gratuity fund was raised to Tk 1.5 crore from Tk 50 lakh. The conditions will be mentioned in the consent letter of each IPO prospectus.

- ◆ The Bangladesh Securities and Exchange Commission allowed Navana Pharmaceuticals Limited to discover the cut-off price of its shares under the book building method of initial public offering for raising Tk 75 crore from the country's capital market. The selling price of company's shares would be set through the electronic bidding process with participation of eligible investors. The company will use the IPO proceeds in building construction, new utility and engineering building, paying partial loans and meeting the IPO expenses. Asian Tiger Capital Partners Investments Limited and EBL Investments Limited are the issue manager of the company's IPO. The company will issue shares to general investors at 30 per cent discount from the cut-off price set by the eligible investors.
- ◆ The stock market regulator has approved a draft prospectus of an open-end mutual fund named -Investasia Growth Fund. The initial target of the fund is Tk 250 million. The sponsor of the fund --Investasia Capital and Asset Management -- will contribute 10 per cent (Tk 25 million) of the fund while the remaining 90 per cent or Tk 225 million will be collected from general investors through sales of the fund units. The face value of each unit of the fund is Tk 10. Investasia Capital and Asset Management is the fund manager of the growth fund and Sentinel Trustee & Custodial Services Limited (STCSL) is working as trustee and custodian of the fund.
- ◆ The stock market regulator has allowed Global Islami Bank to raise Tk 4.25 billion from the capital market, which will be the second largest initial public offering (IPO) in the banking sector. As per the regulatory approval, the fourth-generation private commercial bank will issue 425 million ordinary shares at a face value of Tk 10 each under the fixed price method. Among all sectors, Global Islami Bank's IPO is going to be the fifth largest IPO after Robi Axiata (Tk 5.23 billion), Grameenphone (Tk 4.86 billion), MJL Bangladesh (Tk 4.60 billion) and Union Bank (Tk 4.28 billion). The private sector lender will utilize the IPO proceeds for investing in small and medium enterprises (SMEs), buying government securities, investing in listed companies and meeting the IPO expenses. LankaBangla Investments and Prime Bank Investment are jointly working as the issue manager for the Global Islami Bank's IPO.
- ◆ The Bangladesh Securities and Exchange Commission has approved the draft prospectuses of the following three open-end mutual funds (MFs):

Name of Fund	Nature of fund	Amount	Trustee
Sandhani AML SLIC Fixed Income Fund	Open-end mutual fund	Tk 50 crore	Bangladesh General Insurance Company and BRAC Bank
Blue-Wealth 1st Balanced Fund	Open-end mutual fund	Tk 25 crore	BRAC Bank Limited
'EDGE AI-Amin Shariah Consumer Fund	Open-end mutual fund	Tk 25 crore	BRAC Bank Limited

- ◆ The Bangladesh Securities and Exchange Commission has allowed the following institutes to float for raising fund through bond:

Issue By	Particulars of Bond	Amount	Trustee
Envoy Textile Limited	Zero coupon bond and will be listed with the exchanges' alternative trading boards	Tk 200 crore	UCB Investment Limited
Alif Industries Limited	Unsecured, Floating rate, Convertible bond will be listed with alternative trading boards	Tk 300 crore	Bangladesh General Insurance Company
IFIC Bank Limited	Unsecured, non-convertible and fully redeemable subordinated bond and listed with the Alternative Trading Board (ATB)	Tk 500 crore	Sena Kalyan Insurance Company and Standard Chartered Bank

DSE and CSE Market Updates (from May 05, 2022 to June 30, 2022)

- ◆ The DSE Broad Index (DSEX) at the end of June 2022 stood at 6367.94 which was 4.32 percent lower than the index of 6655.67 at the beginning of May 2022. The daily turnover was highest on May 10, 2022. Changes in indices of DSE (from May 05, 2022 to June 30, 2022):

Indices	Open	Close	Point Change	% Change
DSEX	6655.67	6367.94	-287.73	-4.32%
DSES	1446.98	1386.78	-60.2	-4.16%
DS30	2460.77	2295.59	-165.18	-6.71%

(*considering 05th May 2022 as base)

- ◆ The CSE All Share Price Index (CASPI) at the end of June 2022 stood at 18,727.52 which was 3.84 percent lower than the index of 19,474.48 at the beginning of May 2022. The daily turnover was highest on June 16, 2022. Changes in indices of CSE (from May 05, 2022 to June 30, 2022):

Indices	Open	Close	Point change	% Change
CASPI (All share index)	19,474.48	18,727.52	-746.96	-3.84%
CSE-30	14077.1	13638.35	-438.75	-3.12%
CSCX	11684.9	11226.72	-458.18	-3.92%
CSE 50 (Benchmark)	1449.88	1375.26	-74.62	-5.15%
CSI (CSE Shariah Index)	1218.28	1183.44	-34.84	-2.86%

(*considering 05th May 2022 as base)

- ◆ The total market capitalization of all shares and debentures of the listed securities of DSE stood lower by 3.51 percent at Tk. 5,177.81 billion as on June 30, 2022 from Tk. 5,365.98 billion on May 05, 2022. On the other hand, the total market capitalization of all shares and debentures of the listed securities of CSE also stood lower 3.82 percent at Tk. 4484.16 billion as on June 30, 2022 from Tk. 4662.17 billion on May 05, 2022.

Source: website of BSEC, DSE & CSE

Disclaimer:

All information and analysis contained in this article have been compiled and analyzed from publicly available information. However, it does not make any representation or warranty (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this article or as to any information contained in this article or any other such information or opinions remaining unchanged after the issue thereof.

The information contained in this article is not to be taken as any recommendation made by the writer or SMEF or any other person to enter into any agreement with regard to any investment decision. This article is prepared for general circulation. It does not have regards to the specific person who may receive this article. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice.