

Stock Market

Stocks dip for 3rd week as banks sink

New Age, July 15, 2018

- Dhaka stocks inched down in the past week, stretching losses for the third week, as gain in prices of most of the scrips was outmuscled by fall in some large capitalised scrips like banks amid worries over the financial market. DSEX, the key index of Dhaka Stock Exchange, lost 0.06 % or 3.37 points over the week to finish at 5,358.91 points on Thursday, the last trading session of the week. The core index lost 83 points in the last three consecutive weeks. The market ended flat as the investors were active on the both side of the trading fence. Investors were confused about the bank owners' declaration about cut in interest rate of bank loans with effect from July 1.
- A section of investors liquidated investment to inject fund in the upcoming debutant SK Trims Industries to gain quick profit as prices of the newly-listed company had risen abnormally in last few occasions. The SK Trims will make trading debut on Sunday. Besides, a section of investors were rebalancing their portfolio as most of the companies preparing to declare earnings results for the year last financial year. Share prices of banks continued to hammer the DSEX, losing 2.0 % over the week. Besides, average share prices of food and pharmaceuticals sectors dropped 2.8 % and 0.5 % respectively that fueled the volatility on the week.
- On the other hand, share prices of cement, energy, telecommunication and non-bank financial institutions sectors advanced 3.8 %, 2.0 %, 1.1 % and 1.0 % respectively. The daily average turnover of the bourse, however, soared to BDT 970.04 crore in the past week from BDT 764.17 crore in the previous week. Out of the 343 traded issues, 171 advanced, 148 declined and 25 issues remained unchanged. DS30, the blue chip index of the DSE, also plunged 1.02 %, or 19.68 points, to close at 1,906.78 points over the week. Shariah index DSES, however, gained 0.48 %, or 6.06 points, to close at 1,267.38 points.

<http://www.newagebd.net/article/46078/stocks-dip-for-3rd-week-as-banks-sink>

Dhaka stocks drop ahead of SK Trims' debut

New Age, July 15, 2018

- Dhaka stocks dropped on Thursday as investors sold shares to free up funds ahead of SK Trims Industries' debut.
- Uncertainty over the implementation of the banks' interest rate cut decision also put a negative impact on the market, stockbrokers said. DSEX, the key index of the Dhaka Stock Exchange, dropped 0.37 %, or 20.33 points, to close at 5,358.90 points after gaining 38 points in the previous two trading sessions. Investors' frenzy over any newly listed company has been very high in recent years, market operators said.
- The bank owners' organisation, Bangladesh Association of Banks, on June 20 decided to bring down the lending rate to 9 % and deposit rate to 6 % from July 1. On Wednesday, the DSE announced that SK Trims Industries would make its debut on the bourse on July 15. The earnings per share of SK Trims dropped to BDT 0.40 in the January-March period of this year compared with that of BDT 1.11 in the same period of the previous year.
- Turnover on the bourse also declined to BDT 852.97 crore compared with that of BDT 1,115.29 crore in the previous trading session. Of the 339 companies and mutual funds traded, 222 declined, 91 advanced and 25 remained unchanged. DS30, the blue-chip index of the bourse, also shed 0.44 %, or 8.56 points, to close at 1,906.77 points. Shariah index DSES, however, added 0.03 %, or 0.38 points, to finish at 1,267.37 points. KDS Accessories gained the most on the day with a 9.97-% increase in its share prices, while BD Autocars was the worst loser, shedding 8.73 %.

<http://www.newagebd.net/article/45855/dhaka-stocks-drop-ahead-of-sk-trims-debut>

BSEC to replace OTC with ATB

New Age, July 12, 2018

- The Bangladesh Securities and Exchange Commission is going to replace over-the-counter market with alternative trading board where the shares of companies delisted from the stock exchanges' main board and any public limited companies of any size would be traded. The BSEC has recently framed the ATB rules and published the rules for public opinions. BSEC officials said that any equity, corporate bond, derivatives and open-end mutual fund would be traded on the ATB platform. They said that the companies at the ATB would enjoy various facilities including relaxed rules and penalties.
- This would be a trusted platform where any company could sell its ownership to another company or individual. There would not be any minimum or maximum paid-up capital requirement and the companies would not require declaring dividend and quarterly earnings disclosure. Besides, any new products including sukuk could be traded on the platform. The issuer will apply to the stock exchange rather than the BSEC for trading the shares of the company on the ATB. The exchange would accept or reject the application within 30 working days of receipt of such application. The exchange would discontinue the ATB facilities for any securities with the request of the issuer company concerned.
- The commission made the approach to diversify and increase the depth of the market in accordance with its earlier plan. The market has been remained vulnerable due to lack of depth and products. Investors have to invest in the same securities, which increases or drags down share prices irrationally. BSEC officials said that product diversification was the only way to cater to investors' need. The Dhaka Stock Exchange is well prepared to adopt the ATB while the Chittagong Stock Exchange is yet to be ready, they said.

<http://www.newagebd.net/article/45948/bsec-to-replace-otc-with-atb>

Economy

Govt's bank borrowing surges in June

New Age, July 12, 2018

- Government's borrowing from the banking sector increased sharply by BDT 13,946 crore in June, the last month of just concluded fiscal year of 2017-2018, because of hasty expenditure by the government to attain annual development programme implementation target set for the fiscal year. As per the central bank data, the government's net borrowing from the banking sector increased to BDT 90,642 crore at the end of June, while the figure was BDT 76,696.70 crore a month ago. The net borrowing from the banking sector had declined to BDT 76,696.70 crore in the first 11 months of FY18 from BDT 89,716.5 crore at the end of the previous fiscal year.
- As per the planning ministry data, the government's ADP implementation was 52.42 %, or BDT 82,603 crore, in the first 10 months of FY18. ADP implementation, however, at the end of FY18 increased to 93.1 % of the government's revised target of BDT 1,57,591 crore for the fiscal year. In the fiscal budget for FY19, the government initially planned to collect BDT 28,203 crore from the banking system, which was later revised at BDT 19,917 crore as it managed to meet deficit financing from other sources including sales of NSCs.
- The government has set the ADP target at BDT 1,73,000 crore for FY19 and BDT 71,226 crore would be taken from the domestic sources for deficit financing to implement the ADP. Of the fund to be taken from the domestic sources, BDT 42,029 crore will be borrowed from the banking system, while BDT 29,197 crore from NSCs and other non-bank sources.

<http://www.newagebd.net/article/45946/govts-bank-borrowing-surges-in-june>

Farmers Bank fails to pay import bills

The Daily Star, July 15, 2018

- Farmers Bank is now under pressure to settle its overdue payments for import, with a number of foreign missions dangling the threat of blacklisting the troubled lender if it does not pay back immediately. At present, the bank has overdue payments amounting to BDT 109 crore to foreign and local businesses. The scam-hit bank had depleted its capacity to make import payment because of a liquidity crisis, which prompted the central bank in January last year to forbid it from opening any letters of credit. But, the instruction was audaciously ignored.
- Earlier this year, four state-owned banks and the Investment Corporation of Bangladesh, acting on the government's instruction, injected BDT 715 crore in fresh equity into Farmers Bank to rescue it from the liquidity crisis. Farmers Bank, which was given a licence on political consideration in 2013, has landed in choppy waters within a few years of its establishment thanks to disbursing more than half of its total outstanding loans of BDT 5,130 crore through malpractices, BB investigations found.
- The central bank has held the private bank's former chairman Muhiuddin Khan Alamgir, also an Awami League lawmaker, and ex-chairman of its executive committee Mahabubul Haque Chisty responsible for a series of scams. The two resigned from the bank board in November last year after the BB asked them to quit over their alleged involvement in loan scams. The bank has repeatedly failed to repay depositors' money on time.

<https://www.thedailystar.net/business/banking/farmers-bank-fails-pay-import-bills-1605478>

Mistrust towards banks an 'ominous sign'

The Daily Star, July 15, 2018

- A slight mistrust towards the country's banking sector has recently emerged in people's minds, which is an "ominous sign" for banks, said Bangladesh Bank Governor Fazle Kabir yesterday. The banks have to take appropriate measures to ensure corporate governance in the sector in a bid to resolve the problem, he said. Kabir was addressing a conference titled "Prevention of money laundering and terrorist financing" jointly organised by the Association of Bankers, Bangladesh (ABB) and the Association of Anti-Money Laundering Compliance Officers of Banks in Bangladesh at Pan Pacific Sonargaon Dhaka.
- The country's exports have not increased in comparison to higher imports of industrial raw materials, he said, asking bankers to follow a cautious policy. Mobile financial services have been playing a key role in expediting the country's financial inclusion but simultaneously the service is being misused, Kabir said.

<https://www.thedailystar.net/business/banking/mistrust-towards-banks-ominous-sign-1605469>

International

China's trade surplus with US swells in June

The Daily Star, July 15, 2018

- China's surplus with the United States hit a record last month, data showed Friday, adding to brewing tensions between the economic superpowers as they stand on the brink of an all-out trade war that Beijing warned would have a "negative impact" globally. Beijing said China's surplus with the US hit an all-time high USD28.97 bn last month, while exports to the country hit a record USD42.62 bn.

- Over the first six months of the year the surplus climbed to USD133.8 bn, up 13.8 % from last year, as total two-way trade continued to expand despite the face-off. The imbalance is at the heart of Trump's anger at what he describes as Beijing's unfair trade practices that are hurting American companies and destroying jobs. But in a statement from its commerce ministry Thursday, China blamed those problems on the US, saying the imbalance was "overestimated" and caused by America's own "domestic structural problems".
- China's commerce ministry has said the two sides are not discussing restarting trade negotiations, and renewed its pledge to "strike back" against Washington's latest threat to slap USD200 bn of Chinese imports with new 10 % taxes. The threat hammered global markets, especially as fears mount that Trump's decision to pick fights with other key allies such as Canada and the European Union could fuel an all-out global trade war.
- Beijing will back away from its war on debt and roll out policy easing measures, predicted China economist at Nomura investment bank Ting Lu, as it faces potential trade war fallout and a domestic slowdown proving to be worse than expected. China's total exports rose 11.3 % year-on-year in June, beating a Bloomberg News forecast of 9.5 %, while imports increased 14.1 %, below the forecast 21.3 %. China's June export upswing may have been caused by exporters shipping their goods early to beat the scheduled tariffs, analysts say, with the trade fight expected to further impact such data in coming months.

<https://www.thedailystar.net/business/global-business/chinas-trade-surplus-us-swells-june-1605463>

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