

Stock Market

Weekly analysis: Stocks extend loss amid liquidity shortage

DSEX erodes 262 points in past six weeks

The Financial Express, March 09, 2019

- Stocks ended lower for the sixth straight weeks that ended Thursday amid dull trading as investors continued their selling binge on sector-wise shares. Meanwhile, banks have got another six months to lower their advance-deposit ratio, a move that is expected to tame the current volatility in the money market.
- Week-on-week, DSEX, the prime index of the Dhaka Stock Exchange (DSE), went down by 25.45 points or 0.45 % to settle at 5,686. DSEX eroded more than 262 points or 4.40 % in the past six consecutive weeks. Two other indices also ended lower. The DS30 index, comprising blue chips, 5.52 points to finish at 1993 and the DSE Shariah Index lost 10.96 points to close at 1,303.
- The total turnover stood at BDT 29.80 bn last week against BDT 29.13 bn in the week before despite last week saw five trading sessions instead of previous week's four. The daily turnover averaged BDT 5.95 bn, registering a decline of 11 % over the previous week's average of BDT 6.67 bn.
- The power sector posted the highest loss of 2.39 %, followed by telecom with 2.18 %, pharma 1.69 % and engineering 0.42 %. On the other hand, banking sector saw the highest gained of 2.58 %, followed by food with 0.86 % and non-bank financial institutions 0.01 %.
- The market capitalisation of the DSE also fell 0.49 % to BDT 4,130 bn, from BDT 4,150 bn in the week before. Monno Ceramic dominated the turnover chart, with shares worth BDT 2.40 bn changing hands. The company accounted for 8.05 % of the week's total turnover.
- Safko Spinning Mills was the week's best performer, gaining 18.72 %, while Paramount Insurance was the worst loser, losing 18.96 % following its low dividend deceleration.

<http://thefinancialexpress.com.bd/stock/weekly-analysis-stocks-extend-loss-amid-liquidity-shortage-1552104782>

Norway's govt fund raises stakes in Bangladesh stock market

New Age, March 10, 2019

- Norway's sovereign wealth fund (SWF), the world's biggest fund, raised stakes in the Bangladesh's capital market for the third consecutive year in 2018, despite the market remaining bearish in the year due to the December 30 national polls-centric political uncertainties.
- The government pension fund of Norway increased its ownership in nine companies, kept unchanged its holdings in three and lowered in five firms in 2018 compared with that in the previous year, according to a web site post of Norges Bank Investment Management Company which manages SWF.
- It offloaded its stakes in three companies to invest in three new firms. SWF has been increasing its stake in the Bangladesh stock market every year since its start of investment in the country in 2015 with around \$19 mn. Bangladesh's gross domestic product growth hit record 7.86 % in last fiscal year (2017-2018), according to the Bangladesh Bureau of Statistics.
- DSEX, the key index of DSE, shed 13.75 %, or 858.88 points, over the year to close at 5,385.64 points on December 27, 2018, the last trading session of the year. Besides, the average turnover at DSE plunged by 38.43 % to BDT 552.03 crore in 2018 compared with that of BDT 874.83 crore in the previous year.
- It offloaded its stakes in LankaBangla Finance, MJL Bangladesh and Mutual Trust Bank, and invested in Summit Power, Bashundhara Paper Mills and BBS Cables. The fund cut investments in ACME Laboratories, Berger Paints, Mercantile Bank, Olympic Industries and Southeast Bank.

- SWF invested most in Square Pharmaceuticals (\$44.25 mn) followed by Grameenphone (\$37.81 mn), BRAC Bank (\$27.86 mn) and Beximco Pharmaceuticals (\$11.22 mn). The net foreign investment at DSE was BDT 530.74 crore negative in 2018 at DSE from BDT 1,704.94 crore positive in the previous year.

<http://www.newagebd.net/article/66833/norways-govt-fund-raises-stakes-in-bangladesh-stock-market>

Norway fund to sell exploration, production firms, keep integrated energy stocks

New Age, March 08, 2019

- Norway's trillion-dollar sovereign wealth fund, the world's biggest, will sell its stakes in oil and gas explorers and producers but still invest in energy firms that have refineries and other downstream activities, according to a government plan.
- The proposal announced on Friday said the fund's stakes in integrated companies, such as Royal Dutch Shell, ExxonMobil and other majors involved in everything from exploration to selling fuel at the roadside, would not be sold. The state, which has built up its wealth on the back of North Sea oil and gas reserves, also has no plans to sell its direct stake in Norwegian energy firm Equinor or its direct holdings in Norwegian oil and gas fields.
- Energy stocks represented 5.9 % of the fund's equity investments at the end of 2018, worth about \$37 bn, fund data showed. But much of that amount is invested in integrated firms rather than smaller, dedicated explorers and producers.
- The fund's shares in the 134 firms to be excluded have a value of about \$8 bn, the ministry said. The fund said the shift would affect 1.2 % of its equity holdings. Among the firms affected are Cairn Energy, in which the fund held 1.92 % worth \$22 mn at the end of 2018, Tullow Oil, in which it held 2.1 % worth \$67 mn, and Premier Oil, in which it held 1.8 % worth \$12 mn.

<http://www.newagebd.net/article/66830/norway-fund-to-sell-exploration-production-firms-keep-integrated-energy-stocks>

Economy

Banks given six more months to adjust ADR

New Age, March 10, 2019

- Bangladesh Bank on Thursday extended the deadline by six more months for banks to adjust their advance-deposit ratio with the new rates set by the central bank. The department of off-sight supervision department of the central bank issued a circular setting a new deadline of September 30, 2019 from March 31, 2019 for the banks to adjust ADR.
- According to the circular, the banks, having ADR (loan deposit ratio) above the BB-allowed limit, will have to submit a concrete action plan to the central bank within the stipulated time and will have to report on a monthly basis about the progress of implementing the directive.
- The central bank in January, 2018 had asked all the traditional banks to cut down ADR by 1.5 %age point to 83.5 % from 85 % by December 2018, while Shariah-based banks were asked to bring down the investment-deposit ratio to 89 % from 90 %.
- In April, 2018, BB extended the deadline for ADR adjustment to March 31, 2019 following a request from banks. As the country's money market and capital market have become volatile in recent weeks due to the March 31 ADR adjustment deadline, the central bank decided to extend the time for ADR adjustment further.

- Banks in recent times have squeezed loan disbursement amid liquidity shortage in the money market. As a result, the private sector credit growth remained at 13.2 % in January, far below the Bangladesh Bank's target of 16.5 % growth in the second half (January-June) of the fiscal year of 2018-2019.
- Though the bankers pledged to cut the interest rate to single digit after receiving a number of facilities from the government in last year, they are now raising the interest rate using excuse of fund shortage.

<http://www.newagebd.net/article/66776/banks-given-six-more-months-to-adjust-adr>

Sonali's profit hits 7-year high

The Daily Star, March 10, 2019

- Sonali Bank logged the highest net profit in seven years thanks to its deposits with different banks and massive drives to recover funds from loan defaulters. The state-owned financial institution's net profit rose 41.60 % year-on-year to BDT 1,000 crore in 2018, according to Bangladesh Bank data.
- Of the total profit, more than 40 % came from the investment in short-term deposits with different banks, said Nurul Islam, general manager of the bank. The liquidity crunch in private banks throughout 2017 opened up the opportunity for cash-rich Sonali to make some profits from the money market. He said the bank had an investment of more than BDT 53,000 crore in the market as of December.
- The advance-deposit ratio (ADR) of the bank was 42.69 % last year, far below compared to the regulatory ceiling of 85 %. The ADR is used to assess a bank's liquidity by comparing its total loans to its total deposits. If the ratio is too high, it means that the bank may not have enough liquidity to cover any unforeseen fund requirements. Conversely, if the ratio is too low, the bank may not be earning as much as it could be.
- Last year, the loan growth of Sonali was about 9 % whereas the average private sector credit growth was more than 14 % throughout the year. The bank's default loan rate also declined to 30.06 % last year from 38.11 % in 2017, the central bank data showed. Sonali itself was embroiled in huge scam. The Hallmark loan scandal involving BDT 3,500 crore was a major setback for the bank, which sank it to a loss of BDT 3,153 crore in 2012.



<https://www.thedailystar.net/business/news/sonalis-profit-hits-7-year-high-1712926>

Tiger Steel making plant at BDT 200cr

The Daily Star, March 10, 2019

- Tiger Steel Bangladesh plans to open a new prefabricated steel manufacturing plant in April. The company has already spent BDT 20 crore on the factory being built on a 5.5-bigha land at Bhaluka in Mymensingh, said a top official of the company.
- Another BDT 180 crore will be invested in the next two years, said Liton Kumar Sharma, managing director of the company. A prefabricated building consists of factory-made components or steel that are transported and assembled on-site to form the complete structure.
- According to Sharma, Southeast Bank is providing 30 % of the cost to set up the new unit, which will produce 100 tonnes of prefabricated steel sections every day and the amount will increase gradually. In 2001, local entrepreneurs first took up the initiative to build steel buildings by themselves, according to industry insiders.

- Now there are at least 30 local prefabricated steel makers in Bangladesh, each manufacturing specific items. According to Sharma, prefabricated steel was gaining popularity as it enabled rapid construction of structures which could withstand earthquakes.

<https://www.thedailystar.net/business/news/tiger-steel-making-plant-BDT-200cr-1712920>

Japanese power firm to expand in Bangladesh

The Daily Star, March 10, 2019

- Japan's Mitsubishi Hitachi Power Systems (MHPS) plans to expand its footprint in Bangladesh in a bid to grab more market shares. As part of the move, the thermal power generation company, which has operations in America, Europe and Asia, has opened its full-fledged office in Dhaka last Monday.
- Presently, Bangladesh's power generation capacity stands at around 20,000MW and the government has set a target to increase it to 24,000MW by 2021 and to 40,000MW by 2030. Growing industrialisation and urbanisation has made Bangladesh one of the power-hungry countries in the world, drawing attention of many global companies.
- In 1966, the company installed a steam turbine for Karnaphuli Paper Mill, which is still operating. The MHPS provided the country's first gas turbine in 1987 for the old Haripur gas turbine. The MHPS is a joint venture formed in February 2014 by Mitsubishi Heavy Industries and Hitachi to consolidate business with strong capacity.

<https://www.thedailystar.net/business/news/japanese-power-firm-expand-bangladesh-1712917>

Savings tools sales cross FY target in 7 months as Jan amount hits record

New Age, March 10, 2019

- Net sales of the state-sponsored saving certificates hit a new monthly high of BDT 6,002.85 crore in January with the total sales in seven months superseding the fiscal year's target. With the rising sales of national savings tools, the government's interest payment for the tools is also rising, surpassing its target, said financial ministry officials.
- According to a Bangladesh Bank update, the sales of national saving certificates in January bettered previous high of BDT 5,400 crore recorded in June, 2017. The update also shows that the sales receipts in July-January of the current fiscal year 2018-19 stood at BDT 30,996.39 crore against the target of BDT 26,197 crore for the year ending in June.
- The high sales of saving certificates in January have been attributed to the hints of bringing about changes in saving certificates' interest rates, creation of a database for preventing misuse and making Taxpayers' Identification Number mandatory for purchases of the tools in future.
- The government launched savings certificates online database named 'National Saving Certificates Online Management System' in early February to check violation of limit of savings certificates and identify the investors. Interest rates of bank deposit at 5 % to 6 % against interest rates between 11.04 % and 11.76 % of the savings tools make the instruments most attractive in recent years.
- According to a finance division document, the government had to pay interest worth BDT 55, 472 crore against the projection of BDT 41,457 crore in 2017-18 fiscal, amounting 2.5 % of the country's gross domestic product in that year. The finance ministry has projected to pay interest of BDT 51,340 crore to the saving certificate holders in the current fiscal.

<http://www.newagebd.net/article/66929/savings-tools-sales-cross-fy-target-in-7-months-as-jan-amount-hits-record>

Trade deficit dips 4pc in 7 months, but Jan drop slows

New Age, March 10, 2019

- The country's trade deficit dropped by 4.06 % in the first seven months of the current fiscal year 2018-19 compared with that in the same period of the previous year but the drop in the deficit slowed down in January. According to Bangladesh Bank data, trade deficit — gap between imports payments and export receipts — stood at \$9.68 bn in July-January of FY19, down by \$393 mn from \$10.08 bn in the same period of FY18.
- Trade deficit reduction rate, however, slowed down in January, amid rising import payments, according to the data. Before January, trade deficit in July-December was eased by 11.22 % amid slowdown in import payment growth and strong export earnings.
- In July-January, import and export grew by 7.41 % and 12.81 % respectively which was 5.73 % and 14.01 % respectively in July-December of the current fiscal year. According to central bank data, in July-January of FY19, the country's export earnings increased to \$23.80 bn from \$21.10 bn in the same period of FY18.
- RMG export grew by 14.51 % to \$20.22 bn in the first seven months against \$17.65 bn in the same period of the previous fiscal year.
- Import payments stood at \$33.49 bn in July-January of FY19 while the figure was \$31.18 bn in the same period of last FY 18. Deficit in the overall balance, however, stood at \$975 mn in July-January of FY19 from that of \$1.03 bn in the same period of FY18.

<http://www.newagebd.net/article/66924/trade-deficit-dips-4pc-in-7-months-but-jan-drop-slows>

Bangladesh cotton imports could fall 15pc as yarn prices soften

New Age, March 10, 2019

- Bangladesh's cotton imports in 2019 are likely to fall 15 % from the previous year as lower yarn prices are forcing spinners to cut overseas purchases, head of a trade body said on Thursday.
- The world's biggest fibre importer bought 7.2 mn bales of cotton in 2018. Yarn prices have fallen around 10 % in local market and with reduced margins of spinners, imports have become less lucrative, said Mehdi Ali, president of Bangladesh Cotton Association, on a sidelines of Cotton India conference in Mumbai. Bangladesh buys most of cotton from India, the world's biggest cotton producer.

<http://www.newagebd.net/article/66773/bangladesh-cotton-imports-could-fall-15pc-as-yarn-prices-soften>

International

Sri Lanka raises \$2.4b as IMF extends bailout

New Age, March 10, 2019

- Sri Lanka has raised \$2.4 bn as it returned to the international bond market for the first time since a political crisis triggered rating downgrades, the central bank announced Friday. A power struggle between the president and the prime minister late last year prompted three international rating agencies to downgrade Sri Lanka, forcing the government to abandon plans to borrow overseas.
- With the end of the dispute, the International Monetary Fund has revived a bailout programme with Sri Lanka, and Colombo has resumed its international sovereign bond sales. Sri Lanka's central bank said it went to market on Thursday following the strong backing from the IMF which last week lifted its suspension of a \$1.5 bn bailout agreed in June 2016.
- The issue of \$1 bn in bonds with a five-year tenure and a 10-year \$1.4 bn bond were hugely oversubscribed. Both bonds attracted offers of \$7.5 bn, the bank said. The bonds were bought at an average yield of 6.58 % for the five-year tenure and 7.85 % for the 10-year bonds.

<http://www.newagebd.net/article/66923/sri-lanka-raises-24b-as-imf-extends-bailout>

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