

Stock Market

Stocks slump on GP's SMP status, new banks

New Age, February 19, 2019

- Dhaka stocks on Monday fell sharply as investors went for selling shares of Grameenphone on concern over its SMP status, and financial companies due to the central bank's move to approve three more banks in the crowded and scam-hit financial sector.
- DSEX, the key index of Dhaka Stock Exchange, shed 51.30 points, or 0.88 %, to close at 5,724.52 points on Monday. The share price of leading mobile operator Grameenphone, which is the largest capitalised scrip and has significant impact on the movement of DSEX, fell by 3.3 % to close at BDT 377.1 on Monday.
- GP's share price lost 3.85 % last week as Bangladesh Telecommunication Regulatory Commission on February 10 declared GP as significant market power. On Monday, DSEX's losses outweighed gains in the previous three trading sessions. DSEX had advanced by 44 points in the previous three trading sessions.
- The core index started falling from the beginning of Monday's session and the fall intensified after mid-session as investors sold heavily shares of GP and financial companies including banks, non-bank financial institutions and insurance companies.
- The average share prices of banks plunged by 1.27 % on the day. The NBFIs' movement was also negative because of a slight profit fall of IDLC Finance in 2018, despite the company hiking cash dividend by 5 %age points for the year. The earnings per share of IDLC stood BDT 5.76 in 2018 against BDT 6.13 in 2017.
- The company, however, declared 35 % cash dividend for 2018 against 30 % for 2017. The average share prices of NBFIs fell by 0.76 % on the day. Among the major sectors, only fuel and power sector advanced on the day with 0.45 % gain. Out of the 347 issues traded on the day, 242 declined, 68 advanced and 37 remained unchanged.
- The turnover on the bourse, however, increased to BDT 891.67 crore on Monday from BDT 725.49 crore on the previous day because of sell-offs. DSE blue-chip index DS30 also lost 0.86 %, or 17.35 points, to close at 1,987.39 points. Shariah index DSES shed 0.76 %, or 10 points, to finish at 1,304.71 points. United Power Generation Company led the turnover leaders with its shares worth BDT 52.70 crore changing hands on the day.

<http://www.newagebd.net/article/65242/stocks-slump-on-gps-smp-status-new-banks>

IDLC earnings weighed down by subsidiaries

The Daily Star, February 19, 2019

- IDLC Finance's earnings per share fell 6 % to BDT 5.76 last year from a year ago because of a lower net profit caused by the negative growth of its three subsidiaries. Its loan book rose 17.39 % to BDT 8,390 crore in 2018 and the non-performing loans dropped to 2.20 % from 2.77 % from a year ago, IDLC said in a statement yesterday.
- On a standalone basis, the company's profit after tax was up 1 %, but it was a 5-% decline on a consolidated basis. It earned BDT 217 crore in net profit in the year. According to the statement, the company bagged 5,803 new loan clients last year. Net interest income grew 5.71 % to BDT 422 crore.
- Business segment-wise, the SME loan book grew 12.43 % to BDT 3,469 crore. At present, the segment accounts for more than 42 % of the loan portfolio. The consumer portfolio, which consists of home, car and personal loans, rose 15.20 % and the corporate loan division posted a year-on-year growth of nearly 38 % to BDT 1,990 crore. IDLC's share closed at BDT 67.70 from BDT 69.40 a day ago on the Dhaka Stock Exchange yesterday.

<https://www.thedailystar.net/business/news/idlc-earnings-weighed-down-subsidiaries-1704088>

GP handed out SMP restrictions

The Daily Star, February 19, 2019

- Grameenphone was yesterday slapped with four restrictions by the telecom regulator as part of the penalties for becoming a Significant Market Power (SMP). The Bangladesh Telecommunication Regulatory Commission (BTRC) asked the operator to immediately implement the restrictions, which include a ban on signing any exclusive deals with goods and service providers.
- Currently, the vendors are allowed to extend offers to only Grameenphone customers, shutting out other operators from negotiating such deals. The acceptable call drop for Grameenphone has been set at no more than 2 %. According to a market drive report run by the regulator in November 6 to 8, Grameenphone's call drop rate was found to be 3.38 %, which is higher than its competitors.
- The BTRC has asked Grameenphone not to conduct a nationwide ad campaigns on the back of its dominance. In the fourth point, the telecom watchdog has made it easier for a user to leave Grameenphone under the mobile number portability facility. Currently, if a subscriber wants to switch to a network they will have to stay with the new carrier at least for 90 days. But such subscribers can quit the Grameenphone network after 30 days.
- GP declined to make a comment on the matter. Earlier on February 11 the BTRC declared GP as the SMP operator for cornering 40 % of the subscribers, revenues and spectrum. The commission has found GP as the SMP in two categories: subscribers and revenue. In 2018, the operator has 46.33 % share of the active customer base. For the last few years, its revenue share has been more than 50 %.
- Last year, GP's total number of active SIMs stood at 7.27 crore and revenue BDT 13,280 crore. It logged in a record BDT 3,520 crore profit last year.

<https://www.thedailystar.net/business/telecom/news/gp-handed-out-smp-restrictions-1704100>

Economy

New banks will only add to woes

The Daily Star, February 19, 2019

- The entry of the three new banks will weaken the banking sector further by putting additional pressure on supervision, auditing and deposits, said experts yesterday. The banking sector is already in trouble due to lack of good governance and instead of addressing the problems new banks were allowed in, said Ahsan H Mansur, executive director of the Policy Research Institute.
- At the end of September last year, total non-performing loans stood at BDT 99,370 crore, which was 11.45 % of all outstanding loans. Despite initial reservations, the central bank on Sunday gave nod to three new banks -- upon pressure from the finance ministry. Bengal Bank, People's Bank and Citizen Bank will soon set up shop, taking the total number of banks to 62.
- All three new banks have connections to the Awami League government. The Bengal Group of Industries is the sponsor of Bengal Bank. AL lawmaker Morshed Alam is the chairman of the group and his younger brother Jashim Uddin is the chairman of the proposed bank.

<https://www.thedailystar.net/business/banking/news/new-banks-will-only-add-woes-1704106>

Dollar exceeds BDT 84 despite injection of \$1.5b in 8 months

New Age, February 19, 2019

- Excessive demand for the US dollar continues to devalue local currency taka despite the central bank injecting a sizeable amount of the greenback in the local market. According to Bangladesh Bank data, the interbank exchange rate of a US dollar increased to BDT 84.12 on Sunday from BDT 83.95 at the beginning of February.
- In last two years, the taka was devalued by 6.88 % or BDT 5.42 and the interbank rate of a dollar was BDT 78.7 in January, 2017. Bangladesh Bank officials said that the devaluation of the taka continued for almost two years amid widening trade deficit.
- Till Tuesday in the fiscal year of 2018-2019, Bangladesh Bank injected \$1,574 mn in the local market to cool down the demand for greenbacks. In last fiscal year, BB had injected \$2,311 mn amid a significant increase in imports, especially the food items, following flash floods in the country's northeast region that had caused severe damage to crops.
- The amount of the dollar injected in the local market by the central bank in FY17 was only \$175 mn. Due to increased payments against imports, the country's trade deficit increased to a record \$18.25 bn in FY19 with the current account deficit hitting \$9.78 bn.
- The country's trade deficit was \$6.46 bn and \$9.47 bn in FY16 and FY17 respectively. Former adviser to an interim government AB Mirza Azizul Islam told New Age on Monday that considering the import dependency of the country's economy, the devaluation of local currency would fuel inflation.

<http://www.newagebd.net/article/65239/dollar-exceeds-BDT-84-despite-injection-of-15b-in-8-months>

Govt makes progress in setting up commercial wing in Kunming

New Age, February 19, 2019

- The government made headway in setting up a commercial wing in Kunming of China as part of its effort to establish commercial wings in Bangladesh missions of five countries to increase export earnings and strengthening bilateral trade relations.
- In 2018, the commerce ministry has taken an initiative to establish five new commercial wings in Bangladesh embassies in China (Kunming), Brazil, Turkey, South Africa (Pretoria) and Indonesia to gain more market share for Bangladeshi export products in the countries and sent proposals in this regard to the foreign ministry.
- Letter on, the public administration ministry gave consent to open commercial wings in Kunming (China) Istanbul (Turkey) and Pretoria (South Africa) but only the proposal for Kunming got finance ministry's nod. According to the commerce ministry sources, as per the condition attached by the public administration ministry, the finance ministry initially gave consent to create three posts including first secretary, administrative officer and driver cum messenger for the commercial wing of Kunming.
- The ministry also asked foreign ministry to establish a commercial wing in Pretoria to increase export to Angola, Botswana, Mozambique, Namibia, South Africa, Zambia and Zimbabwe.

<http://www.newagebd.net/article/65241/govt-makes-progress-in-setting-up-commercial-wing-in-kunming>

More troubles ahead for taka

The Daily Star, February 19, 2019

- Bangladesh taka will come under pressure against the US dollar because of the widening deficit in the balance of payments, said Standard Chartered bank yesterday. The country received \$5.7 bn as medium and long-term foreign

debt in fiscal 2017-18 against \$3.2 bn a year earlier, said Saurav Anand, research analyst of Standard Chartered's South Asia macroeconomics department.

- The taka-dollar exchange rate was BDT 84.12 on Sunday, up from BDT 82.92 a year earlier, according to data from the Bangladesh Bank. The country's external balance stood at \$513 mn in the negative in the first half of the fiscal year, which was \$354 mn in the negative of during the same period a year earlier, according to data from the central bank.
- The country should maintain 14 to 15 % private sector credit growth to ensure its sustainable GDP growth. As of 2018, deposit growth stood at 9 %. In a positive development for Bangladesh, companies might divert their investment from China because of its existing trade tension with the US, said David Mann, global chief economist of Standard Chartered.

<https://www.thedailystar.net/business/banking/news/more-troubles-ahead-taka-1704109>

International

UK clearing houses approved to continue EU business under no deal Brexit

New Age, February 19, 2019

- Europe's financial markets regulator has given UK-based derivatives clearing houses permission to continue serving EU clients in the event of a no-deal Brexit - a major boost to London's battle to remain the central market for euro clearing.
- The European Securities and Markets Authority (ESMA) said the decision to allow LCH Limited, ICE Clear Europe and LME Clear to continue operating was to limit disruption and avoid potentially negative impacts on financial market stability.
- The recognition of the clearing houses as so-called 'third-country central counterparties' under the EU's European Market Infrastructure Regulation (EMIR), would come into effect on the day after Britain leaves the bloc, ESMA said in a statement.
- The move, which had been expected after a draft decision in December, follows efforts by EU rival Deutsche Boerse to woo clients to its clearing house, Eurex. Clearing involves passing stock, bond, derivative and repo trades through a third party backed by a default fund to ensure completion of the transaction even if one side of the deal goes bust.

<http://www.newagebd.net/article/65261/uk-clearing-houses-approved-to-continue-eu-business-under-no-deal-brexit>

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