

Stock Market

Dhaka stocks recover BDT 15,000cr in market cap in 9-day rally

New Age, January 03, 2018

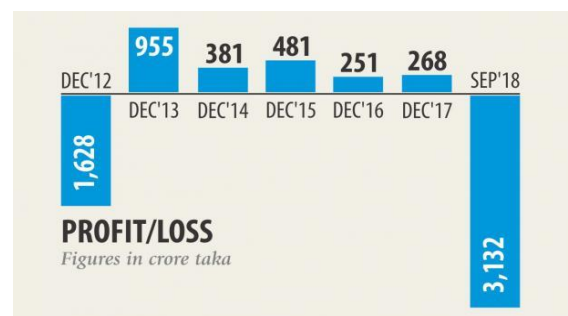
- Dhaka stocks advanced on Wednesday, stretching the gaining streak to the ninth consecutive session as investors continued buying shares after Sunday's general election. DSEX, the key index of Dhaka Stock Exchange, soared by 0.57 %, or 31.18 points, to close at 5,496.43 points on Wednesday. The DSEX gained 279 points in last nine sessions.
- The market recovered BDT 15,000 crore in market capitalisation in the nine-day rally after losing BDT 44,878.44 crore in market capitalisation in 2018 (till December 17). Political tensions surrounding the elections kept investors on the edge last year. DSEX plummeted by 858 points in 2018.
- In the national polls, the Awami League-led ruling alliance won 288 seats while the opposition alliance led by Bangladesh Nationalist Party secured just seven. Local and international media reported that the elections were marred by vote rigging and ballot stuffing and the opposition alliance demanded a fresh election.
- Some investors went for buying bank shares as the media reported that most of the listed banks made higher operating profits in 2018 compared with that in the previous year, market operators said. The financial sectors led the surge with a gain in share prices of non-bank financial institutions (1.8 %) and banks (0.6 %).
- Average share prices of energy, textile and pharmaceutical sectors increased by 2.0 %, 1.4 % and 0.1 % respectively. Share prices of cement and telecommunications dropped by 0.7 % each.
- The turnover on DSE advanced to BDT 696.45 crore on Wednesday compared with that of BDT 530.17 crore in the previous trading session. Of the 336 companies and mutual funds traded on Wednesday, 225 advanced, 80 declined and 40 remained unchanged. DSE blue-chip index DS30 increased by 0.25 %, or 4.78 points, to close at 1,912.97 points.
- Shariah index DSES added 0.32 cent, or 4.00 points, to finish at 1,249.80 points. BBS Cables led the turnover leaders with its shares worth BDT 30.51 crore changing hands on the day. Paramount Textile, IFAD Autos, Saiham Cotton, Bangladesh Export Import Company, Khulna Power Company, JMI Syringes and Medical Devices, United Power Generation Company, BDCOM Online and Square Pharmaceutical were the other turnover leaders.

<http://www.newagebd.net/article/60664/dhaka-stocks-recover-BDT-15000cr-in-market-cap-in-9-day-rally>

Janata sinks into colossal losses

The Daily Star, January 03, 2018

- Janata Bank logged in losses of BDT 3,132 crore in the first nine months of 2018, a stunning reversal in fortune for the state-owned bank as loan irregularities finally take a toll. The bank was BDT 268 crore in profit at the end of December last year.
- At the beginning of the year, Bangladesh Bank unearthed two big loan scams of AnonTex and Crescent involving a total of BDT 8,300 crore. Both the large clients turned defaulters in June, sinking the bank into losses to the tune of BDT 1,589 crore -- for the first time in five years.
- The losses continued to pile up, leading to capital shortfall of BDT 3,923 crore in September. In contrast, at the end of December the bank was in capital surplus of BDT 26 crore. Janata maintained provisioning of BDT 5,840 crore as of September, the highest among the four state-owned commercial banks.



- Between the months of January and September, Janata's default loan ratio soared to 31.31 %, in contrast to 18.22 % at the end of last year, according to data from the central bank. As of September, Janata's total outstanding loans stood at BDT 14,376 crore, the highest among the state banks.
- Bangladesh Bank found that the bank lent to 31 business groups violating the single borrower exposure limit. Janata's single borrower exposure limit is 15 % of its capital. Of the 31 groups, 11 turned defaulters. Janata is the only state-owned commercial bank out of four to have registered losses this year. Sonali made the highest profit of BDT 873 crore, followed by Agrani at BDT 36 crore and Rupali at BDT 16 crore.

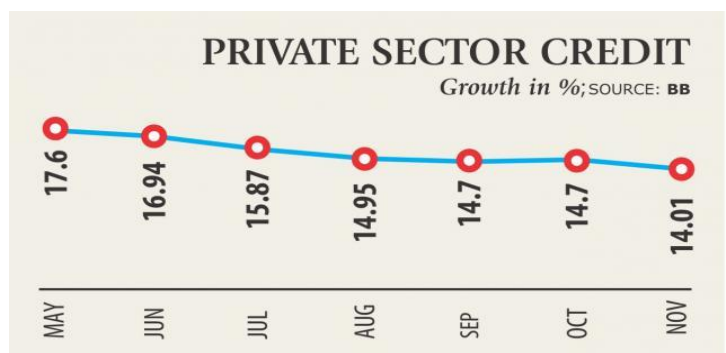
<https://www.thedailystar.net/business/banking/news/janata-sinks-colossal-losses-1682284>

Economy

Private sector credit growth hits 3-year low

The Daily Star, January 03, 2018

- Private sector credit growth hit a three-year low in November due to cautious lending and reluctance by businesses to go for expansion ahead of the polls, which took place on December 30. In November, credit growth stood at 14 % year-on-year, down from 14.7 % in the previous month, according to data from Bangladesh Bank.
- The credit growth is far below the ceiling of 16.8 % set by the BB for the second half of 2018. The central bank is likely to keep the private sector credit growth target unchanged at 16.8 percent in its latest monetary policy, which will be announced later in January, said a senior BB official.
- Moreover, banks emphasised on recovery towards the end of the year instead of disbursing loans. The demand for credit is set to escalate in the New Year, after the general elections, said Rahman, also the chairman of the Association of Bankers, Bangladesh, a platform of banks' managing directors and chief executives.
- Liquidity shortage is also responsible for the slow private sector credit growth, said a senior executive of another private bank. The BB apprehends the uptick in credit growth after the election will increase the inflationary pressure. Public sector credit growth, which was in the negative in recent months, stood at 7.80 % in November thanks to heavy borrowing by the government ahead of the polls. However, the growth rate is still below the monetary ceiling of 15.9 % set for the second half of 2018.



<https://www.thedailystar.net/business/news/private-sector-credit-growth-hits-3-year-low-1682278>

Maintaining competitiveness in global market

Economists suggest more depreciation of local currency

The Financial Express, January 03, 2018

- The local currency Bangladesh Taka (BDT) depreciated by nearly 1.5 % to BDT 83.90 against the US Dollar (US\$) in the year 2018 as a result of widening deficit in the country's overall balance of payments (BoP). But economists opined

that the erosion in the value of Taka should have been much higher to help maintain the country's competitiveness in the external market.

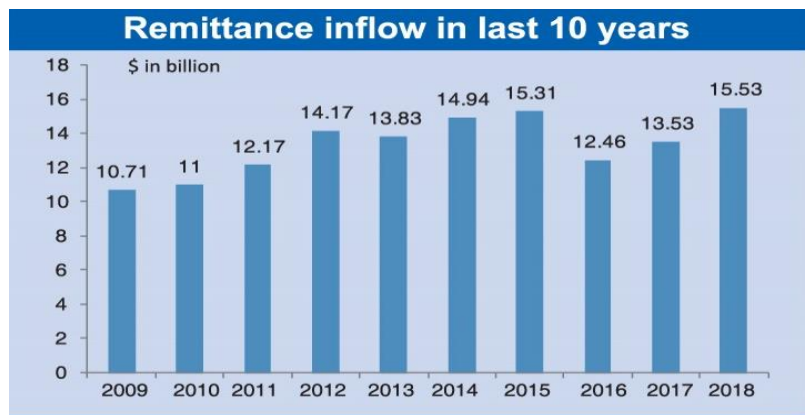
- Besides, the currencies of Bangladesh's rivals in global trade, including India, weakened at much higher rates, they added. The inter-bank Taka-US\$ exchange rate was BDT 82.70 on December 26, 2017, which stood at BDT 83.90, up by BDT 1.20, on December 26, 2018. The "kerb" market exchange rate was BDT 85.15 in the city, as of Wednesday (Jan 2, 2019).
- In the meantime, the central bank had sold US\$ 1.1 bn to the banks during the last six months (July-December 2018) to manage the exchange rate, and kept it at BDT 83.90. Dr Zahid Hussain, lead economist at the World Bank (WB) Dhaka office, told the FE that the country's external business is losing competitiveness following depreciation of Taka at lower rate.
- The value of India's currency, Rupee, declined by 12 % during first eight months of 2018. India is the second largest trade partner of Bangladesh after China. China's currency declined to its lowest level in a decade in last September against the backdrop of mounting geopolitical tension along with uncertainty over the country's trade impasse with the US.
- The Chinese Renminbi or RMB fell to 6.857 against the dollar, according to Bloomberg data on January 02. Its maximum average during the last 180 days was 6.9754. Bangladesh's overall BoP posted \$885 mn deficit during the last fiscal year (FY), 2017-18, compared with a surplus of \$3.2 bn in FY 2016-17

<http://thefinancialexpress.com.bd/trade/economists-suggest-more-depreciation-of-local-currency-1546486762>

Remittance hits all-time high in 2018

New Age, January 03, 2018

- Remittance inflow posted its all-time high in the immediate past year 2018 amid appreciation of US dollar against the Bangladeshi currency, prompting expatriates to send money through legal channel.
- In 2018, inflow of remittance increased by 14.83 % or \$2.01 bn, taking the total remittance inflow to \$15.53 bn from \$13.53 bn in the previous year.
- Before 2018, the highest amount of remittance earnings of the country was in 2015 when the country's remittance earnings posted an all-time high at \$15.31 bn. Central bank officials said that appreciation of the dollar against the taka worked as an important factor for the growth in remittance.
- As per the central bank web site data, the exchange rate of dollar, which was BDT 78.7 in January, 2017, increased to BDT 82.9 in January last year and BDT 83.90 on Wednesday. As the dollar rate was on the rise for last couple of years, remittance inflow through the legal channel rose, said officials of central bank.
- Besides the dollar appreciation in Bangladesh, oil price increase in the global market boosted economies of the Middle East countries and earnings of the expatriates accordingly. Expatriates' income hike also helped them to send higher amount to the country.



- Alongside, the central bank's move to increase remittance inflow through the legal channel by taking measures for the prevention of digital hundi was another factor. Refugee and Migratory Movements Research Unit in its migration trend report had projected a 15.59 % increase of remittance inflow in 2018.

<http://www.newagebd.net/article/60660/remittance-hits-all-time-high-in-2018>

Inflation drops

Fall in food and non-food prices brings the rate down to 19-month low

The Daily Star, January 03, 2018

- Inflation dropped to a 19-month low in December on the back of a fall in prices of both food and non-food items, official data showed. Last month, inflation stood at 5.35 %, down two basis points from 5.37 % in November, according to the Bangladesh Bureau of Statistics. The last time inflation reached such a level was in March 2017, when it was 5.39 %.
- Analysts had warned that electoral expenditure would put pressure on inflation in the coming months. Inflation has been sliding for the last couple of months because of a decrease in the prices of food and non-food items. According to the BBS data, food inflation was slightly down to 5.28 % in December from 5.29 % a month ago. Non-food inflation fell four basis points to 5.45 % from 5.49 % in November.
- Rural inflation remained unchanged in the month from November while urban inflation dropped to 6.14 % from 6.21 % in November. Experts said though inflation was still low, it would be a short-term challenge for the new government because of volatility in the financial market. The government has targeted to keep inflation within 5.6 % in the current fiscal year of 2018-19.

<https://www.thedailystar.net/business/news/inflation-drops-1682272>

Farm loan keeps falling

The Daily Star, January 03, 2018

- Lending to the agriculture sector fell 9 % year-on-year to BDT 7,475.60 crore between July and November of the current fiscal year, according to central bank data. Farm loan disbursement also dropped 16 % from July to October. The ongoing liquidity crunch in the banking sector has left an adverse impact on the disbursement of farm loans, creating difficulties for farmers in growing crops without any interruption, said a central bank official.
- The Bangladesh Bank has set a farm loan disbursement target of BDT 21,800 crore for the current fiscal year of 2018-19, of which 34.29 % was disbursed between July and November. Eight state-owned commercial and specialised banks -- Sonali, Janata, Agrani, Rupali, BASIC, BDBL, Bangladesh Krishi, and Rajshahi Krishi Unnayan Bank -- disbursed BDT 3,807 crore altogether.
- Private and foreign banks gave out BDT 2,744 crore in agriculture loans during the five-month period. Lenders faced a difficult time to mobilise deposits throughout the outgoing year as clients prefer savings certificates and bonds, as they offer higher yield than banks' savings products, the central banker said.
- The decision of the banking watchdog to tighten the banks' advance-deposit ratio by March next year has also worsened the farm loan disbursement. Banks have to lower the ADR by cutting down on credit disbursement. As per the central bank's instruction, traditional lenders will have to cut the ADR by 1.5 %age points to 83.50 % from 85 % and to 89 % from 90 % for Shariah-based banks.

- The liquidity crunch has prolonged because of a huge cash withdrawal from banks by the candidates who took part in Sunday's national polls. Besides, the government is borrowing from commercial banks to finance its election-related expenditure, piling further pressure on the lenders.

<https://www.thedailystar.net/business/news/farm-loan-keeps-falling-1682290>

International

Oil falls to \$53 on economic worries, surging supply

New Age, January 03, 2018

- Oil fell towards \$53 a barrel on Wednesday, under pressure from rising output in major OPEC and non-OPEC producers and due to concerns about an economic slowdown that could weaken demand. Russian production hit a post-Soviet record in 2018, figures showed on Wednesday.
- Other data showed US output reached a record in October and Iraq boosted oil exports in December. Brent crude was 33 cents lower at \$53.47 a barrel at 1214 GMT. On Dec 26, it hit \$49.93, the lowest since July 2017. US crude slipped 40 cents to \$45.01.
- However, Nitesh Shah, director of research at WisdomTree, saw the prospect of a rebound for Brent because of an OPEC-led supply cut that starts this month and moderating US supply growth. Oil prices fell in 2018 for the first year since 2015 after buyers fled the market in the fourth quarter over growing worries about excess supply and the economic slowdown.
- Surging shale output has helped make the United States the world's biggest oil producer, ahead of Saudi Arabia and Russia. Oil production has been at or near record highs in all three countries. Adding to concern about a slowing global economy, a series of purchasing managers' indexes for December mostly showed declines or slowing manufacturing activity across Asia, the main growth region for oil demand.
- The signs of rising production illustrate the challenge facing the Organization of the Petroleum Exporting Countries and its allies, including Russia, which are seeking to prop up the market with a supply cut of 1.2 mn barrels per day. However, the energy minister for the United Arab Emirates, an OPEC member, said on Tuesday he remained optimistic about achieving a market balance in the first quarter.

<http://www.newagebd.net/article/60658/oil-falls-to-53-on-economic-worries-surging-supply>

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
Mr. Monir Hossain Research Associate	monir@basl-bd.com

BASL Networks

Head Office Hadi Mansion (7th 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	Khulna Branch 28, Sir Iqbal Road (1st Floor) Khulna Phone: +88-041-731208-9	

For International Trade & Sales, please contact **Mr. Sumon Das, Chief Executive Officer**. Please call at +8801993111666, +880 02 9515826, Ext:101 at Business hour.

For further query, write to us at research@basl-bd.com.