

## Stock Market & Company

### Stocks open new year flat on concern over banks

NewAge, January 02, 2019

- Despite a gain in the share prices of two-thirds of the scrips, Dhaka stocks struggled to remain afloat on Wednesday as investors increased selling of shares of large capitalised companies, especially banks and pharmaceutical firms, amid concerns over financial sector and foreign sales.
- DSEX, the key index of Dhaka Stock Exchange, gained 0.01 per cent, or 0.35 points, to close at 4,453.29 points on Wednesday. The DSEX increased by 63 points in last four trading sessions. Newly introduced index CDSET, a composition of 40 largest capitalised companies, declined by 0.41 per cent, or 4.61 points, to end at 895.15 points on Wednesday.
- The market started positive on Wednesday, the first day of the new year 2020, but could not sustain the vibe and ended flat as bank and pharmaceutical sectors declined heavily, market operators said. They said that investors were concerned about the government move to bring down banks' lending rate to single digit as they thought that the move could eventually weigh on banks' profits. The government's pressure to cut lending rate is also worsening credit flow to the private sector, they said.
- Finance minister AHM Mustafa Kamal on Monday announced April 1 for implementation of 9 per cent lending rate for all sectors instead of only industrial manufacturing sector. A non-stop surge in non-performing loans would eat into banks' revenue as the entities have to keep provision against the bad loans from their profits, market operators said.
- Moreover, the media reported that the foreign investors continued pulling funds out of the market for the second year in 2019 that made investors more nervous on the trading floor. The overseas investors withdrew around BDT 1,000 crore in last 10 months.
- The finance minister would hold a meeting with the DSE board today to discuss the current market situation. At the meeting, the DSE will place a proposal over improving the market situation, DSE officials said.

<https://www.newagebd.net/article/95298/stocks-open-new-year-flat-on-concern-over-banks>

### Kamal laments protests against stock market fall

*Says single-digit bank rate must from April*

NewAge, January 02, 2019

- Finance minister AHM Mustafa Kamal on Wednesday said that there was no similarity between the stock market in Bangladesh and those in other countries.
- The stock markets in other countries do not witness any investors' demonstration if the markets drop to bottom, Mustafa Kamal told reporters after chairing meetings of the cabinet committee on economic affairs and national purchases at the secretariat in Dhaka.
- Mustafa Kamal iterated that he found no reflection of the country's growing economy in the share market although it was accepted globally that the stronger economy had a stronger share market.
- DSEX, the key index of the Dhaka Stock Exchange, dropped by 932.71 points in 2019 to end at 4,452.93 points on Monday with the DSE market capitalisation losing around BDT 47,744 crore in the year.

- The index had plunged by 858.88 points in the previous year. Foreign investment flights from Bangladesh stock market continued for last two years. The net foreign sales were BDT 488 crore in 2019 after the investors had withdrawn BDT 593 crore in the previous year against the backdrop of volatility in the country's financial sector amid increased non-performing loans, high interest rate and pressure on exchange rate.
- Replying to a question what should be done to revive the ailing market, Mustafa Kamal said as the finance minister his responsibility was to assist the regulators and establish good governance.

<https://www.newagebd.net/article/95300/kamal-laments-protests-against-stock-market-fall>

## **ADN Telecom debuts Jan 6**

NewAge, January 02, 2019

- Trading of the shares of ADN Telecom Limited will begin on the Dhaka Stock Exchange on January 6. According to a DSE web post, the company will start trading under the N category with the trading code, ADNTEL.
- The company raised BDT 57 crore in funds through initial public offering (IPO) subscription in November 4-11.
- Earlier on September 3 last year, the Bangladesh Securities and Exchange Commission approved the company's IPO, allowing it to raise the funds by issuing shares at BDT 27-30 each as per bidding of eligible institutional investors.
- On August 14, the BSEC allowed the company to assess the cut-off price of its shares under the book building method for raising BDT 57 crore from the capital market through the IPO.
- As per the bidding of EIs, the cut-off price of the company's shares stood at BDT 30. Shares would be allotted to general investors along with non-resident Bangladeshi (NRB) investors at BDT 27 each on 10 per cent discount basis as per the public offer rules.
- ADN Telecom will use the IPO proceeds in infrastructure development, installation of a data centre, pay bank loans and meet the IPO expenses.
- As per the company's audited financial statements for the year ended June 30, 2018, its net asset value per share and basic earnings per share were BDT 18.80 and BDT 2.67 respectively.
- ICB Capital management Limited is the issue manager of the company's IPO.

<https://www.newagebd.net/article/95308/adn-telecom-debuts-jan-6>

## **Net foreign fund in stocks negative for two years**

*Overseas investors sell more in 10 months out of 12 in 2019*

The Financial Express, January 01, 2019

- Net foreign investment on Dhaka Stock Exchange remained negative for two straight years in 2018 and 2019 as the overseas investors continued to pull out their fund amid depressed market outlook. The net foreign

investment was BDT 4.88 bn in negative in 2019. In 2018, net foreign fund was BDT 5.93 bn in negative, according to the statistics of Dhaka Stock Exchange.

- Market analysts said the foreign investors sold their shares almost throughout the year due to the lack of confidence, depreciation of local currency against the US dollar and concern over the country's financial sector. Some policy changes, gloomy macroeconomic outlook and soaring non-performing loans added further concerns to the waning investors' confidence, said an analyst. He noted that the financial market volatility, weak regulatory control, approval of weak IPOs (initial public offerings) also discouraged foreign investors.

## Portfolio transactions on DSE

Year	Buy	Sell	Net position
2019	Tk 36.78 billion	Tk 41.66 billion	(Tk 4.88 billion)
2018	Tk 44.96 billion	Tk 50.89 billion	(Tk 5.93 billion)

Source: Dhaka Stock Exchange

- In 2019, the overseas investors bought shares worth BDT 36.78 bn while they sold stocks worth BDT 41.66 bn, taking the net position of BDT 4.88 bn in the negative, the DSE data showed. The net foreign investment on the DSE kept falling for the ten straight months (March-December) out of 12 because of eroding investor confidence and the rising fear of depreciation of the local currency.
- In 2018, the net foreign investment was also negative BDT 5.93 bn as they sold shares worth BDT 50.89 bn against their purchase of shares worth BDT 44.96 bn.
- A leading broker, who deals with foreign investors said strict decision on Grameenphone, the largest listed company of the DSE in February 2019, by the telecom regulator ultimately affected the whole stock market. The foreign investors were upset with the government's declaration of GP-one of their prime choices-as a significant market player, which affected the telecom operator's earnings.
- The depreciation of local currency against the US dollar was another reason for withdrawal of funds by the foreign investors, he mentioned. Foreign investors also fear that the local currency may depreciate to a large extent in future as the current account balance deficit and trade deficit continue to pose risks to macroeconomic stability.

<https://thefinancialexpress.com.bd/stock/bangladesh/net-foreign-fund-in-stocks-negative-for-two-years-1577854986>

### SINGLE-DIGIT INTEREST RATES

#### Banking stocks battered

The Daily Star, January 02, 2019

- Banking stocks took a punch yesterday as investors reacted violently with the government move to fix the interest rates for lending and savings at 9 percent and 6 percent respectively, effectively clipping the lenders' ability to log in profits.
- Of the 30 listed lenders, 19 declined and 4 remained unchanged after trading resumed yesterday after a recess the previous day for bank holiday. Banks will have to implement the new interest rates from April 1 next year as per Prime Minister Sheikh Hasina's instruction -- a move taken to spur private investment, industrialisation and job creation.

- The step though can go on to theoretically break down the market mechanism for funds. Banks' profits may contract by BDT 4,000-4,500 crore, so its impact was seen in the banking stocks, said Khairul Bashar Abu Taher Mohammed, chief executive officer of MTB Capital.
- A 3 percent spread, which is the difference between interest rates of deposits and loans, cannot make banks profitable. "However, it is still not confirmed that banks profits will surely shrivel."
- Because, if the government keeps its deposits with private banks too then their turnover may rise and it may compensate for this blow, said Bashar, who is a former secretary general of the Bangladesh Merchant Bankers' Association.
- Banks will have to count losses to some degree as they will have to continue their existing fixed deposit receipts and deposit pension schemes while giving out loans at 9 percent, said a managing director of a private bank requesting anonymity due to the sensitivity of the matter.
- Yesterday, Brac Bank, National Bank, Dutch-Bangla Bank, City Bank, and South East Bank was among the top ten negative contributor to the index that rose 0.35 points to close at 4,453.29.

<https://www.thedailystar.net/business/bangladesh-single-digit-loan-interest-rate-banking-stocks-battered-1848358>

## Economy and Industry

### Pvt sector credit growth plummets below 10pc

*Poor business climate blamed for the sorry state*

- The private sector credit growth dropped to a record low of 9.87 per cent in November of this fiscal year 2019-2020 due mainly to the government's high borrowing from the banking system and poor business environment in the country.
- The situation reflects poor state of the banks' capacity to lend and subsequent slowdown in the country's economy. The private sector credit growth in November was far below than the Bangladesh Bank's projection of 14.8 per cent growth in FY20.
- Businesses, bankers and economists said that the private sector growth was obstructed mainly by the high government borrowing and slowdown in economy amid stagnancy in tax collection, stiff fall in sales of national savings certificates, and fall in export and import.
- Policy Research Institute executive director and BRAC Bank chairman Ahsan H Mansur cautioned that the growth rate would fall further as banks were becoming weak gradually in the context of low deposit growth and high government borrowing.
- Banks' capacity to lend private sector would fall further if the government implement 6 per cent deposit rate as the policy would result in deposit growth fall, he said.
- Although deposit in the banks increased a bit as people kept fund with banks instead of NSCs, the government took higher amount of funds from the banks than the amount diverted, he said.

<https://www.newagebd.net/article/95290/pvt-sector-credit-growth-plummets-below-10pc>

## PM opens DITF, declares light engineering as product of 2020

NewAge, January 02, 2019

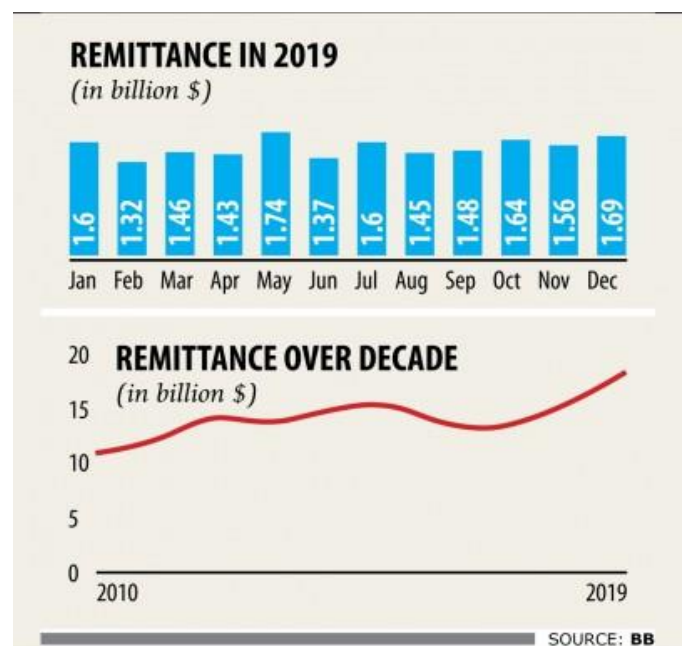
- Prime minister Sheikh Hasina on Wednesday inaugurated the 25th Dhaka International Trade Fair (DITF), announcing the light engineering as the product of the year for 2020.
- 'As a part of our export policy, we are declaring light engineering as the product of 2020 to encourage the product-based export while calling for more investment,' she said.
- She simultaneously stressed the need for taking appropriate measures to strengthen the light engineering sector and help explore its export potential.
- The prime minister said that light engineering products such as bicycle, motorcycle, automobile, autoparts, electric and electronics, accumulator battery, solar photovoltaic module and toys have the potential to attract more investment.
- She said that much importance had been given earlier to leather and leather goods, jute and jute goods and other products, adding, 'But, this year we are giving importance to light engineering as it has huge potential of attracting investment.'
- Hasina said that as per the World Bank report-2020, Bangladesh had secured the 168th position among 190 countries in terms of ease of doing business in the last year, upping eight steps, while Bangladesh had moved up to the 72nd position from the previous year's 89th position in case of having security of investors.

<https://www.newagebd.net/article/95271/pm-opens-ditf-declares-light-engineering-as-product-of-2020>

## Remittance soars to record USD18b

The Daily Star, January 02, 2019

- Remittance hit an all-time high of USD18.32 bn in 2019, much to the relief of the government that has been on edge for the lower foreign exchange earnings from declining export shipments.
  - Export earnings contracted 7.59 percent year-on-year to USD15.77 bn in the first five months of fiscal 2019-20. But, remittance brought ample cheer: inflows were up 18 percent from 2019, according to data from the central bank.
  - "If the trend continues, remittance will hit a benchmark of USD20 bn come the end of the fiscal year," said Kazi Sayedur Rahman, an executive director of the Bangladesh Bank.
  - The government's move to provide a 2 percent cash subsidy for remitters from fiscal 2019-20 was the main reason for the spike, he said.
- Besides, the favourable exchange rate of taka against the dollar and a strong stance taken by the central



bank to fight illegal money transfers also had a positive impact on the record amount sent home by expatriate Bangladeshis last year, according to Rahman.

<https://www.thedailystar.net/business/news/remittance-soars-record-18b-1848346>

## International

### Oil posts biggest yearly rise since 2016

The Daily Star, January 02, 2019

- Oil prices fell 1 percent on Tuesday, the last trading day of the decade, but notched the biggest annual gain in three years, supported by a thaw in the prolonged US-China trade war and ongoing supply cuts from major oil producers.
- Brent gained about 23 percent in 2019 and WTI rose 34 percent, their biggest yearly gains in three years, backed by the recent breakthrough in the trade talks and output cuts pledged by the Organization of the Petroleum Exporting Countries (OPEC) and its allies.
- Forecasters do not expect oil prices to move sharply in either direction next year. Brent crude is expected to hover around USD63 a barrel, a Reuters poll showed on Tuesday, down modestly from current levels, as OPEC production cuts offset weaker demand.
- Over the past year, increased US oil output offset the supply reductions undertaken by OPEC, led by Saudi Arabia and stemming from US sanctions on Venezuela and Iran. Lackluster demand, including in developed economies, remains a primary concern headed into 2020.
- US crude oil production in October rose to a record of 12.66 mn barrels per day (bpd) from a revised 12.48 mn bpd in September, the US government said in a monthly report. The pace of growth is expected to slow in 2020.
- Brent crude LCOc1 fell 67 cents, or 1 percent, to settle at USD66.00 a barrel. US West Texas Intermediate (WTI) crude CLc1 fell 62 cents, or 1 percent, to settle at USD61.06 a barrel.
- Investors were nervous about the Middle East, where thousands of protesters and militia fighters gathered outside the US embassy in Baghdad to condemn US air strikes against Iraqi militias.
- On Tuesday, data from industry group the American Petroleum Institute showed US crude oil stocks fell by 7.8 mn barrels in the week to Dec. 27, compared with analysts' expectations for a draw of 3.2 mn barrels.

<https://www.thedailystar.net/business/news/oil-posts-biggest-yearly-rise-2016-1848334>

### US-China 'phase one' trade deal to be signed January 15

NewAge, January 02, 2019

- A partial new US-China trade agreement would be signed in the middle of next month, US president Donald Trump said on Tuesday, announcing that he would also then travel to China for continued talks.



- Trump's tweet, sent moments before Wall Street opened for the year's final trading day, set a calendar date for an event that had hung in uncertainty in recent weeks as details remained scant.
- Washington and Beijing earlier this month announced a 'phase one' trade deal, de-escalating their nearly two-year trade war as Trump reduced or cancelled some tariffs while Beijing promised to adopt trade reforms and buy more US farm exports.
- US and Chinese officials have said that the agreement includes protections for intellectual property, food and farm goods, financial services and foreign exchange, and a provision for dispute resolution.
- Under the new deal, China has committed to a minimum of USD200 bn in increased purchases over the next two years from US manufacturers, farmers, energy producers and service providers, according to US trade representative Robert Lighthizer.
- Trump said on Tuesday that he would travel to Beijing to continue negotiations 'at a later date' — showing willingness to pursue talks that have acrimoniously broken down more than once and left both sides to salvage a partial deal.
- Trump cancelled plans to impose tariffs on USD160 bn in Chinese merchandise in mid-December — including hot consumer items like mobile phones — but punishing US tariffs remain for about USD250 bn in Chinese-made goods, including machinery and many electronic items.

<https://www.newagebd.net/article/95302/us-china-phase-one-trade-deal-to-be-signed-january-15>

## Disclaimer

*This document has been prepared by Bank Asia Securities Ltd (BASL) based on publicly available data for information purpose only and does not solicit any action based on the material contained herein and should not be construed as an offer or solicitation to buy or sell or subscribe to any security. Neither BASL nor any of its directors, shareholders, member of the management or employee represents or warrants expressly or impliedly that the information or data of the sources used in the documents are genuine, accurate, complete, authentic and correct. However, all reasonable care has been taken to ensure the accuracy of the contents of this document. BASL or Research & Development Department will not take any responsibility for any decisions made based on the information herein. As this document has been made for the Traders of BASL and strongly prohibited for circulation to any clients, investors or any other persons from outside of BASL.*

## About Bank Asia Securities Ltd

Bank Asia Securities Limited (BASL) is one of the leading full-service brokerage companies in Bangladesh. The company was formed in 2009 and running its operation as a majority owned subsidiary of Bank Asia Limited. BASL offers full-fledged standard brokerage services for retail, institutional and foreign clients with a dedicated team of skilled professionals. The company is currently providing the brokerage services under the membership of Dhaka Stock Exchange Limited (DSE).

## BASL Research Team

Mr. Shariful Alam Chowdhury  
Head of Research & Investments

tushar@basl-bd.com, tusharbd@bloomberg.net

Mr. Shohidul Islam  
Research Analyst

shohidul@basl-bd.com, shohidulbd@bloomberg.net

Tanzin Naher  
Research Associate

tanzin@basl-bd.com

## BASL Networks

### Head Office

Hadi Mansion (2nd Floor)  
2, Dilkusha Commercial Area  
Dhaka-1000, Bangladesh  
Phone: +88-02-9515826-28  
Fax: +88-02-9567884

### Modhumita Extension Office

158-160 Modhumita Building  
(5th Floor)  
Motijheel C/A, Dhaka-1000  
Phone: +88-01819118893

### Dhanmondi Branch

Meher Plaza (1st Floor),  
House # 13/A, Road # 05  
Dhanmondi, Dhaka - 1207  
Phone: +8802-8624874-5

### Mirpur Branch

Nishi Plaza, plot # 01,  
Avenue-04, Section-06,  
Block-C  
Mirpur, Dhaka - 1216  
Phone: +88-02-9013841

### Uttara Branch

House # 79/A, (4th Floor),  
Road # 07, Sector # 04  
Uttara Model Town, Dhaka-  
1230  
Phone: +88-02-8958371

### Banani Branch

Nur Empori, Plot # 77 (1st  
Floor), Road No # 11,  
Banani,  
Dhaka-1213  
Phone: +8801716180767

### Bijoynagar Extension

Prime Tower (3rd Floor),  
180-181  
Dhaka-1213  
Phone: +8801716180767

### Khulna Branch

28, Sir Iqbal Road (1st Floor)  
Khulna  
Phone: +88-041-731208-9

For International Trade & Sales, please call at +8801993111666, +880 02 9515826, Ext: 101 at Business hour. For further query, write to us at [research@basl-bd.com](mailto:research@basl-bd.com).