

# UPDATE ON Dhaka Stock Market

The Journal is running a series of updates on Dhaka Stock Market. In this issue of THE COST & MANAGEMENT, A K M Shahidul Kirmany ACMA(UK), CGMA, FCMA has given a reflection of relevant changes and updates on the Dhaka Stock Market. The analysis of the Dhaka Stock Market has been done considering the period from May 1, 2019 to June 30, 2019. Mr. Kirmany is presently working with the VIPB Asset Management Company Limited as Chief Operating Officer.



## Macro-economy Update

### Monetary Policy

Bangladesh Bank (BB) has announced the Monetary Policy Stance (MPS) for entire FY20 (July'19-Jun'20) on 31 Jul'19. This is the first MPS that spans across an entire fiscal year instead of previous half-yearly frequency. Targets for key monetary aggregates and credit programs have been provided for both Dec'19 and Jun'20, to better show the programmed trajectory. Even though both Broad money (M2) and Domestic credit (DC) have followed markedly slower than programmed growth pace (M2: 9.9% actual vs. 12.0% program, DC: 12.3% actual vs. 15.9% program), BB does not find any reason for much worrying as slowdown in M2 and DC growth did not hinder the economy in its way to achieving its highest ever real GDP growth of 8.13% in FY19, much higher than initial target of 7.8%. BB envisions a gradual pick up in monetary aggregates; M2 growth to reach 11.3% at the end of Dec'19 and then 12.5% at the end of Jun'19 from current 9.9% while SC growth to reach 14.5% at the end of Dec'19 and then 15.9% at the end of Jun'19 from current 12.3%. Private sector credit growth is projected to rise to 13.2% during 1HFY20 and then to 14.8% during 2HFY20. Public sector credit growth target has been

fixed at 25.2% and 24.3% for 1HFY20 and 2HFY20 respectively. Earlier in the 4QFY19, there has been a significant pick-up in government borrowing from banking sources that saw public sector credit growth to jump to 21.1%, much above program target of 10.9%. The target for monetary aggregates is set with vision to accommodate GDP growth within the range of 8.2% & inflation within the range of 5.5% for FY20 while taking any change in velocity into consideration. BB has kept policy rates un-changed (Repo & Reverse-Repo rate at 4.75% and 6.00% respectively). Furthermore, reserve requirements have also been left unchanged (CRR: 5.5%).

Current account deficit is expected to decline by 13.5% to USD 4,574mn (1.7% of GDP) in FY20 from USD 5,286mn (1.3% of GDP) in FY19. Even on the back of inflationary pressure observed in emerging economies from rising interest rates level, inflation ceiling has been kept at 5.5%, the same in FY20 budget. However, BB's June'19 inflation expectation survey reflected a median range of 6.0%-7.0% for FY20. BB has mentioned that the outbreak of flood in sizeable areas of Bangladesh has left no room for letting up in the vigilance of price stability by central bank.

## FY20 Monetary Policy Stance

Particulars	Ceiling for FY20
Average Inflation	5.50%
Repo rate	6.00%
Reserve repo rate	4.75%
Private Sector Credit Growth	14.80%
Public Sector Credit Growth	24.30%
Reserve Money Growth	12.00%
Broad Money Growth	12.50%
Net Foreign Assets Growth	0.30%
Current Account Deficit	1.34%

## MPS 2HFY19: Targets vs. Actual

Particulars	2HFY19 Target	2HFY19 Actual
Average Inflation	5.60%	5.47%
Real GDP growth	7.80%	8.13%
Repo rate	6.00%	6.00%
Reserve repo rate	4.75%	4.75%
Domestic Credit Growth	15.90%	12.30%
Private Sector Credit Growth	16.50%	11.30%
Public Sector Credit Growth	10.90%	21.10%
Reserve Money Growth	7.00%	5.30%
Broad Money Growth	12.00%	9.90%
Net Foreign Assets Growth	-3.40%	+2.20%
Current Account Deficit	2.11%	1.70%

## Others

- ◆ The government is set to reduce borrowing from the country's banking system for September. The Ministry of Finance has set the bank borrowing target at over BDT 23.0bn for September. According to the calendar, the government may take up to BDT 174.0bn as gross borrowing from the banking system in the next month by issuing treasury bills (T-bills) and bonds. The government's net bank borrowing is set to reach BDT 23.4bn by the end of Sep'19.
- ◆ The government plans to construct 12 hi-tech parks in the country within next four years. Around 30 thousands of youths will be trained

as skilled IT manpower.

- ◆ The National Board of Revenue has reduced the advance income tax on import of raw materials for steel manufacturers to BDT 500 per ton from BDT 800 per ton to facilitate the growth of the sector.
- ◆ Bangladesh Bank allowed MNCs operating in Bangladesh to pay interest against short term loans taken from their parent companies. Earlier, MNCs operating in Bangladesh were not allowed paying interest to their parent companies against short term loans which they received from their mother companies. In setting the interest rate, the MNCs having operation in Bangladesh would only be allowed to pay interest at the rate of the three-month term deposit rate on the date of encashment of loan received from parent companies. In repayment of principal and accrued interest on the maturity, the payable amount could be transferred after conversion of Taka into the currency of source country at the prevailing exchange rate. Such short-term interest bearing loan would be admissible for maximum three year from the date of inception of manufacturing activities by the borrowing industrial enterprises. However, such loans could be renewed or extended for further periods within the applicable period of three years.
- ◆ Bangladesh Bank's operating profits soared to BDT 44.6bn in FY19 from BDT 7.9bn in FY19 due mainly to central bank's foreign exchange transactions in the local market and banks' heavy borrowing from the BB amid liquidity crisis in the country's banking sector.

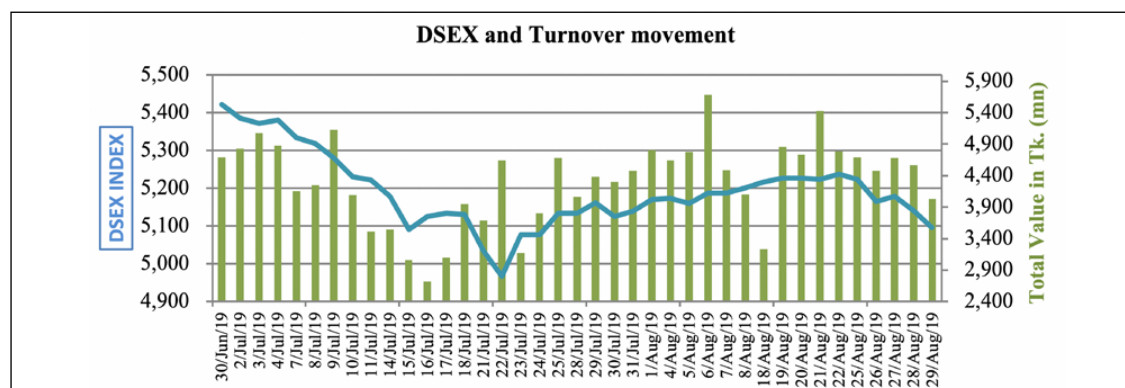
## Stock Market Updates (July 1, 2019 to August 31, 2019)

- ◆ The benchmark index of Dhaka Stock Exchange (DSEX) was down by 6.01% during the period. The daily turnover was highest on August 6, 2019.

## Changes in Indices (July 1, 2019 to August 31, 2019)

Index	Open	Close	Point Change	% Change
DSEX	5,421.62	5,095.78	(325.85)	-6.01%
DSES	1,244.69	1,183.44	(61.25)	-4.92%
DS30	1,929.09	1,800.06	(129.04)	-6.69%

## DSE Performance (July 1, 2019 to August 31, 2019)




## • Top ten gainers and losers in terms of market price from May 1, 2019 to June 30, 2019

Top ten gainer		Top ten loser	
TICKER	GAIN (%) ()(%)	TICKER	LOSS (%)
SEMLFBSLGF	79.63 %	VFSTD	-42.37%
STANCERAM	67.18%	SUNLIFEINS	-41.39%
MONNOSTAF	46.68%	BIFC	-40.38%
SILCOPHL	42.68%	ILFSL	-40.20%
RECKITBEN	35.41%	FAREASTFIN	-34.62%
SINOBANGLA	33.28%	PRIMEFIN	-28.57%
SEMLIBLSF	31.51%	PREMIERLEA	-27.47%
GLAXOSMITH	28.29%	PLFSL	-26.83%
BEACONPHAR	26.37%	UNIONCAP	-26.61%
DHAKAINS	24.48%	EBLISTMF	-25.35%

- ◆ The High Court declared legal the imposition of a BDT 300.0mn fine on mobile operator Grameenphone by the BTRC for providing broadband internet services. The HC in its verdict observed that GP committed a criminal offence by running broadband services in violation of the telecom law.
- ◆ Most stock brokers have been incurring losses for many years owing to low turnover in the market and a lack of product diversity. This led many stock brokers to lay off many of their executives to cut cost during the years while the remuneration of the officials has not increased significantly. The top 100 brokers are logging profits whereas at least 150 stock brokers are incurring loss, according to a top official of a stock broker.
- ◆ The Dhaka Stock Exchange has backtracked on its decision to form a separate category for companies in which directors do not hold jointly 30.0% of shares in violation of the rules. The stock market regulator, Bangladesh Securities and Exchange Commission, on May 21 gave the go-ahead to the country's two stock exchanges — the DSE and the CSE, for forming a separate category after receiving proposal from the DSE. According to DSE officials, said DSE itself does not want to form a separate category as it has

realized that formation of a separate category for such companies is impractical and costly.

- ◆ LR Global Bangladesh Asset Management Company has decided to extend the tenure of its six closed-end mutual funds for another 10 years. The six are LR Global Bangladesh Mutual Fund One, NCCBL Mutual Fund-I, AIBL 1st Islamic Mutual Fund, MBL 1st Mutual Fund, Green Delta Mutual Fund and DBH First Mutual Fund.
- ◆ Almost one year has elapsed since a Chinese Consortium bought 25% stake of Dhaka Stock Exchange buy the strategic partnership is yet to bear fruit. Stock investor were expecting of an electronic information disclosure platform, where the listed companies' corporate information, simple analytical tools, interactive question and answer facility, and online complaint portal. The Consortium had also agreed to provide matching engine, surveillance software, and extensive business reporting language. However, Chinese consortium has only translated their software into English, which DSE is evaluating whether DSE requires it or not.
- ◆ The Cabinet approved the draft of "Bangladesh Road Transport Corporation Bill, 2009" to offload 49.00% share in the capital market. The authorized capital of the corporation under the existing law is only BDT 60.00mn, but in the proposed law, it has been increased to BDT 10.00bn.
- ◆ The Bangladesh Inland Water Transport Authority Employees' Pension Fund had parked BDT 170mn as fixed deposit with the Motijheel branch of Padma Bank on June 28 last year. The deposit matured this year however Padma Bank has been unable to honor their request.

- ◆ The representative of state-owned Investment Corporation of Bangladesh (ICB) has resigned from the board of listed company Advanced Chemical Industries (ACI) Limited as its subsidiary 'Shwapno', a chain super shop brand, has been incurring huge losses. The super shop has been running at a loss since its inception in 2008. In the 2017-18 fiscal year, 'Shwapno' incurred a loss of BDT 1.4bn, and its accumulated loss in the year stood at BDT 8.9bn. 

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## Sources of the information:

- Website of Dhaka Stock Exchange
- Website of Ministry of Finance
- Website of Bangladesh Bank
- The Daily Financial Express
- The Daily Star
- The Daily New Age
- Research reports of Brokerages