

Stock Market

Banks keep stocks afloat for 4th day

New Age, August 13, 2018

- Dhaka stocks finished flat on Sunday despite a fall in the share prices of two-thirds of the traded scrips as investors continued to buy bank shares, diverting their investments from other stocks. DSEX, the key index of Dhaka Stock Exchange, added 0.003 %, or 0.18 points, to close at 5,407.18 points on Sunday. The core index had gained 58 points in last four trading sessions. The market went through a seesaw session that finished with a slight gain as investors kept buying bank stocks while the share prices of all the other sectors dipped on their profit-taking moves.
- A section of investors also rushed to buy bank shares selling off Grameenphone shares after the media reported on August 9 that the Bangladesh Telecommunication Regulatory Commission would ask Grameenphone to pay the government BDT 11,530 crore in dues as an audit found the company did not pay the amount over the years. The sell-offs dragged down the share prices of the mobile operator by 2.70 % for the second day on Sunday. For the investors' increased attention to the bank sector, the sector advanced by 2.9 %, which was enough to keep the market positive despite a decline in the share prices of all the other sectors.
- The average share prices of telecommunication, pharmaceuticals and energy sectors dropped by 2.7 %, 1.21 % and 1.2 % respectively. Turnover on the DSE increased to BDT 818.39 crore on Sunday compared with that of BDT 703.93 crore in the previous trading session. Of the 337 companies and mutual funds traded, 209 declined, 95 advanced and 33 remained unchanged. DS30, the blue-chip index of the DSE, however, lost 0.03 %, or 0.63 points, to close at 1,892.70 points. Shariah index DSES also shed 0.79 %, or 9.88 points, to finish at 1,235.97 points.

<http://www.newagebd.net/article/48264/banks-keep-stocks-afloat-for-4th-day>

Stocks end flat amid choppy trading

The Financial Express, August 13, 2018

- Stocks finished almost flat on Sunday after choppy trading as investors were active both sides of trading fence ahead of Eid-ul-Azha. Analysts said the some investors sold shares while some were active on sector-wise stocks, taking the market in the flat zone. After witnessing volatility almost throughout the trading session, DSEX, the prime index of the Dhaka Stock Exchange (DSE), saw a fractional gain of 0.18 point to settle at 5,407. However, two other indices ended lower. The DS30 index, comprising blue chips, fell 0.63 points to finish at 1,892 points and the DSE Shariah Index lost 9.88 points to close at 1,235.
- Turnover, an important indicator of the market, crossed BDT 8.0 bn-mark and the total turnover stood at BDT 8.18 bn, which was 16 % higher than the previous day's BDT 7.03 bn. Of the 337 issues traded on the DSE trading floor, 209 declined, 95 advanced and 33 issues remained unchanged on the DSE trading floor. A total number of 160,661 trades were executed in the day's trading session with trading volume of 250.88 mn securities.
- The market capitalisation of the DSE stood at BDT 3,825 bn on the day which was BDT 3,848 bn in the previous session. BBS Cables dominated the turnover chart with 3.08 mn shares worth BDT 367 mn changing hands, followed by Saiham Textile, Shepherd Industries, IFAD Autos and Simtex Industries. Shepherd Industries was the day's best performer, posting a gain of 9.77 % while Savar Refractories was the worst performer, losing 9.87 %.

<https://thefinancialexpress.com.bd/stock/stocks-end-flat-amid-choppy-trading-1534070363>

Brokers decry 15pc capital gains tax

The Daily Star, August 13, 2018

- Stock brokers of the Dhaka bourse are disappointed as they will have to pay 15 % capital gains tax on the sale of their shares in the bourse to a Chinese consortium. Stock brokers have to part with 25 % of their shares to a strategic partner as per the Demutualisation Act, 2013. Accordingly, the Dhaka Stock Exchange signed a share purchase agreement with the Chinese consortium, comprising Shenzhen Stock Exchange and Shanghai Stock Exchange, on May 14 to sell the shares worth about BDT 947 crore. As the bourse is not listed, the stock brokers will have to pay 15 % capital gains tax, whereas the rate is 5 % for the sponsors of the listed companies.
- The Demutualisation Act stipulates that the DSE would have to pick the strategic partner first before being listed in the market. The official said this is totally discriminatory as they will have to pay more taxes. On several occasions, the stock brokers urged the finance minister to rationalise the tax and also met with him recently.
- The Chinese consortium's money will arrive within next two to three weeks and the DSE is going to open an account to receive the money. The exchange is waiting for the central bank's approval to open the account. The Chinese consortium has bought 45 crore shares at BDT 21 each. It sought a seat on the DSE board. The consortium, however, said it would not ask for any return on its investment for 10 years.

<https://www.thedailystar.net/news/business/brokers-decry-15pc-capital-gains-tax-1619992>

Economy

Excess liquidity shrinking fast

The Daily Star, August 13, 2018

- Excess liquidity, which was burden for banks even a year ago, is fast running down on the back of the strong private sector credit growth. All liquidity available in the banking system that exceeds the needs of banks is called excess liquidity. At the end of March, the total excess liquidity in the banking system stood at BDT 76,890 crore, down 31 % from a year earlier.
- Of the BDT 35,110 crore of excess liquidity that was drained, BDT 16,400 crore went just in the first three months of 2018, when banks faced a cash crunch amid a deposit withdrawal trend brought about by Farmers Bank's precarious financial standing. The banking sector's excess liquidity has been declining in recent months, suggesting the need for aligning the credit growth in line with the deposit growth, said the Bangladesh Bank in its January-March quarterly report.
- At the end of fiscal 2017-18, private sector credit growth stood at 17 % and the deposit growth 10.3 %, according to the BB. In 2015, credit growth was 12.7 % against the deposit growth of 12.6 %. Mismatch between deposit and credit growth is causing the ongoing liquidity crisis to linger, found a survey of the Bangladesh Institute of Bank Management titled 'Treasury Operations of Banks 2017'. The mismatch is also causing the excess liquidity to lessen, the survey added.
- Towards the end of last year, many bankers apprehended difficulties in liquidity management in 2018. An increasing trend in private sector credit growth, large import payments and declining depositor confidence in the banking sector may erode banks' liquidity base in 2018, Syed Mahbubur Rahman, managing director of Dhaka Bank, had told The Daily Star in December last year.

<https://www.thedailystar.net/news/business/excess-liquidity-shrinking-fast-1619995>

Export subsidy gets bigger

The Daily Star, August 13, 2018

- The government is set to extend export subsidy to eight new products and increase the amount for existing ones with a view to boosting overseas shipments and encouraging environment-friendly industrialisation. The decision, which was taken last week at a meeting chaired by Finance Minister AMA Muhith, will soon be conveyed to the central bank for implementation. The export target for this fiscal year is USD44 bn, which is about 20 % more than fiscal 2017-18's receipts. At present, cash incentive ranging from 2-20 % is given to 26 product categories. The new products that will get export subsidy are: pharmaceuticals, photovoltaic modules, locally assembled motorcycles, razor and razor blades, ceramics, prayer caps, galvanised sheets and coils, and crabs and eels. They will get cash incentives of 5-10 %.
- After meeting 97 % of the country's demand, 107 medicines are exported. Now, those shipments will bring 5 % cash incentive, provided there were 30 % value addition. Photovoltaic module is a new entrant to Bangladesh's export basket. With the view to boosting its overseas shipment, 10 % cash incentive will be extended on their export, provided there was value addition of 30 %. Export of locally assembled motorcycles will bring 10 % incentive on condition of 30 % local value addition.
- The export of prayer caps will be extended 10 % cash incentive but the local value addition must be 30 %. At present, the export of paper and paper products, active pharmaceutical ingredients and accumulated battery enjoy 10, 20 and 15 % cash incentive respectively. But, the industries set up in the export processing zones and economic zones do not get the facility as they enjoy various tax cuts. From now onwards, they will get the incentives and their tax benefits will be withdrawn.

<https://www.thedailystar.net/news/business/export-subsidy-gets-bigger-1620001>

Shipment delay weighs on RMG

The Daily Star, August 13, 2018

- Shipment delays and late presentation of documents to Bangladesh's authorities are among the most critical challenges faced by the country's garment sector, according to a survey. Some 66 % of the exports could not be delivered on time while late presentation of documents, which poses a money laundering risk, occurred 53 % of the time, said the survey of the Bangladesh Institute of Bank Management (BIBM). The institute organised the programme in association with the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA).
- Garment exports account for more than four-fifths of the country's total exports, earning about USD30 bn in 2017, of which woven and knitwear garments constituting around 52 and 48 % respectively, according to the survey. The survey spoke of another risk: the increasing amount of overdue export bills: 48 % against letters of credit (LCs) and 53 % against contracts. The bills increased sevenfold to USD119.63 mn last year from USD16.23 mn the year before, said the survey, adding that some 42 % of the export proceeds were found to have been non-repatriated against contracts.
- The overdue bills raised concerns about money laundering and whether the exports actually did occur. The LCs cater to transactions between locals and foreign banks while contracts to direct deals between buyers and suppliers. During the survey, members of the BGMEA and the BKMEA pointed out some key operational challenges to trade facilitation and financing by banks.

<https://www.thedailystar.net/news/business/shipment-delay-weighs-rmg-1619989>

International

Trump's trade war with China may backfire on meat

The Daily Star, August 13, 2018

- A key objective of President Donald Trump's trade war is to pressure Beijing to "buy American", but when it comes to mns of dollars of US meat imports , China may simply take its business elsewhere. Beijing's retaliatory tariffs on US pork and beef are making them prohibitively expensive and Chinese importers are simply turning to other sources, a trend expected in other sectors as well. PMI Foods has already ceased importing cuts of US pork meat into China after Beijing's tariffs -- imposed last month in response to Trump's initial duties on Chinese goods -- drove prices up.
- Shifting trade patterns caused by the tariff battle will "definitely" benefit other countries at the US's expense, Zhang said. The outcome of the trade battle, spread across a range of sectors, remains hard to predict. But analysts warn that US exporters will lose significant China business. The US exported around USD140 mn worth of pork, beef and related by-products to China in June, before tariffs kicked in, according to the US Meat Export Federation, about 10 % of all US beef and pork exports.
- China is clearly targeting imports of commodities such as meat, soybeans, wheat and petrochemicals that are easily replaced in the global market, said Julian Evans-Pritchard, a China economist with Capital Economics. The impact on prices of imports, however, will be largely negligible as "the global trade system is quite flexible," he added, and because suppliers on both sides will absorb much of the tariff costs themselves to maintain their exports. That is the case with Lin Zhengu, chef and owner of Shanghai's upscale Stone Sal steak restaurant, which serves mainly high-end American and Australian beef.

<https://www.thedailystar.net/news/business/trumps-trade-war-china-may-backfire-meat-1619980>

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