Stock Market

Stocks drop for 3rd day on tax measures

New Age, July 04, 2019

- Dhaka stocks dropped for the third day on Wednesday as investors were grappling with tax imposition on the listed companies, gas price hike and continuous share sales by the foreign investors. DSEX, the key index of Dhaka Stock Exchange, shed 0.23 per cent, or 12.71 points, to close at 5,372.21 points on Wednesday.
- The DSEX lost 57.82 points in last three sessions. After a slight gain at the beginning, the market started falling and finished the session in the negative zone as investors continued selling shares following the passage of national budget and gas price hike.
- In the budget, the government imposed 10 per cent tax on stock dividend if it exceeds cash dividend, revising its earlier budget proposal regarding the tax. It also levied 10 per cent tax on the amount of profits transferred to reserve by a listed company if the amount exceeds 70 per cent of the company's net profits for the year.
- The turnover at the bourse increased to Tk 507.47 crore on Wednesday from that of Tk 482.71 crore in the previous session. Out of the 352 shares and mutual funds traded on Wednesday, 177 declined, 126 advanced and 50 remained unchanged.
- DS30, the blue-chip index of DSE, dropped by 0.15 per cent, or 2.91 points, to close at 1,909.66 points. DSE Shariah index DSES shed 0.09 per cent, or 1.18 points, to close at 1,233.97 points. National Life Insurance led the turnover chart with its shares worth Tk 15.13 crore changing hands.
- Dhaka Insurance gained the most on the day with a 9.79-per cent increase in its unit prices while SEML Lecture Equity Management Fund was the worst loser, shedding 7.40 per cent

http://www.newagebd.net/article/77350/stocks-drop-for-3rd-day-on-tax-measures

Ashuganj Power to float IPO worth Tk 1.0 billion

Tough action against Coppertech Industries auditor

The Financial Express, July 03, 2019

- Ashuganj Power Station Company will raise a capital worth Tk 1.0 billion to conduct different development works including the land development. The company will raise the capital by issuing bond through initial public offering (IPO).
- The Bangladesh Securities and Exchange Commission (BSEC) approved the company's proposal of issuing bond at a meeting held at BSEC office on Tuesday. The characteristics of the bond will be non-convertible, fully redeemable and coupon bearing with a face value of Tk 5000 per unit. The tenure of the bond will be seven years.
- The company will raise the capital to bear the costs of land development, civil works, initial fuel, engineering and consultant service, and the purchase of vehicles. As per the financial statement for the year ended on June 30, 2017 the company's net asset value (NAV) is Tk 265.96 per share and weighted average of the earnings per share (EPS) of five years is Tk 10.63.

- ICB Capital Management and BRAC EPL Investments are the issue managers of the bond to be issued by Ashuganj Power Station Company. The ICB Capital Management is also the trustee of the bond.

http://thefinancialexpress.com.bd/stock/ashuganj-power-to-float-ipo-worth-tk-10-billion-1562130390

Net foreign funds see negative trend after seven FYs

The Financial Express, July 03, 2019

- Net foreign fund in stocks witnessed negative trend in the outgoing fiscal year (FY) after seven fiscals as overseas investors booked profit by selling shares.
- Foreign investors bought shares worth Tk 40.17 billion while they sold Tk 42.01 billion worth of shares in the FY 2018-19, taking the net position of Tk 1.84 billion negative, according to data available with the Dhaka Stock Exchange (DSE).
- The net foreign investment in DSE was also negative in nine months out of 12 in the outgoing fiscal year as overseas investors were mostly on selling mood. In the FY 2017-18, the overseas investors' net position was Tk 717 million, as they purchased shares worth Tk 59 billion and sold shares worth Tk 58.28 billion, the DSE data shows.

http://thefinancialexpress.com.bd/stock/net-foreign-funds-see-negative-trend-after-seven-fys-1562130071

TAX ON STOCK DIVIDEND

Listed cos likely to pay Tk 1,000cr more in cash dividend: study

New Age, July 04, 2019

- The listed companies are likely to pay Tk 1,000 crore more in dividend in this fiscal year (2019-20) than the previous fiscal year to avoid the penalty tax imposed on them in the Finance Bill for FY20, according to a BRAC EPL research.
- The dividend payout ratio is estimated to increase by about 4.5 per cent to 51.5 per cent from current 47.1 per cent, it said. It means that the listed companies might go for paying out additional cash dividend worth Tk 1,000.4 crore, which is a 10-per cent jump to Tk 11,300 crore from current Tk 10,300 crore, it said.
- BRAC EPL is a leading brokerage house in the country’s capital market. Dividend payout ratio means cash dividend paid in an income year divided by net profit after tax (NPAT) in an income year. Paying stock dividend is nothing but retaining part of the NPAT in an income year through converting the NPAT account to paid-up capital.
- The government imposed 10 per cent tax on stock dividend if it exceeds cash dividend, revising its earlier budget proposal. Besides, a listed company can transfer 70 per cent of its net profits in a financial year to its reserve and retained earnings, and the rest 30 per cent would be distributed among its shareholders as dividend.
- The study said the additional amount of cash dividend would mainly be paid by most of the banks, a few number of pharmaceutical companies including Square Pharmaceuticals, Beximco Pharmaceuticals and Renata, energy sector companies like Power Grid, and selective issues like BBS Cables and Uttara Finance.

- Out of the 30 listed banks, 16 declared only bonus dividend, two gave no dividend, only four gave cash dividend and eight provided both stock and cash dividend for 2018. The impact of such penalty tax imposition is expected to force companies to pay more cash dividend.

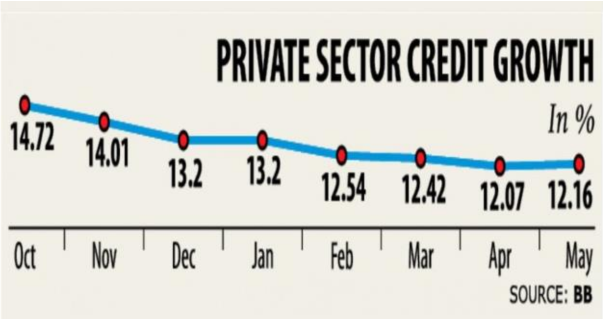
http://www.newagebd.net/article/77351/listed-cos-likely-to-pay-tk-1000cr-more-in-cash-dividend-study

Economy

Private credit bucks falling trend

Rise not enough to perk up economy: analysts

The Daily Star, July 04, 2019



- Private sector credit growth edged up in May after sliding since October last year but it is still well below the central bank's target for the second half of fiscal 2018-19. In May, credit growth stood at 12.16 percent, up from 12.07 percent a month earlier.
- But the credit growth is still 4.34 percentage points less than the central bank's target of 16.50 percent for the second half of the just concluded fiscal year. The increase is insignificant and there is no possibility to escalate the growth in the upcoming months given the ongoing liquidity crunch in the banking sector, said economists and bankers.
- In the last two fiscal years, private sector credit growth hovered between 16 percent and 18 percent, only to dip at the turn of fiscal 2018-19.

https://www.thedailystar.net/business/news/private-credit-bucks-falling-trend-1766386

EU-Vietnam FTA to hit BD foreign trade hard

Experts express grave concern

The Financial Express, July 03, 2019

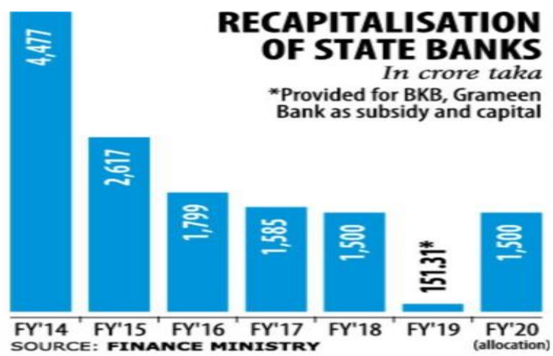
- Bangladesh is likely to face a severe blow to its foreign trade, as its competitor country Vietnam signed a free-trade agreement (FTA) with the European Union (EU) on Sunday, analysts said on Tuesday.
- The EU signed the free-trade deal with Vietnam on June 30, paving the way for tariff reduction on 99 per cent of goods, traded between the bloc and the Southeast Asian country.
- After a long three-and-a-half years of negotiation, the agreement was signed in Hanoi between EU Trade Commissioner Cecilia Malmstrom and Vietnam's Minister of Industry and Trade Tran Tuan Anh. The trade deal of the EU, the first of its kind with a developing country in Asia, will be effective after approval of the European Parliament.
- Europe is the largest destination of Bangladesh's garment export, as it made a shipment of US$ 19.63 billion in 11 months (July-May) of the last fiscal year (FY), 2018-19. Currently, Vietnam as a developing nation exports its products to the EU market, paying nearly 8-9 per cent tax.

- The EU is Vietnam's second largest export market after the US, with its main exports including garment and footwear products. In 2018, Vietnam exported goods and services worth $42.5 billion to the EU, while the value of its imports from the region reached $13.8 billion, official data showed.

http://thefinancialexpress.com.bd/economy/bangladesh/eu-vietnam-fta-to-hit-bd-foreign-trade-hard-1562210869

No handouts for state banks last fiscal year

The Daily Star, July 04, 2019



- State banks did not get a single penny from taxpayers in the just concluded fiscal year to make up their capital deficit, in a clear sign from the government of its intent to stop pampering the errant lenders.
- Between fiscal years 2009-10 and 2017-18 the government had injected a total Tk 16,016 crore of taxpayers' money into the state-run banks -- without any tangible improvement in their governance and lending practices to show for.
- The aim of the state-run commercial banks is to provide funds to the government from their profits and the government will spend the money for welfare activities.
- But the banks were given money to meet their capital shortfall without any stringent performance improvement conditions, which defeats the purpose of their existence.
- Some Tk 1,500 crore was set aside in the budget for fiscal 2018-19 budget, but in the end Tk 151.31 crore was disbursed to Bangladesh Krishi Bank and Grameen Bank from the allocation. Bangladesh Krishi Bank got Tk 150 crore as subsidy as it had lent at lower rates following government orders, while Grameen Bank got Tk 1.31 crore as capital.

https://www.thedailystar.net/business/banking/news/no-handouts-state-banks-last-fiscal-year-1766374

International

US trade deficit at five-month high

New Age, July 04, 2019

- The US trade deficit jumped to a five-month high in May as imports of goods increased, likely as businesses restocked ahead of an increase in tariffs on Chinese merchandise, overshadowing a broad rise in exports.
- The wider trade deficit reported by the Commerce Department on Wednesday added to weak housing, manufacturing, business investment and moderate consumer spending in suggesting that economic growth slowed in the second quarter. The labour market also appears to be losing momentum, with private employers adding far fewer-than-expected jobs to their payrolls in June.

- The slowdown in activity as last year's massive stimulus from tax cuts and more government spending fades could prompt the Federal Reserve to cut interest rates this month. The US central bank last month signalled it could ease monetary policy as early as at its July 30-31 meeting, citing rising risks to the economy from the trade war between the United States and China, and low inflation.
- The trade deficit surged 8.4 per cent to $55.5 billion. Data for April was revised higher to show the trade gap widening to $51.2 billion instead of the previously reported $50.8 billion. Economists polled by Reuters had forecast the trade gap widening to $54.0 billion in May.
- The goods trade deficit with China, a focus of President Donald Trump's 'America First' agenda, increased 12.2 per cent to $30.2 billion, with imports rising 12.8 per cent. Trump imposed additional import tariffs on Chinese goods, after a breakdown in negotiations, prompting Beijing to retaliate.

http://www.newagebd.net/article/77357/us-trade-deficit-at-five-month-high

BASL DAILY NEWS BUZZ

July 04, 2019

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BASL Research Team

Mr. SharifulAlam 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 (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 call at +8801993111666, +880 02 9515826, Ext: 101 at Business hour. For further query, write to us at research@basl-bd.com.