

Stock Market

Dhaka stocks dip for 6th week as pessimism grips market

New Age, June 02, 2018

- Dhaka stocks in the past week dropped for the sixth consecutive week as investors remained confused about the market behavior ahead of the upcoming national budget.
- DSEX, the key index of Dhaka Stock Exchange, lost 1.58 % or 85.81 points over the week to finish at 5,343.88 points on Thursday, the last trading session of the week.
- The key index shed 500 points in the last six weeks, with just five positive sessions, wiping out BDT 27,772.50 crore from the market capitalization.
- Despite a brief positive start on Sunday, the first trading session, with the move from the intermediaries, the market resumed losing streak on the following day and continued to fall for the rest of the sessions of the past week.
- Investors, finding no hope of positive return, kept share sales to avoid further losses, market operators said.
- The relentless downfall in recent times caught the investors off guard as they have become confused about what should be their moves. The downtrend sapped prices of most of the trusted scrips.
- Share prices of Grameenphone, BRAC Bank, Islami Bank, City Bank, Investment Corporation of Bangladesh and Square Pharmaceuticals plummeted by more than 10 % over the six-week falling spell.
- The investors feared that the market would remain in the negative territory ahead of the budget, scheduled to be announced on June 7.

<http://www.newagebd.net/article/42706/dhaka-stocks-dip-for-6th-week-as-pessimism-grips-market>

Cut corporate tax to woo big companies to stock market

Dhaka Tribune, June 03, 2018

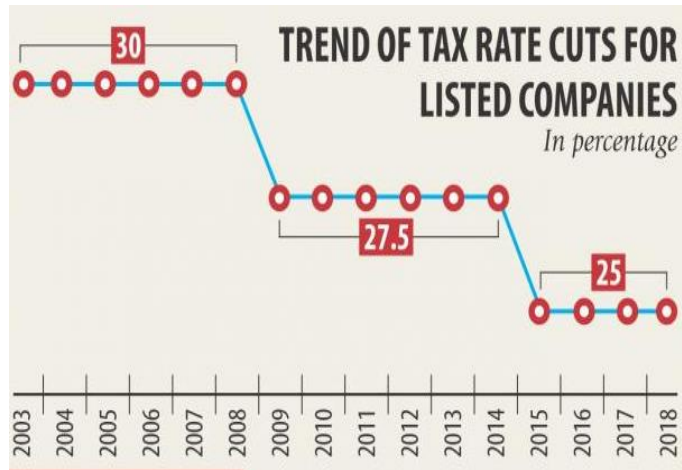
- In a bid to lure multinational and large corporate companies into enlisting in Bangladesh's stock exchanges, stakeholders are seeking a cut in the corporate tax rate for publicly listed companies in the upcoming budget for the 2018-2019 fiscal year.
- The supply of quality shares plays an important role in providing a much-needed lift to the ailing stock market and attracting new investment to the capital market.
- Policy incentives could encourage multinational companies (MNCs) to be listed in stock markets, stock analysts and stakeholders say. Currently, publicly listed companies pay a minimum of 25% and a maximum of 45% tax based on their business category.
- As per the present tax policy, publicly listed banks, insurance, and non-banking financial institutions pay 40% corporate tax, while non-listed companies pay 42.5%.
- Cigarette manufacturers and mobile phone operators currently pay 45% corporate tax.
- Excluding these sectors, other publicly traded companies pay 25% corporate tax, while non-listed companies pay 35%.

<https://www.dhakatribune.com/business/stock/2018/06/03/cut-corporate-tax-to-woo-big-companies-to-stock-market>

IPOs don't tempt big companies

The Daily Star, June 02, 2018

- Lengthy process, legal bindings to publish all information and inconvenience of holding annual general meetings put off big groups from getting listed despite the privilege of 10 % lower corporate tax.
- The capital market last year witnessed the lowest initial public offerings and also the smallest amount of funds raised since 2009.
- The regulator always keeps an eye on the listed companies, which must ensure accountability in every step.
- "Many companies don't want to do that level of scrutiny. But this accountability is good for any company."
- He urged the government to increase the corporate tax incentive.
- Merchant bankers said the revenue concealing tendency is a big reason for not getting listed. Most companies don't want to pay tax at all, so tax incentives don't work on them.



<https://www.thedailystar.net/business/ipos-dont-tempt-big-companies-1585531>

Fundamentally poor shares jump despite market fall

New Age, June 02, 2018

- The share prices of fundamentally poor companies at the Dhaka Stock Exchange soared in May when all high-profile companies plunged.
- The DSE key index, DSEX, lost 500 points in last six weeks that eroded prices of all the 'trusted' stocks except Khulna Power Company, United Power Generation and Berger Paints Bangladesh, market operators said.
- The DSEX lost 395 points in May, coming down to 5,343.87 points on May 31 from 5,739.22 points on April 30.
- Market operators said investors, finding nowhere to flee amid a prolonged downward trend at the market, chose the non-fundamental stocks for investment amid various rumours about the scrips.
- The country's capital market is driven by the general investors who lack knowledge for investment in the capital market, they said.
- Lack of effective regulatory action against manipulators and rumour-mongers also contributed to the unusual hike, they said.
- The share prices of Legacy Footwear soared by 58 % in May to settle at BDT 91.6 on May 31.

<http://www.newagebd.net/article/42621/fundamentally-poor-shares-jump-despite-market-fall>

Economy

Upcoming budget to have a new classification system

The Financial Express, June 02, 2018

- The upcoming national budget will be placed before parliament under a new classification system.
- This will mark a departure from the old ways of presenting the same.
- Finance Minister AMA Muhith is expected to place the budget at Jatiya Sangsad on June 07 next.
- The new classification will give true pictures pertaining to expenditures and resource mobilisation, people familiar with the development told the FE.
- They also said the new system will clearly highlight the liabilities of the government, which the existing budget structure fails to show.
- The new classification has been prepared in line with the International Monetary Fund (IMF)'s Government Finance Statistics (GFS) manual (2014).
- The system, a 56-digit chart from existing 13-digit, includes resource checking, regional resource distribution and quick analysis of budget features, a senior official at the finance division told the FE.
- Bangladesh's accounting is cash-basis. The cash basis of accounting recognises the revenues when cash is received, and the expenses when they are paid.

<https://thefinancialexpress.com.bd/economy/upcoming-budget-to-have-a-new-classification-system-1527910242>

Local value addition by RMG drops marginally

The Financial Express, June 02, 2018

- Bangladesh Bank on Wednesday cut banks' interest rate spread by 1 % points and took a number of
- Gross value addition from the ready-made garment (RMG) industry dropped slightly in the first nine months of the current fiscal year (FY18).
- Central bank estimation showed that the rate of value addition stood at 74.72 % in July-March period of this fiscal year.
- The value addition is estimated on the basis of import of raw materials in the related sector.
- The evaluation showed that the raw materials imported through back-to-back letter of credit in the RMG sector stood at \$5.77 Bn during the period under review.
- At the same time, export earnings from the RMG reached \$28.34 Bn.
- As a result, local value addition came down to 74.72 %, which was 75.08 % in the past fiscal year

<https://thefinancialexpress.com.bd/trade/local-value-addition-by-rmg-drops-marginally-1527931914>

LNG price should be rational

The Daily Star, June 03, 2018

- The government should fix the rate of liquefied natural gas -- imported to ensure adequate energy supply to the gas-starved primary textile sector -- at a tolerable level, said a top textile entrepreneur.
- Some 196 members of Bangladesh Textile Mills Association have already received letters from different gas supplying companies like Titas Gas Transmission and Distribution Company informing them of resumption of their gas connections soon.
- The rate for LNG is likely to be fixed at more than BDT 14 per cubic metre and that of natural gas will also go up from the existing BDT 8 in keeping with LNG price.
- "Many of the textile millers might not afford this costly LNG," Tapan Chowdhury, president of the BTMA, told The Daily Star in an interview last week.
- The reason being, the ultimate buyers are not ready to pay higher prices to the millers.
- "As a result, the garment makers will import the fabrics as they have bonded warehouse facility. And finally, the textile millers will lose the market to foreign companies."
- The LNG price should be between BDT 9 and BDT 10 to attract investment, he said.
- It takes at least BDT 500 crore to establish a spinning mill and the entrepreneurs have to take loans at high interest rates.

<https://www.thedailystar.net/business/lng-price-should-be-rational-1585456>

BB to jack up farm loan target

Dhaka Tribune, June 03, 2018

- The central bank plans to set the farm loan disbursement target for banks at BDT 21,500 crore for the next fiscal year, which is 5.39 % higher than that of the current year.
- The disbursement target would be set in line with the requirement of the finance ministry, which will take into consideration the amount of outstanding loans and advances of banks as of April 30.
- Finance Minister AMA Muhith will announce the target in his budget speech in parliament on June 7, a Bangladesh Bank official told The Daily Star yesterday.
- The banking regulator is likely to revise the target slightly when the agricultural credit policy for the upcoming fiscal year will be finalised.
- According to the BB policy, every bank has to disburse at least 2 % of its total loans to the agricultural sector.
- Banks met 88 % of their annual farm loan disbursement target in the 10 months to April in the current fiscal year.
- The BB official said the entire year's target will also be achieved as banks are showing growing interest in disbursement following good loan recovery.

<https://www.thedailystar.net/business/bb-jack-farm-loan-target-1585519>

International

G7 finance chiefs kick trade dispute to leaders' summit in Quebec

Reuters, June 03, 2018

- Finance leaders of the closest U.S. allies vented anger over the Trump administration's metal import tariffs on Saturday, ending a three-day meeting with a stern rebuke of Washington and setting up a heated fight at a G7 summit next week in Quebec.
- In a rare show of division among the normally harmonious club of wealthy nations, the six other G7 member countries issued a statement asking U.S. Treasury Secretary Steven Mnuchin to convey their "unanimous concern and disappointment" about the tariffs to President Donald Trump.
- The 25 % steel and 10 % aluminum tariffs were imposed this week on Mexico, Canada and the European Union after temporary exemptions expired.

<https://www.reuters.com/article/us-g7-summit-finance/g7-finance-chiefs-kick-trade-dispute-to-leaders-summit-in-quebec-idUSKCN1IY0QL>

"OPEC's Worst Meeting Ever, Part 2"

Bloomberg, June 03, 2018

- Al-Falih had said as recently as April that the group's output cuts should be extended and the goalposts moved.
- However, in what looks like a response to President Donald Trump's April 20 tweet attacking the group, Saudi Arabia has gone from advocating higher prices to trying to stop the rally at \$80 a barrel.
- OPEC had an output ceiling that had been unchanged for two and a half years and the kingdom saw clear signs that the market was overheating and required more oil from the producer group.
- Members such as Iran and Venezuela, who couldn't boost their own production either as a result of capacity constraints or sanctions, rejected the Saudi proposal to raise output.
- The group could not even agree on the text of a closing press release and the Saudi oil minister called it "one of the worst meetings" he had attended in almost 16 years in the job.

<https://www.bloomberg.com/view/articles/2018-06-03/coming-soon-opec-s-worst-meeting-ever-part-2>

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