

Stock Market

Stocks fall for fourth week on concern over banks' Q2 earnings

New Age, July 22, 2018

- Dhaka stocks dropped in the past week, extending the losing streak to the fourth consecutive week, as banking sector scrips continued to plunge on concern over their second quarter earnings results. DSEX, the key index of Dhaka Stock Exchange, lost 0.40 % or 21.48 points over the week to finish at 5,337.42 points on Thursday, the last trading session of the week. The core index lost 104 points in the last four consecutive weeks. The gloom in the market was once again on the back of bank and non-bank financial institute sectors as the investors were still concerned over their financial health.
- So far two banks, United Commercial Bank and ICB Islami Bank, and three NBFIs, Delta Brac Housing, National Housing Finance and Investment and Peoples Leasing and Financial Services, unveiled their earnings reports for the second quarter on DSE web site in last few days. Of them, profit of UCBL fell and loss of ICB Islami Bank increase while profit of DBH and NHFIL fell and PLFSL incurred loss in the quarter. Investors are expecting lower earnings of most of the banks and NBFIs in April-June quarter (second quarter) because of the rising defaulted loans in the sectors. Average share prices of bank declined for the six consecutive weeks due to the ongoing crisis in the sector.
- The media was continuously exposing miserable situation in the financial sector that lessened investors' expectation ahead of second quarter (April-June) financial results. Average share prices of cement, bank and non-bank financial institutions dropped 3.1 %, 2.8 % and 1.8 % respectively that triggered the volatility. Meanwhile, DSE board on Wednesday afternoon delisted Rahima Food Corporation and Modern Dying as the companies were not in operation for many years, but share prices of the companies were continuously rising.

<http://www.newagebd.net/article/46611/stocks-fall-for-fourth-week-on-concern-over-banks-q2-earnings>

Govt's tax receipt from DSE dips in FY18

New Age, July 22, 2018

- The government's tax collection from the Dhaka Stock Exchange dropped by 16 % or BDT 45 crore in last fiscal year (2017-18) compared with that in the previous fiscal year (2016-17) as the market was mostly sluggish in the second half of FY18. The National Board of Revenue in FY18 received BDT 237 crore from the DSE against its receipt of BDT 282 crore in FY17. As per the Income Tax Ordinance 1984, the DSE collects 0.05 % tax on turnover and 5 % tax on capital gains from share sales by sponsor-directors and placement holders.
- In FY18 the revenue board received BDT 159.03 crore as tax on turnover against BDT 180.29 crore in the previous fiscal year. The tax on sponsor-directors' capital gains, however, hit a five-year high in FY18 to BDT 74.12 crore from that of BDT 66.23 crore in FY17. The government's tax collection from the capital market depends mainly on turnover and sponsor-directors' capital gains from share sales, DSE officials said.
- The total turnover at the bourse dropped by 11.88 % to BDT 1,59,085.2 crore in FY18 from BDT 1,80,522.2 crore in FY17. The daily average turnover declined to BDT 646.6 crore in FY18 (246 trading days) compared with that of BDT 755.3 crore in FY17 (239 trading days). The market was mostly bearish in the second half (January-June) of FY18 due to a number of reasons including crisis in the financial market, political turmoil, uncertainties over the DSE's share sales to a strategic partner, and heavy sell-offs by the overseas investors that hit the investors' sentiment one after another, market operators said.

<http://www.newagebd.net/article/46491/govts-tax-receipt-from-dse-dips-in-fy18>

Stocks end flat as junk shares plunge after two companies delisted

New Age, July 22, 2018

- Dhaka stocks inched up for the second day on Thursday amid a heavy fall in the share prices of 'Z' category companies following delisting of two companies under the junk category by the Dhaka Stock Exchange. The DSE move came after a relentless rise in the share prices of low-profile companies. Officials of the bourse said a number of other 'Z' category companies were also under the DSE scanner and might face delisting. DSEX, the key index of the DSE, added 0.06 %, or 3.24 points, to close at 5,337.42 points after gaining 8.69 points in the previous trading session.
- The DSE on Wednesday delisted Rahima Food Corporation and Modern Dying as the companies have remained out of production for long. The share prices of almost all the 'Z' category companies declined as investor went for jittery share sales from those of junk companies to save their fund. The share prices of out-of-operation companies including Jute Spinners, Emerald Oil, Beach Hatchery, United Airways and C&A Textile crash-landed on the day. The average share prices of engineering, energy, pharmaceuticals and telecommunication sectors increased by 1.74 %, 1.47 %, 0.65 % and 0.18 % respectively.
- On the other hand, the share prices of bank, cement and non-bank financial institution declined by 0.77 %, 0.76 % and 0.66 % respectively. Turnover on the bourse increased to BDT 912.23 crore on Thursday compared with that of BDT 863.53 crore in the previous trading session. Of the 337 companies and mutual funds traded, 153 declined, 150 advanced and 34 remained unchanged. DS30, the blue-chip index of the DSE, gained 0.23 %, or 4.48 points, to close at 1,904.46 points. Shariah index DSES gained 0.31 %, or 3.98 points, to finish at 1,273.09 points. BBS Cables led the turnover chart with its shares worth BDT 50.64 crore changing hands.

<http://www.newagebd.net/article/46421/stocks-end-flat-as-junk-shares-plunge-after-two-companies-delisted>

Economy

Economist, bankers see little scope for banks in Bangladesh to cut interest rate

New Age, July 22, 2018

- A leading economist and top bank executives on Saturday said that it would be difficult for banks to bring down interest rate on deposit to 6 % and lending rate to 9 % given the country's inflation situation and banks' non-performing loans. At a conference on 'prevailing money market situation and way forward', organised by Institute of Chartered Accountants of Bangladesh at its auditorium, they also stressed for governance and accountability in the banking sector which is grappling with liquidity shortage amid rising defaulted loans.
- Centre for Policy Dialogue distinguished fellow Mustafizur Rahman said that it would be difficult for banks to cut down deposit rate to 6 % as the inflation rate in the country was around 6 %. Besides, he said that with over 10 % non-performing loans, it will be tough for the banks to cut the interest rate. Although the bank owners' association recently announced to cut down the deposit rate to 6 % and lending rate to 9 %, most of the banks are grappling to implement the decision. He said that bank CEOs were bound to implement any decision taken by the directors.
- The bank CEOs have been asked to cut lending rate to 9 %, but it is not clear for which sector the lending rate would be 9 %, he said. On the other hand, it has been published in newspaper that the interest rate on 3-month deposit would be 6 %, but it is not clear what would be interest rate for 4-month deposit, 6-month deposit or other deposits, he said.

<http://www.newagebd.net/article/46608/economist-bankers-see-little-scope-for-banks-in-bangladesh-to-cut-interest-rate>

Money market unstable due to banks' problems

The Daily Star, July 22, 2018

- Bangladesh's money market has been volatile due to the deepening problems in the banking sector, analysts said yesterday. The problems include: liquidity crisis, non-performing loans, growing gap between lending and deposit growth, widening current account deficit, a distortion in the interest rate market and a lack of skilled manpower. The observations came at a meeting on the prevailing money market situation and the way forward. The Institute of Chartered Accountants of Bangladesh organised the event at its auditorium in the capital. The Bangladesh Bank could have been more proactive in bringing back stability in the banking sector, said Mustafizur Rahman, distinguished fellow of the Centre for Policy Dialogue.
- It will also have to strengthen its monitoring on the banking sector to restore corporate governance. It is not possible to bring down the lending rate to single digit if more than 10 % of the outstanding loans are non-performing, he said. The high classified loans indicate that the banks have less money, meaning their cost of fund is high, said Rahman, who was the chief guest of the event. At the end of March, the total default loans in the banking sector stood at BDT 88,589 crore, up from BDT 74,303 crore at the end of December last year, according to data from the central bank. The sponsors of banks have recently taken a decision not to charge more than 6 % interest on fixed deposit schemes. At the same time, the government has targeted to contain inflation within six %.
- State-run banks failed to meet the Basel III requirement for capital to risk-weighted asset ratio of 10 % last year thanks to having more than 20 % non-performing loans, said Dewan Nurul Islam, president of ICAB. Towards the end of last year the liquidity situation of the majority of the banks started to deteriorate, which metastasised into a liquidity crunch in January this year.
- A higher loan growth (18.4 %) than the deposit growth (10.20 %) drove up the private banks' loan-deposit ratio to 85.80 % in March this year, said Abdul Kader Joaddar, deputy managing director of Brac Bank. Subsequently, he urged the authorities to lower the interest rate on savings tools in line with the rates offered by banks.

<https://www.thedailystar.net/business/banking/money-market-unstable-due-banks-problems-1609036>

GDP growth beats ADB forecast

The Financial Express, July 18, 2018

- Country's growth has surpassed last forecast at the Asian Development Outlook (ADO) as its agriculture and industry growth was higher than expected, the Asian Development Bank (ADB) has said. Preliminary government estimates of GDP (gross domestic product) growth in financial year (FY) 2018 in Bangladesh, Nepal, and Pakistan surpassed ADO 2018 forecasts, said the ADO supplement, released Thursday from its headquarters in Manila. Industry growth in Bangladesh was higher on stronger performances in manufacturing and construction, said the report.
- The ADB in its last ADO, released in April this year, forecasted a lower 7.0 % Bangladesh's economic growth for the outgoing FY2018. Bangladesh Bureau of Statistics (BBS) in its provisional estimation showed that the GDP in the FY2018 has expanded at 7.65 % rate in the last fiscal. The ADB report said the inflation in Bangladesh is estimated at 5.8 % in FY2018, lower than the 6.1 % forecasted at ADB's ADO in April this year.

<https://thefinancialexpress.com.bd/economy/bangladesh/gdp-growth-beats-adb-forecast-1532009051>

International

Trump Says He's 'Ready To Go' With USD500 Bn in Tariffs on All China Imports

Bloomberg News, July 02, 2018

- President Donald Trump said he's "ready to go" with tariffs on USD500 bn of Chinese imports, saying the U.S. has been taken advantage of for too long. The threat is likely to put further strain on a trade dispute between the world's two biggest economies. China accused American officials of making false accusations Thursday as it fired back against a claim President Xi Jinping is blocking talks with the U.S. Earlier, White House Economic Adviser Larry Kudlow said Xi has no intention of making a deal over trade with the Trump administration.
- Trump earlier this month imposed 25 % tariffs on USD34 bn of Chinese goods, with another USD16 bn to follow soon. The administration has also released a list of 10 % tariffs on an additional USD200 bn of Chinese goods, which could take effect as early as next month. China retaliated on the first wave of tariffs by slapping duties on the same dollar amount of U.S. imports, and Beijing has said it'll fight against any further U.S. actions.
- China imports far less from the U.S., buying about USD130 bn in American goods last year, so it doesn't have as much to leverage with tariffs, but it could use other measures to hit trade such as tightening regulatory oversight. Trump authorized the tariffs after an investigation he ordered by the U.S. Trade Representative's office found that China was violating intellectual property rules and forcing American companies operating in China to hand over their technology secrets to gain access to the market. Chinese Commerce Ministry spokesman Gao Feng last week called those accusations "groundless" and said that the U.S. trade penalties contravene rules at the World Trade Organization.

<https://www.bloomberg.com/news/articles/2018-07-20/trump-says-he-s-ready-to-go-with-tariffs-on-all-china-imports>

Disclaimer

This document has been prepared by Bank Asia Securities Ltd (BASL) based on publicly available data for information purpose only and does not solicit any action based on the material contained herein and should not be construed as an offer or solicitation to buy or sell or subscribe to any security. Neither BASL nor any of its directors, shareholders, member of the management or employee represents or warrants expressly or impliedly that the information or data of the sources used in the documents are genuine, accurate, complete, authentic and correct. However, all reasonable care has been taken to ensure the accuracy of the contents of this document. BASL or Research & Development Department will not take any responsibility for any decisions made based on the information herein. As this document has been made for the Traders of BASL and strongly prohibited for circulation to any clients, investors or any other persons from outside of BASL.

About Bank Asia Securities (BASL)

Bank Asia Securities Limited (BASL) is one of the leading full-service brokerage companies in Bangladesh. The company was formed in 2009 and running its operation as a majority owned subsidiary of Bank Asia Limited. BASL offers full-fledged standard brokerage services for retail, institutional and foreign clients with a dedicated team of skilled professionals. The company is currently providing the brokerage services under the membership of Dhaka Stock Exchange Limited (DSE).

BASL Research Team

Mr. Shariful Alam Chowdhury Head of Research & Investments	tushar@basl-bd.com, tusharbd@bloomberg.net
Mr. Shohidul Islam Research Analyst	shohidul@basl-bd.com, shohidulbd@bloomberg.net
Mr. Md. Monirul Islam Research Associate	abir@basl-bd.com
Mr. Monir Hossain Research Associate	monir@basl-bd.com

BASL Branches

Head Office Hadi Mansion (7th Floor) 2, Dilkusha Commercial Area Dhaka-1000, Bangladesh Phone: +88-02-9515826-28 Fax: +88-02-9567884	Modhumita Extension Office 158-160 Modhumita Building (5th Floor) Motijheel C/A, Dhaka-1000 Phone: +88-01819118893	Dhanmondi Branch Meher Plaza (1st Floor), House # 13/A, Road # 05 Dhanmondi, Dhaka - 1207 Phone: +8802-8624874-5	Mirpur Branch Nishi Plaza, plot # 01, Avenue-04, Section-06, Block- C Mirpur, Dhaka - 1216 Phone: +88-02-9013841
Uttara Branch House # 79/A, (4th Floor), Road # 07, Sector # 04 Uttara Model Town, Dhaka- 1230 Phone: +88-02-8958371	Banani Branch Nur Empori, Plot # 77 (1st Floor), Road No # 11, Banani, Dhaka-1213 Phone: +8801716180767	Khulna Branch 28, Sir Iqbal Road (1st Floor) Khulna Phone: +88-041-731208-9	

For International Trade & Sales, please contact **Mr. Sumon Das, Chief Executive Officer**. Please call at +8801993111666, +880 02 9515826, Ext:101 at Business hour.

For further query, write to us at research@basl-bd.com.