

Stock Market

Weekly analysis: Stocks keep losing for 12 straight weeks

DSEX erodes 629 points, market cap sheds BDT 264b

New Age, April 20, 2019

- Stocks extended their losing streak for the 12 straight weeks that ended on Thursday as investors continued their selling binge to avoid further loss amid ongoing gloomy market.
- Turnover on the major bourse slumped to 13-month low and prime index came down to five months low in second session of the week on Tuesday. The stock market stakeholders also held series of meetings with the securities' regulator last week to find out the way to stop the erosion in stock prices.
- Meanwhile, the prime bourse has come up with a set of proposals to rein in sponsors, directors and placement shareholders from dumping their shares as it battles to stem the tide of negativity surrounding the bourse.
- Week-on-week, DSEX, the prime index of the DSE, went down by 4.98 points or 0.09 % to settle the week at 5,321. DSEX eroded more than 629 points or 10.60 % in the past 12 consecutive weeks. Two other indices also edged lower. The DS30 index, comprising blue chips, fell 5.40 points to finish at 1897 and the DSE Shariah Index lost 5.61 points to close at 1,227.
- The total turnover stood at BDT 12.32 bn last week against BDT 16.73 bn in the week before as last week saw four trading days instead of previous week's five. The daily turnover averaged BDT 3.08 bn, registering a decline of 7.93 % over the previous week's average of BDT 3.35 bn.
- Block trade contributed 6.10 % to the week's total turnover, where stocks like Mutual Trust Bank, Grameenphone, The City Bank, BRAC Bank, Beximco Pharma and Prime Bank dominated the block trade board. According to International Leasing Securities, the market sustained its losing streak amid dull trading as the investors continued their selling spree in the current gloomy market.

<http://www.newagebd.net/article/70441/dhaka-stocks-extend-bear-run-to-12th-week>

DSE wants curbs on sponsors' share sale

The Daily Star, April 18, 2019

- The Dhaka Stock Exchange has come up with a set of proposals to rein in sponsors, directors and placement shareholders from dumping their shares as it battles to stem the tide of negativity surrounding the bourse.
- The other proposals include: limiting private placement of shares; bringing in fundamentally good companies, both local and foreign, into the market; revisiting the exposure of banks, non-banks and their subsidiaries; and withdrawal of circuit breaker of highly volatile companies.
- But most of the points the DSE made were on share selling by sponsors and directors of listed companies, which the bourse

DSE PROPOSALS

- >> Companies can't issue placement shares worth more than 25pc of their paid-up capital
- >> The share sale declaration of sponsors will be executed after 15 days from the date of declaration
- >> Good stocks, especially multinational companies, should be brought to stock market

thinks is a major reason for the ongoing bear run. Bangladesh's capital market is hugely underperforming because of a lack of quality stocks, poor governance, frequent volatility and weak monitoring by the regulator to detect manipulators.

- The shares of sponsors, directors and private placement shareholders shall be in a separate category under the Central Depository Bangladesh, stocks' trading settlement service provider, with separate flagging system for identification, so that they cannot sell those at their will, as per the DSE's proposal.
- Furthermore, the DSE proposed a new category to be launched for companies whose directors do not hold 2 % shares individually and 30 % shares combined.

<https://www.thedailystar.net/business/news/dse-wants-curbs-sponsors-share-sale-1731805>

Summit LNG arrives at Moheshkhali

The Daily Star, April 21, 2019

- Summit LNG, a vessel with floating storage and re-gasification unit (FSRU), has arrived in the Bay of Bengal ahead of schedule to supply 500 mn cubic feet of re-gasified LNG to the national grid every day. It is now moored 6 kilometers off the island of Moheshkhali in Cox's Bazar, said Summit Group in a statement yesterday.
- Summit has hired the vessel from USA's Excelerate Energy for 15 years and carried liquefied natural gas (LNG) from Qatar. If weather permits and Petrobangla wants re-gasified LNG, Summit LNG will be able to send out the gas to the national grid in seven days, said an official of Summit Group.
- This is the second FSRU that will re-gasify and supply gas to Bangladesh, after Excelerate Energy began supplying re-gasified LNG to Bangladesh from its terminal in Moheshkhali in August last year. The project is part of Summit Power International's \$1 bn investment programme by 2020 to deliver power and gas to Bangladesh.

<https://www.thedailystar.net/business/news/summit-lng-arrives-moheshkhali-1732771>

FRC finds anomalies in companies' financials

Asks them not to window-dress balance sheets

The Financial Express, April 21, 2019

- The Financial Reporting Council (FRC) has asked all listed companies and respective auditors to prepare 'accurate' and 'truthful' financial statements. The instruction followed some inconsistencies detected in the financial statements of at least 20 companies. The statements, allegedly, have been prepared 'violating' international standards on auditing.
- The companies which came under FRC scrutiny prepared their statements for the year that ended on December 31, 2018. A number of listed banks, financial institutions, insurers and multinational companies prepare financial statements for the year ending on December 31.
- To this end, the FRC has posted an advertisement on its website so that the errant companies and auditors can take appropriate measures. It also called for seeking help from the council in preparing financial statements maintaining accounting standards.

- After re-auditing, the FRC found that some 20 listed companies did not maintain international standards on auditing to prepare their statements. According to the FRC findings, the companies' expenses and loss provisions were not mentioned in the financial statements.

<http://thefinancialexpress.com.bd/stock/frc-finds-anomalies-in-companies-financials-1555818340>

BRAC Bank, Constellation AMC sign deal

The Financial Express, April 21, 2019

- BRAC Bank Limited and Constellation Asset Management Company Limited have signed a Custodial Service Agreement to manage the mutual fund titled "Constellation Unit Fund". Under this agreement, BRAC Bank Limited will be providing custodial services to Constellation Asset Management Company Limited for the operation of the mutual fund.

<http://thefinancialexpress.com.bd/stock/brac-bank-constellation-amc-sign-deal-1555746553>

Economy

Current account deficit could snowball into financial sector

Economists warn as Taka weakens

The Financial Express, April 21, 2019

- The persistent current account deficit may now put strain on key macroeconomic indicators and experts say it could snowball into the financial arena. The current account deficit soared to US\$1.7 bn in the second quarter of the current fiscal, up by \$400 mn from level in the first quarter, according to central bank statistics.
- The Bangladesh Bank (BB), in its latest quarterly publication, said this deficit is weakening the local currency against major currencies. The current account deficit has worsened due to the higher trade gap between the country and rest of the world.
- Local currency had depreciated by 1.43 % year-on-year in Q2 to December as a result of the continued deficit, the central bank report said.
- Given the recent movement in Taka against US Dollar, the shifts in major currencies' movements and the inflation in the trading partner countries, NEER (nominal exchange rate) and REER (real effective exchange rate) appreciated by 3.5 and 6.4 % (y/y) respectively in Q2FY19.
- The report said foreign exchange reserves slightly edged down to US\$32.2 bn at the end of Q2. Its coverage of import still remained at an adequate level of five months. Economists familiar with the matter said the observation made by the central bank is true and this is a matter of concern.

<http://thefinancialexpress.com.bd/economy/current-account-deficit-could-snowball-into-financial-sector-1555730322>

Currency swaps rule forex mkt, cushion reserve

Absence of benchmark exchange rate rued

The Financial Express, April 21, 2019

- Interbank currency swaps under agreements to exchange cash flows at later dates dominate the country's foreign exchange market shielding the forex reserve to a great extent from any pressure. Bangladesh Bank, the central bank of the country, recently prepared a note on it elaborating the nature of the forex market.
- It said currency swaps, a kind of derivatives, accounted for around 86 % of the forex market. The spot market derivatives accounted for 11 % with the forward derivatives grabbing the remaining 3.0 %.
- Otherwise, the banks in need of dollars could turn to the central bank to meet their requirements putting pressure on the foreign currency reserve. The people mostly acting as treasury heads at the commercial banks have said the state-owned banks usually face dollar shortfalls and they meet the demand through such currency swaps.
- A currency swap, sometimes referred to as cross-currency swap, involves the exchange of fixed interest along with the principal amount in one currency for the same in another currency. Interest payments are made at fixed dates and rates throughout the life of the contract, usually for a short period-overnight to five banking days.
- The cost of the swap or the interest rate varies depending on the demand and supplies. It usually ranges between 2.0 % (annualised) and 3.0 (annualised) %. But it climbs as high as 8.0 % (annualised) at a time when the supply of dollars against any other currency remains low.

<http://thefinancialexpress.com.bd/economy/currency-swaps-rule-forex-mkt-cushion-reserve-155556950>

Garment exports rise sevenfold in a decade

The Daily Star, April 19, 2019

- Garment exports to new destinations grew sevenfold to \$5 bn in the last one decade buoyed by market diversification drives and the government's stimulus package set aside for exploring opportunities in emerging markets, exporters said.
- The country's garment shipment to the emerging markets was \$700 mn in 2009, according to Faruque Hassan, vice-president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA). Except for three traditional markets, namely the US, the EU and Canada, all other markets are considered as the emerging or new export destinations for Bangladesh.
- India, China, Russia, Japan, South Africa, Turkey and Brazil are among the major non-traditional markets for the garment sector. Exporters started exploring the new destinations as part of market diversification efforts in 2009. In the same year, the government introduced a stimulus package to help exporters weather the fallouts from the global financial crisis.

<https://www.thedailystar.net/business/news/garment-exports-rise-sevenfold-decade-1731793>

Airbus sets sights on Bangladesh market

The Daily Star, April 21, 2019

- The aviation market of Bangladesh is growing rapidly and expected to expand at a faster rate in near future, generating interest from European aerospace giant Airbus. During his presentation on the global aviation industry focusing on Bangladesh, Shukla said the country witnessed 99 % growth in international traffic (passengers) over the last seven years.
- In the recent years, the economy is growing at much faster rate and would grow at 5.4 % on average in the next 20 years from 2017 to 2037, above the world average of 2.8 %. Bangladesh's economy is likely to grow at 8.13 % in 2018-19, up from 7.86 % the previous year, according to the provisional figure from the Bangladesh Bureau of Statistics.
- According to the presentation, more than 7.5 lakh passengers travelled in both directions between Bangladesh and India in 2010, which increased to 11.98 lakh in 2017. On the other hand, the number of passengers travelling between Bangladesh and the Middle East rose to around 43.03 lakh in 2017 from 23.63 lakh in 2010.
- There was also significant increase in the passengers travelling in both directions between Bangladesh and other countries: In 2010, the number of passengers was 24.17 lakh and it shot up to 55.44 lakh in 2017.

<https://www.thedailystar.net/business/news/airbus-sets-sights-bangladesh-market-1732774>

International

Malaysia to revive multi-bn dollar project linked to China

New Age, April 21, 2019

- Malaysia said on Friday it will revive a multi-bn dollar property project to be built by a China-linked venture, nearly two years after it was cancelled. The Bandar Malaysia project will resume with the original contractors - a joint-venture between Malaysian firm Iskandar Waterfront Holdings and China Railway Engineering Corp (CREC) - but under a new development plan, prime minister Mahathir Mohamad said.
- The announcement comes barely a week after Malaysia and China said a multi-bn dollar rail project was back on track after months of negotiations that strained ties between the two trade partners. The \$1.7 bn Bandar Malaysia project was originally a deal struck by former prime minister Najib Razak to ease the debt burden of scandal-plagued state fund 1Malaysia Development Berhad (1MDB), but collapsed in May 2017 over payment disputes.
- The project was also supposed to serve as the terminus for a planned Kuala Lumpur-Singapore high-speed rail (HSR), which Mahathir's government shelved last year over its cost. The project's new plan, will include the construction of a 'People's Park', 10,000 affordable flats and prioritise the use of local content and participation of contractors from the majority bumiputra - which roughly translates to sons of the soil - Malay community.

<http://www.newagebd.net/article/70438/malaysia-to-revive-multi-bn-dollar-project-linked-to-china>

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