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Stock Market & Company

Dhaka stocks gain for 3rd week riding on state-run cos

The Newage, January 15, 2021

- Dhaka stocks in the past week increased for the third week as a section of investors kept buying shares, especially those of state-run companies while many others were cautious amid the resurgent of Covid infection cases.
- DSEX, the prime index of the Dhaka Stock Exchange, gained 0.43 per cent, or 29.78 points, over the past week to close at 7,017.23 points on January 13, the last trading session of the week. The DSEX gained 315 points in the last three weeks.
- Share prices of state-run BSC and Titas Gas advanced by 20 per cent each. Power Grid Company, Bangladesh Submarine Cables Company and DESCO also advanced over the week that saved the market from a fall.
- The market was volatile in the week as many investors were cautious as daily Covid cases in Bangladesh are increasing at an alarming rate now as the new wave of the pandemic, feared triggered by the Omicron variant, continues to spread.
- In the first 14 days of January, Bangladesh recorded 23,503 Covid cases while the figure was 9,255 in December and 6,745 in November of 2021. The government also imposed several restrictions to curb the spread. So, share prices of most of the companies declined in the week.
- Out of 384 issues traded, 146 advanced, 219 declined and 19 remained unchanged on the DSE trading floor. The daily average turnover, a crucial indicator of the investors' participation, climbed by 20.72 per cent to Tk 1,566.48 crore in the week compared with that of Tk 1,297.63 crore in the previous week.
- BEXIMCO topped the turnover list in the past week with its shares worth Tk 473.88 crore changing hands. Power Grid Company, Bangladesh Shipping Corporation, Fortune Shoes, Titas Gas, Bangladesh Submarine Cables Company, LafargeHolcim Bangladesh, Delta Life Insurance Company, Fareast Islami Life Insurance Company and GPH Ispat were the other turnover leaders in the week.

<https://www.newagebd.net/article/160055/dhaka-stocks-gain-for-3rd-week-riding-on-state-run-cos>

DSE eyes listing on LSE

The Newage, January 15, 2021

- The Dhaka Stock Exchange has initiated a move to be listed on the London Stock Exchange, one of the oldest stock exchanges in the world, with the aim of improving the image of the Dhaka bourse on the global platform and elevating it to the international standards. The DSE may offload 5-10 per cent of its shares on the LSE, DSE officials said.
- They said the bourse would offload the shares from the 40 per cent of the shares credited to the DSE members' accounts after the demutualisation. As per rules, the 40 per cent shares remain blocked, and the listing of another 35 per cent of the DSE shares kept reserved for the local listing would enable 250 DSE members to sell any share for the blocked amount, they said.
- The officials said that it would not be wise to offload more than that on the LSE as the offloading of more share could risk the ownership of the country's stock exchange as the bourse had already sold 25 per cent of its shares to the foreign investors.
- A Chinese consortium of the Shenzhen Stock Exchange and the Shanghai Stock Exchange on September 4, 2018 joined the DSE as its strategic shareholder by purchasing 25 per cent shares of the DSE for Tk 947 crore at Tk 21 each.
- If the DSE offloads 10 per cent of its shares on the LSE, 35 per cent of the DSE shares might be controlled by foreigners and the overseas investors may buy more shares from the open market, the DSE officials said. So, the DSE is also considering the risk factors involved in listing it abroad, they said.

<https://www.newagebd.net/article/160054/dse-eyes-listing-on-lse>

Institutional investors should be key stocks traders: Salman

The Newage, January 13, 2021

- The institutional investors should dominate trading activities in place of retail ones for reducing volatility on the country's stock market, said Salman F Rahman, private industry and investment adviser to prime minister and vice-chairman of Bangladesh Export Import Company.
- He made the comment at a programme on the debut trading of BEXIMCO's green Sukuk Al Istisna'a at DSE's office premises at Nikunj in Dhaka. Earlier on July 8, 2021, the Bangladesh Securities and Exchange Commission gave the final approval to BEXIMCO for issuing Tk 3,000 crore Shariah-compliant green Sukuk.
- On its debut trading day, prices of the Sukuk increased by 1 per cent to close at Tk 101 each on Thursday. Salman said that the country's stock market has structural defects including that it is retail based one and participation of institutions in the market are very minimal.
- 'Participation of institutional investors in matured markets is very high, but we see opposite on our market that results in significant volatility on the market,' he said. Brokerage houses should act as real institutions and adopt corporate culture to gain trust of the retail investors for managing their portfolios, he said.

<https://www.newagebd.net/article/159898/institutional-investors-should-be-key-stocks-traders-salman>

Directors, auditor of Aman Cotton Fibrous fined

The Financial Express, January 14, 2021

- The securities regulator has decided to impose a penalty worth Tk 120 million on the directors, other than the independent and nominated ones, of Aman Cotton Fibrous for violating the securities rules. The Bangladesh Securities and Exchange Commission (BSEC) on Thursday took the decision at a meeting held at the BSEC office.
- The BSEC has also decided to fine Ata Khan & Co., auditor of Aman Cotton Fibrous, of Tk 1.0 million for breaching the securities rules providing false and misleading information to the investors and BSEC.
- According to the BSEC decision, the company's four directors have been fined Tk 30 million each for breaching the securities rules by not providing true and fair picture of the company's financial position. Apart from non co-operating the special auditor, the company breached the securities rules conducting transactions of huge amount with related parties without proper documentation.

- The securities regulator revealed the non-compliances of Aman Cotton for appointing special auditor. According to the BSEC information, the company received loans for another concern keeping IPO (initial public offering) fund worth Tk 730 million as lien. The securities regulator has asked the company to make the regulator informed of the cancelation of lien of Tk 730 million within seven days.

<https://thefinancialexpress.com.bd/stock/directors-auditor-of-aman-cotton-fibrous-fined-1642128910>

National Bank fined Tk 55 lakh for credit card anomaly

The Daily Star, January 13, 2021

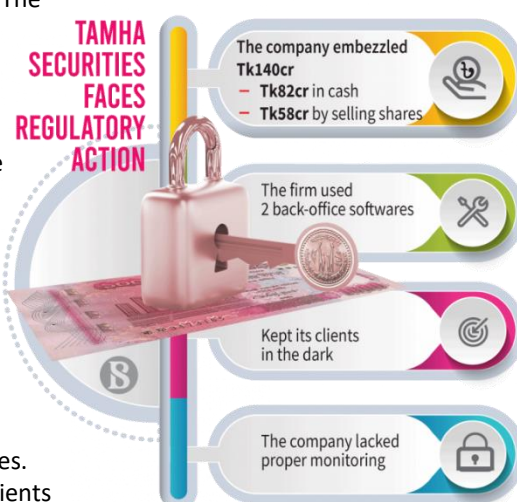
- The Bangladesh Bank has fined National Bank Tk 55 lakh as it tried to conceal loan related information of 11 persons, which is a gross violation of the banking rules. Nine of the 11 are the family members of Zainul Haque Sikder, the bank's former chairman, and two top executives of Sikder Group, according to a probe carried out by the central bank.
- National Bank did not submit the loan information of credit cards used by the 11 persons. Under the process, the bank allowed the persons to spend the depositors' fund beyond their foreign currency quota on the instruction of Sikder, who passed away on February 10 last year.
- Bangladesh Bank had fined Tk 5 lakh for each credit card as the bank had not submitted the relevant information to the Credit Information Bureau, said a BB official, wishing not be named. The banking regulator imposed the fine in December and this month, the official said.
- The 11 persons spent a staggering \$10.65 million (about Tk 91.4 crore) through international credit cards, in a serious breach of banking rules.

<https://www.thedailystar.net/business/news/national-bank-fined-tk-55-lakh-credit-card-anomaly-2938341>

How a stockbroker embezzled TK140cr client assets

The Business Standard, January 16, 2022

- Stock investors having accounts with Tamha Securities Ltd, a brokerage firm in the Dhaka Stock Exchange (DSE), were getting regular updates from the broker of their stockholdings, buy-sell orders executions. Even, the investors were receiving the regular cash dividends by the listed companies to the bank accounts.
- It was beyond doubt of the clients that all have been fake since 2012. The stockbroker secretly introduced a parallel software database to report fake cash and securities balances, fake buy-sell order execution updates to the clients and regulators.
- Cash dividends the defrauded investors were supposed to receive from listed companies each year were being sent to their bank accounts by the broker itself, since it had previously sold the shares off, leaving everyone in the dark.
- Tamha Securities embezzled Tk82 crore in cash from client balances in the beneficiary accounts, alongside its clandestine selloff of client shares worth Tk58 crore.
- Based on the findings of a four-member investigation committee, the Bangladesh Securities and Exchange Commission (BSEC) has decided to sue Tamha Securities Ltd for the Tk140 crore fraud, and money laundering.
- The fraud broker victimised several thousand clients, said regulatory sources. Tamha Securities came into focus in early December when some of its clients began complaining about irregularities within their broker.



<https://www.tbsnews.net/economy/how-stockbroker-embezzled-tk140cr-client-assets-357949>

Central bank seeks information of unclaimed dividends

The Business Standard, January 13, 2022

- The Bangladesh Bank has issued a letter to all banks asking for the information of unclaimed dividends deposited to the capital market stabilisation fund, said some commercial banks officials. The letter asked the banks to submit information on the amount deposited in the capital market stabilisation fund till 30 November last year. The information has to be sent through a form provided with the letter within 18 January.
- Last year, the Bangladesh Securities and Exchange Commission (BSEC) formed the capital market stabilisation fund and asked all listed companies to deposit unclaimed dividends in cash or share, which amounts to Tk21,000 crore to date.
- BSEC officials said the unclaimed dividends belong to the shareholders. As there is no claimant for this money and shares, it has been with the company for a long time. Since it is of no use, the commission will use it for the development of the stock market. If a claimant is found, his or her dividend can be refunded. So the commission thinks the unclaimed dividends are safe with it. BSEC claimed that about Tk500 crore has been deposited in this fund so far.

<https://www.tbsnews.net/economy/stocks/central-bank-seeks-information-unclaimed-dividends-357133>

Listed firms need BSEC nod to appoint independent directors

The Business Standard, January 13, 2022

- All listed companies, from now on, will require prior approval from the securities regulator to appoint independent directors in their boards. The Bangladesh Securities and Exchange Commission (BSEC) has issued a notification in this regard on Thursday, which will be effective from 1 February.
- The regulator has also made the "Regulatory Submission Form for Independent Directors" available online, through which companies can seek approval before appointing an independent director.
- Asked on the matter a BSEC official said, "According to the Corporate Governance Code-2018, to appoint an independent director, it is obligatory to take approval from the board of directors and the shareholders at the annual general meeting. The code does not mention the need to take approval from the commission. However, the bank company law requires the company to file approval from the BSEC to appoint an independent director."
- Sources at the BSEC said, independent directors are appointed to safeguard the interest of the shareholders but the regulator has received complaints that many independent directors are not performing their duties properly. Therefore, their appointment from now on will be cleared through the commission.

<https://www.tbsnews.net/economy/stocks/listed-firms-need-bsec-nod-appoint-independent-directors-357106>

Economy & Industry

What is your risk appetite in the capital market?

The Daily Star, January 16, 2021

- In the capital market, the risk is defined as the willingness to accept the possibility of losses, the ability to admit market fluctuations, and the inability to forecast what will happen next. Technically, risk appetite refers to the maximum amount of risk that you, as an investor, are willing to take to achieve your goals before the risk outweighs the benefits.
- We all face some level of risk in our daily lives, whether it's simply walking down the street or investing in the stock market. Your risk appetite is influenced by your age, income, and investment goals, and it is subject to change over time.
- The capital market is a financial market segment that offers investors the opportunity to invest in long-term securities like stocks and bonds. However, for short-term investments like day trading, every investment involves some level of risk by nature.
- Here it shows you lucrative gains within a day. However, 70 per cent to 80 per cent of the day trading ended with losses. As a result, investors should understand the total amount of risk they are undertaking and must adjust the total amount of return accordingly. Otherwise, the investment decision would not be fruitful.

- Over the years, I have seen that when a new investor comes to invest in Bangladesh's capital market, a majority of investors tend to hurry up. The tendency is to feel as if this is the last chance to become rich. The psychology is that the stock market will shut down in the next month, so I have to make the most of it to become rich. However, the reality is a bit harsher and different from people's perceptions.
- Due to this perception, investors' objective becomes to make a quick gain from the market despite any risk appetite. Thus, investors themselves become risky investors when they invest in risky companies, obviously increasing the market's volatility.

<https://www.thedailystar.net/business/economy/news/what-your-risk-appetite-the-capital-market-2940026>

Raw material prices may soar, BTMA fears

The Business Standard, January 13, 2022

- Reduced production of cotton, the main raw material for readymade garments (RMG), and prolonged distribution time due to crisis of ships and containers may lead to a supply crunch, fears the Bangladesh Textile Mills Association (BTMA). "The supply crunch in effect may trigger prices of raw materials, including yarn and fabric, to soar," said the association President Mohammad Ali Khokon.
- Laying out the current situation over the supply of raw materials, Khokon, during a media call on Thursday, asked the RMG owners to expect a shortage of cotton supply around March and April. However, the RMG owners said they beg to differ on the reasoning of the BTMA.
- "The issues over the raw material supply, including vessel crisis, has been persisting for the past one and a half years. We have been spending extra to cope with this crisis and have been doing business accordingly. We have no idea what is new that might cause more supply disruption," Md Fazlul Hoque, former president of Bangladesh Knitwear Manufacturer & Exporters Association (BKMEA) told The Business Standard.
- Expressing concern over the BTMA comments, he said, "It could very well be some trick before hiking prices, I do not know. Explaining reasons behind an expected supply crunch of cotton, BTMA chief Khokon said, "Textile mills are supposed to keep a 3-month stock of cotton. But, we are currently uncertain over the availability of cotton. Previously we received cotton within three months of opening the letter of credit (LC), which now takes twice as much or even more than that."
- Then there are issues of making less shipment than stipulated in LC, crisis of vessels and increase of ship payment, which are also hindering supply, according to the BTMA. As there are no deep seaports in Bangladesh, products are brought here in feeder vessels from motherships stationed in Sri Lanka, Singapore, Malaysia and China.

<https://www.tbsnews.net/economy/rmg/raw-material-prices-may-soar-btma-fears-357187>

International

Investors wary on bank growth

The Daily Star, January 16, 2021

- While big US bank bosses were optimistic on the economic outlook on Friday, pointing to an uptick in some lending businesses and a jump in consumer spending, investors were skeptical on the growth outlook for the sector.
- JPMorgan Chase & Co, Citigroup Inc and Wells Fargo & Co, bellwethers of the US economy, reported combined profits of \$19 billion for the fourth quarter, each comfortably beating analyst estimates.
- However, analysts noted that the beats were helped by reserve releases and other one-off items and that underlying performances were less compelling.
- Bank shares across the board were down 2.1 per cent, with only Wells Fargo bucking the trend amongst the top six, amid worries over a decline in trading revenues and loan growth. "Investors are concerned about where growth is going to come from," said Viola Risk Advisors bank analyst David Hendler.

<https://www.thedailystar.net/business/economy/industries/investments/news/investors-wary-bank-growth-2939956>

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