

Stock Market

STOCKS BEFORE BUDGET

Indices under strain as usual

The Daily Star, June 09, 2019

- Stock markets remain skittish ahead of the unveiling of a national budget as the government's annual financial plan in recent years has mostly lacked incentives needed to shore up investors' confidence. What is more, rumours of policy changes related to companies' earnings run deep before the finance minister proposes the budget for a fiscal year.
- As a result, the key index normally falls during this period and this year is no different. The DSEX, the key index of Dhaka Stock Exchange, has lost 368 points in the three months to the budget, according to data from the premier bourse.
- The scenario was the same in the previous five years when the index shrank 455.52, 158.51, 16.09, 90.11 and 301.01 points respectively.

PRE-BUDGET MARKET (In three months until budget is announced)	
YEAR	FALL IN INDEX (IN POINTS)
2019	368.88
2018	455.52
2017	158.51
2016	16.09
2015	90.11
2014	301.01

<https://www.thedailystar.net/business/news/indices-under-strain-usual-1754386>

Number of BO accounts on rise

65,235 new accounts opened in five months

The Financial Express, June 02, 2019

- Around 65,235 new BO accounts were opened in the past five months as investors were more confident in pouring funds into the primary market rather than the secondary one.
- Guaranteed profit through initial public offerings (IPOs) encouraged the investors to bet on primary shares, brokers said. To trade in the stock market and apply for primary shares, an investor has to open a BO (beneficiary owner's) account with the Central Depository Bangladesh Ltd through a depository participant, which is usually a stockbroker or a merchant bank
- The data as of May 30, 2019 showed the total number of BO accounts increased to 2,845,026 which was 2,779,791 in January 01, 2019. Among the BO account holders, 2,076,695 are males and 755,075 females, while the remaining 13,256 belong to different companies.
- In 2018, as many as 56,448 new beneficiary owner (BO) accounts were opened, according to CDBL data. Currently, an investor has to pay BDT 450 per annum to keep his/her BO account active. The number of BO accounts reached its peak at around 3.40 mn in the fiscal year 2010-11, the year of market bubble-burst, as people, lured by the booming share prices, then had rushed to open accounts with different brokerage houses.

<http://thefinancialexpress.com.bd/stock/number-of-bo-accounts-on-rise-1559485628>

Share trading on OTC market remains dull

The Financial Express, June 06, 2019

- Share trading on the over-the-counter (OTC) market of the premier bourse remained sluggish since its launching nearly ten years back, causing only sufferings to some investors. During the eleven months of the current fiscal year (between July 01, 2018 and June 30, 2019) about 29.93 mn shares worth BDT 653 mn were traded in the OTC market, according to data from the Dhaka Stock Exchange.
- In the fiscal year (FY) 2017-18, about 13.77 mn shares were traded on the OTC trading floor, generating a turnover of BDT 800 mn. Shares of the companies which were de-listed from the main trading floor, are traded on the over-the-counter (OTC) market.
- The Bangladesh Securities and Exchange Commission (BSEC) launched the OTC market on September 06, 2009 in an effort to facilitate the trading of de-listed companies. Currently, 65 companies are listed with the OTC market.

<http://thefinancialexpress.com.bd/stock/share-trading-on-otc-market-remains-dull-1559812098>

Rights subscription of IPDC to begin July 10

The Financial Express, June 06, 2019

- Rights shares subscription of IPDC Finance is set to begin on July 10, aiming to raise a capital worth BDT 1.41 bn. The rights issue is an offer of new shares by a company to its existing shareholders in proportion to the shares they already own and usually at a discount to market price.
- The record date for issuance of rights shares of IPDC Finance is June 25. The Bangladesh Securities and Exchange Commission (BSEC) approved the company's application to raise its above-mentioned capital through rights issue on May 29. As per the BSEC approval, one rights share will be offered against two existing shares.
- The purpose of issuance of rights share is to cope with the business growth and to strengthen the capital bases of the company with capital adequacy compliances. The company has reported un-audited earnings per share (EPS) of BDT 0.67 for January-March 2019 as against BDT 0.31 for January-March 2018.

<http://thefinancialexpress.com.bd/stock/rights-subscription-of-ipdc-to-begin-july-10-1559807443>

14 firms raise BDT 5.71b through IPOs in current fiscal

The Financial Express, June 04, 2019

- Thirteen companies and one mutual fund raised an aggregate amount of BDT 5.71 bn by floating IPOs in the past 11 months of the fiscal year 2018-19 (FY19). Fundraising by companies through IPOs rose 5.54 % in the current fiscal compared to the same period in the previous fiscal.
- In the fiscal year 2017-18 (FY18), nine companies and two mutual funds raised a total of BDT 5.41 bn through IPOs, according to the DSE data. The newly listed companies follow two methods -- fixed price and book-building -- in issuing IPOs in the country's capital market.

- Eleven companies that raised funds using fixed-price method include VFS Thread Dyeing, ML Dyeing, Silva Pharma, Indo-Bangla Pharma, Kattali Textile, SS Steel, Genex Infosys, New Line Clothings, Silco Pharma, Coppertech Industries and Sea Pearl Beach & Resort. One mutual fund was SEML FBLSL Growth Fund.

<http://thefinancialexpress.com.bd/stock/14-firms-raise-BDT-571b-through-ipos-in-current-fiscal-1559635778>

DSE mobile app users exceed 45,000

The Financial Express, June 04, 2019

- Share trading through DSE mobile app continued to rise as the number of active users of the application exceeded 45,000-mark in May. The Dhaka Stock Exchange (DSE) on March 9, 2016 launched the mobile-based share trading app.
- The app's features include market and trading statistics in real time, company information, portfolio information and company news. The number of active users of the DSE mobile application increased to 45,452 as of May 29, 2019 from that of around 39,343 on December 31, 2018.
- During the past five months January to May, DSE added 6,109 mobile app users. The investors using DSE mobile app placed above 4.20 mn orders in the fiscal year (FY) 2017-18. Of those orders, above 2.7 mn were executed, the DSE data shows.
- According to the Central Depository Bangladesh Limited (CDBL), which preserves electronic data of all individual and institutional investors, the total number of active BO accounts is 2,845,026 as of May 30.

<http://thefinancialexpress.com.bd/stock/dse-mobile-app-users-exceed-45000-1559565526>

Low profile, weak cos dominate IPO market

The Financial Express, June 06, 2019

- Low profile and fundamentally weak companies dominated the primary market as 13 entities and one mutual fund raised BDT 5.71 bn through IPOs in the current fiscal year. The Dhaka Stock Exchange (DSE) data shows 13 companies and one mutual fund raised an aggregate amount of BDT 5.71 bn by floating IPOs during July, 2018 to May 2019.
- Fundraising by companies through IPOs rose 5.54 % year-on-year in the current Fiscal Year (FY) 2018-19 compared to the same period of the previous fiscal. In the FY 2017-18, nine companies and two mutual funds raised a total of BDT 5.41 bn through IPOs, according to the DSE data.
- Companies that intend to offer primary shares with premium prices followed the book building method to raise capital from public. Most of the funds, raised through IPOs, were meant for business expansion, repayment of loans, and supporting working capital requirements.
- According to the proposals, the IPO quota facility for the general investors would be raised to 50 % from the existing 40 % under the fixed price method of IPO and it would be increased to 40 % from the current 30 % under the book building method.

<http://thefinancialexpress.com.bd/stock/low-profile-weak-cos-dominate-ipo-market-1559796751>

Foreign firms want to get DSE brokerage licence

BSEC formulating rules to set eligibility

New Age, June 09, 2019

- A number of foreign firms have expressed their interest to obtain brokerage licence from Bangladesh's premier bourse Dhaka Stock Exchange to expand their business in the country's capital market. UK-based EFG Private Bank, CDF London and Aberdeen Asset Management, China-based CITIC CLSA Securities and USA-based Goldman Sachs Group have expressed their intention to get DSE brokerage licence.
- Of them, Goldman Sachs is a multinational investment bank and financial service company. It offers services in investment management, securities, asset management, and securities underwriting.
- CITIC Securities is China's biggest broker. It focuses on alternative investment, asset management, corporate finance and capital markets, securities and wealth management for corporate and institutional clients around the world.
- According to DSE officials, if the bourse starts selling TREC licence, more foreign firms will come to buy the licence as the foreign nationals see good business opportunity in the country. Therefore, the market regulator felt it necessary to formulate rules regarding selling brokerage licence to the foreign entities and local entities as the current members are not allowed to sell or transfer their licence to others.
- They said the regulator would set a minimum paid-up capital requirement for the company to be eligible for the DSE TREC. Though the BSEC would not bar local companies to buy TREC of the DSE, but it may tighten the rules so that poor companies could not apply for the licence.

<http://www.newagebd.net/article/74676/foreign-firms-want-to-get-dse-brokerage-licence>

Cos reluctant to follow BSEC order to block directors' shares

New Age, June 03, 2019

- The listed companies are showing their unwillingness to block their directors' shares using a Central Depository Bangladesh module as per a directive market regulator Bangladesh Securities and Exchange Commission issued recently to prevent secret share-sales by directors.
- There are around 3,000 directors in the companies listed with the capital market. Of them, only around 300 directors have their shares blocked by the CDBL module so far.
- On May 15, the BSEC issued a directive saying that all listed companies block securities of the respective company held in the beneficiary owners' account of the sponsor shareholders, directors and placement holders using the block module of CDBL. The directive was issued with an immediate effect.
- CDBL has recently trained the officials of the listed companies on how they can block shares of the sponsor-directors and placement shareholders. CDBL also pushed the companies to block shares of their directors immediately, but all companies were not responding.
- According to the BSEC directive, upon receiving declaration and requisite government tax from the sponsor-directors and placement shareholders for trading their securities, the stock exchange would allow the share trading disposing of the securities from the BO account concerned through the block module of CDBL.

- The sponsors/directors were often found selling shares without any declaration to public, and without prior regulatory approval. The directors will not be allowed to sell shares if they fall short of 2 % individually and 30 % jointly shareholding.

<http://www.newagebd.net/article/74303/cos-reluctant-to-follow-bsec-order-to-block-directors-shares>

Economy

Ship-breaking sector fatalities rising

New Age, June 09, 2019

- At least eight workers died and 35 others were injured in past five months (January-May) in accidents in country's shipbreaking yards as workplace safety was neglected in the sector, according to a report of IndustriALL, a global union federation for workers.
- The global workers rights group blamed negligence of employers, poor inspections, lack of implementation of safety measures by authorities, inadequate training on safe shipbreaking methods from the government for recurrence of such accidents.
- IndustriALL data showed that five workers were injured in a fire at Golden Iron shipbreaking yard on May 28 while one worker died from electrocution on May 20 at Bhatiari Steel shipbreaking yard. On May 15, a gas cylinder explosion at Mahinur Shipbreaking Yard in Sitakund killed two workers leaving four others injured.
- An oil tanker explosion at Sagarika Shipyard 18 killed two workers on February. On February 26, a worker was killed at Habib steel shipbreaking yard while another worker was killed at the SS Confidence yard on January 28, data showed.

<http://www.newagebd.net/article/74674/ship-breaking-sector-fatalities-rising>

Run-up to Budget 2019-20

Cash incentive inadequate

- The government's proposal to increase cash incentive by one %age point for exporters is insufficient to jumpstart shipments from many sectors, said leaders of different trade bodies. At present, garment shipments to new markets -- which are destinations other than the US, the EU and Canada -- and the use of local yarn yield 4 % cash incentives.
- The sector, the country's main export earner, demanded 5 % cash incentive on export receipts for all for at least the next five years due to the rising costs amid implementation of a new salary structure in the industry.
- The local spinners and weavers have also been passing through bad time due to Western brands' insistence on sourcing fabrics from a country of their choice. Currently, the government gives 10 % cash subsidy on export of frozen food.

<https://www.thedailystar.net/business/export/news/cash-incentive-inadequate-1754389>

Private external debt drops for first time in nine years

The Financial Express, June 08, 2019

- Private commercial external debt dropped slightly by 0.86 % in the past year to US\$ 12.17 bn from \$12.28 bn in 2017. Central bank statistics also showed that this is first time in the last nine years private external borrowing declined.
- Thus the ratio of private external borrowing stood at 22 % in the last year which was 24.40 % in 2017. Public sector external borrowing, however, increased by \$4.94 bn or 13.01 % to \$42.98 bn in 2018 which was \$38.03 bn in 2017.
- As a result, country's total external debt increased by \$4.84 bn or 9.62 % to \$55.15 bn in 2018 which was \$50.31 bn.

<http://thefinancialexpress.com.bd/economy/bangladesh/private-external-debt-drops-for-first-time-in-nine-years-1559999740>

International

Oil rises nearly 3pc as Saudi signals OPEC deal extension

New Age, June 09, 2019

- Oil prices rose nearly 3 % on Friday, climbing further from five-month lows hit this week, after Saudi Arabia said OPEC was close to agreeing to extend an output production cut beyond June and as Wall Street rallied.
- Brent crude futures gained \$1.62, or 2.6 %, to settle at \$63.29 a barrel. US West Texas Intermediate (WTI) crude ended at \$53.99 a barrel, up \$1.40, or 2.7 %. Brent posted its third weekly decline, dropping nearly 2 %, while WTI gained about 1 % for the week. On Wednesday both benchmarks hit their lowest since January.
- Saudi energy minister Khalid al-Falih told a conference in Russia that the Organisation of the Petroleum Exporting Countries (OPEC) and its allies should extend oil production cuts. Supply has also been limited by US sanctions on oil exports from Venezuela and Iran.
- In the United States, energy firms this week reduced the oil rig count to the lowest since February 2018. Drillers cut 11 rigs in the biggest weekly decline since April, bringing the total count down to 789, General Electric Co's Baker Hughes energy services firm said.
- Oil prices were also supported by a rise in equity markets after a sharp slowdown in US job growth raised hopes of an interest rate cut by the Federal Reserve.

<http://www.newagebd.net/article/74697/oil-rises-nearly-3pc-as-saudi-signals-opec-deal-extension>

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