

## Stock Market & Company

### Stocks post highest weekly gain in 9 years braving turbulence

Newage, January 25, 2019

- Dhaka stocks soared in the past week, posting a highest single-week gain in nine years, as investors went for heavy buying following the prime minister's move to stabilise the ailing market. DSEX, the key index of the Dhaka Stock Exchange, advanced by 364.06 points or 8.77 per cent, to close at 4,513.89 points on Thursday, the last trading session of the past week, after losing 309.5 points in the previous two weeks.
- Last week's gain was the highest after the week ending on January 27, 2011 when the then DGEN gained 1,054 points. The DGEN was replaced by the DSEX on January 27, 2013.
- The market gained in four sessions during the five-day week. The DSEX started with a whopping gain of 231 points on Sunday and held the positive momentum throughout the week, except for a profit booking session, market operators said.
- The investors, encouraged by a number of initiatives from the government and the Bangladesh Bank to halt the market crash, went for heavy buying over the past week. Many investors put a pause on panic sales as they anticipated that the market would be revived as the government had started to show concern for the ailing market.
- As part of the initiatives, the Bangladesh Bank has sent a proposal for a BDT 10,000crore fund to the finance ministry for government approval that is expected to alleviate the liquidity shortage in the market. The loans will be distributed on easy terms.
- BB governor Fazle Kabir said on a couple of occasions in the past that the central bank would extend whatever support was needed to revive the stock market while the top brasses of four state-run banks at a January 16 meeting agreed to increase investment in the capital market following government directions to do so.
- Among the large capitalised sectors, the share prices of non-bank financial sectors increased the most, with a rise of 21 per cent followed by telecommunication with a 13per cent increase, energy with an 8.5-per cent increase, pharmaceuticals with an 8.2-per cent rise, bank with a 6.2-per cent rise and textile with a 4.1 per cent rise.

<https://www.newagebd.net/article/97677/stocks-post-highest-weekly-gain-in-9-years-braving-turbulence>

### Challenge DSE MD appointment in court

*Chairman says hiring was proper*

The Daily Star, January 24, 2019

- Due process has been maintained in appointing the managing director of the Dhaka Stock Exchange (DSE), said its Chairman Prof Abul Hashem yesterday, suggesting those believing it to be otherwise file a lawsuit.
- The Bangladesh Securities and Exchange Commission denied reappointing the former MD, KAM Majedur Rahman, and this was the third appointment attempt, for which the regulator approved of Kazi Sanaul Hoq with a majority vote, he said.

- Hashem was addressing the recently elected DSE Brokers Association (DBA) top brass who were paying a courtesy call on the DSE board members at the bourse's Motijheel office.
- Most of the DBA leaders raised questions over the transparency of the appointment process. They also alleged that Hoq was not the most efficient person out of all who had applied for the post.
- The DSE board comprises 13 members: one MD, seven independent directors and five shareholder-directors. Normally, a nomination committee of the DSE makes a shortlist and sends the candidates' curricula vitae to the board members for evaluation, said a director, requesting anonymity.
- The selected candidates are then called for a panel interview with the board and the best individual is chosen, he said. It was also alleged that even the shortlist had been manipulated, one attendee said.
- "We believe the board works for the sake of investors, not for anyone else," said another leader. One stockbroker alleged that the appointment process worsened investors' confidence. Sharif Anwar Hossain, the DBA president, led the delegation when Richard D' Rozario, senior vice-president, and Mohammad Ali, vice president, were present.

<https://www.thedailystar.net/business/news/challenge-dse-md-appointment-court-1858327>

*Regulatory compliances, bearish mkt outlook main reasons*

## **Number of active BO accounts dips**

*There are currently 1,633,213 individual accounts and 931,885 joint accounts*

The Financial Express, January 26, 2019

- Some 234,503 beneficiary owners' (BO) accounts were closed in last 12 months since January 23, 2019 due to non-payment of maintenance fees, regulatory move and depressed capital market outlook.
- The number of active BO accounts stood at 2,578,283 as of January 23, 2020 which was 2,812,785, just a year ago on January 23, 2019, according to data from the Central Depository Bangladesh Ltd (CDBL), which preserves electronic data of all individual and institutional investors.
- Some 234,503 BO accounts were closed between January 23, 2019 and January 23, 2020, while DSEX, the prime index of the Dhaka Stock Exchange (DSE), lost 1,411 points or 23.82 per cent during the period under review.
- To trade in the secondary market and apply for primary shares, an investor has to open a BO account with the CDBL through a depository participant, which is usually a stockbroker or a merchant bank.
- The officials familiar with the development said a good number of BO accounts were closed in 2019 due to non-payment of maintenance fees and a regulatory move taken to ensure compliances.
- An official concerned said a good number of BO accounts were closed after June, 2019 following a circular issued by the Bangladesh Securities and Exchange Commission (BSEC) to remove irregularities occurred during opening accounts.
- On June 30, 2019 the securities regulator asked the CDBL to submit a report on the compliances maintained in opening investors' BO accounts.
- The regulator issued directive as many BO accounts were opened using same national ID number, mobile number and bank account.

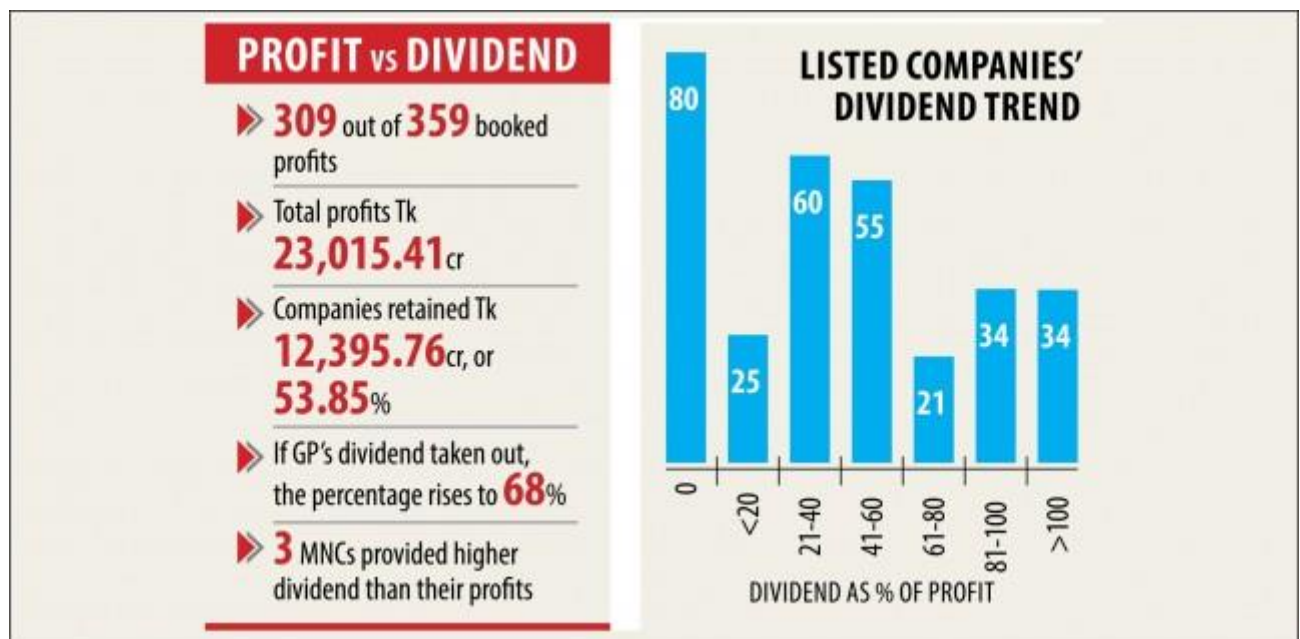
- "The depository participants (DPs) had to close many unlawful BO accounts following the BSEC's directive. That's why the number of active BO accounts declined during the period under review," the CDBL official said preferring anonymity.
- Of the total number of active BO accounts right now, male investors own 1,879,579 accounts while female investors 685,519 and company 13,185 as of January 23, 2020, the CDBL data shows. There are currently 1,633,213 individual accounts and 931,885 joint accounts. The non-resident Bangladeshis own 145,420 accounts opened to conduct share transactions or to apply for IPO (initial public offering) shares.
- However, half the active BO accounts exist in name only. Those accounts have no role in daily share transactions as they have either zero balance or have never been used in share trading.

<https://thefinancialexpress.com.bd/stock/bangladesh/number-of-active-bo-accounts-dips-1579932309>

## Stingy listed companies sap investor spirit

The Daily Star, January 26, 2019

- Most of the listed companies are keeping the majority of their profits instead of sharing the spoils with their shareholders in the form of cash dividends -- in yet another reason for the currently low confidence in the stock market.
- Typically, investors put money in a stock after analysing the company's earnings. But their efforts go in vain if the companies become tight-fisted when it comes to cash dividends.
- Last year, the stock market regulator directed the companies to articulate their reasons for retaining profits rather than distributing them.
- But, most of them are not following the instruction, in what can be viewed as the diminishing weight of the Bangladesh Securities and Exchange Commission.



- The others are briefly mentioning the reasons in their annual reports -- leaving the investors none the wiser. Of the 359 listed companies, 309 logged in profits in their last financial year.
- The 309 companies' total profits stood at BDT 23,015.41 crore, but 53.85 per cent was retained by them. This, arguably, does not look too bad -- and Grameenphone is to thank for it. The country's leading mobile operator is a generous sharer of profits with its general shareholders.
- If Grameenphone's dividend amount is taken out, the percentage that the companies hold on to for themselves rises to about 68 per cent. "This is just cheating with investors," said Maruf Reza a retail investor, adding that most of the listed companies are being stingy about cash dividends.
- A company can keep their profits legally by declaring stock dividend -- which is a dividend payment made in the form of additional shares rather than a cash payout -- or reserves if it predicts higher profits by further investment.
- "However, keeping profits year after year even when the business prospects for the near future do not look too bright proves there is some other intention," Reza added.
- RN Spinning Mills never provided cash dividend since its listing in 2009, when it raised BDT 30 crore. It booked profits on most of the years and yet provided stock dividends. Now, it has become a loss-making company.

<https://www.thedailystar.net/business/news/stingy-listed-companies-sap-investor-spirit-1858999>

## **Two foreign banks to help modernise BSFIC mills**

The Financial Express, January 26, 2019

- Two foreign banks agreed to provide financing for modernisation of state-owned sugar mills. The high-ups of the Japan Bank for International Co-operation (JBIC) and the Exim Bank of Thailand (EBT) conveyed their interest in the financing during a meeting with Industries Minister Nurul Majid Mahmud Humayun in Bangkok, Thailand on Thursday.
- Director General of JBIC Naomi Tamaki, president of EBT Pisit Serewiwattana, director of JBIC Yoshio Okawa and vice-president of EBT Kaniknun Ramingwong and chairman of Bangladesh Sugar and Food Industries Corporation (BSFIC) Ajit Kumar Paul among others were present during the meeting.
- The meeting also discussed a technical proposal of Sutech Engineering Company Ltd of Thailand. The high-ups of JBIC and EBT expressed satisfaction about the technical proposal of the Thai company.
- And following the proposal they agreed to provide the financing for modernisation and product diversification of the state-run sugar mills.
- The industries minister requested the banks' officials to provide a combined proposal to the government of Bangladesh or MoI.

<https://thefinancialexpress.com.bd/trade/two-foreign-banks-to-help-modernise-bsfic-mills-1579928420>

## Janata MD in the line of fire

*BB probe finds his hand in AnonTex scam*

The Daily Star, January 23, 2019

- A central bank probe body has recommended its higher-ups take punitive measure against Janata Bank Managing Director Md Abdus Salam Azad for his alleged involvement in the AnonTex Group loan scandal.
- Between 2007 and 2014, the state-run bank disbursed a large amount of loans to 22 companies of AnonTex Group by breaching the banking rules and regulators -- and the probe body found direct involvement of Azad in the transgression.
- The companies opened 20 accounts with the corporate branch and the rest with local office of the lender, according to an investigation carried out by the central bank inspection team.
- "Azad served as a manager of the corporate branch for a good portion of the time during the mentioned years. And he gave scope to the concerns of AnonTex Group to swindle the amount," the probe report said. He was the manager of the branch from November 2011 to August 2013.
- As of September last year, the total outstanding loans of AnonTex Group stood at BDT 5,768.52 crore -- and a major of the sum has already turned defaults.

<https://www.thedailystar.net/business/news/janata-md-the-line-fire-1857838>

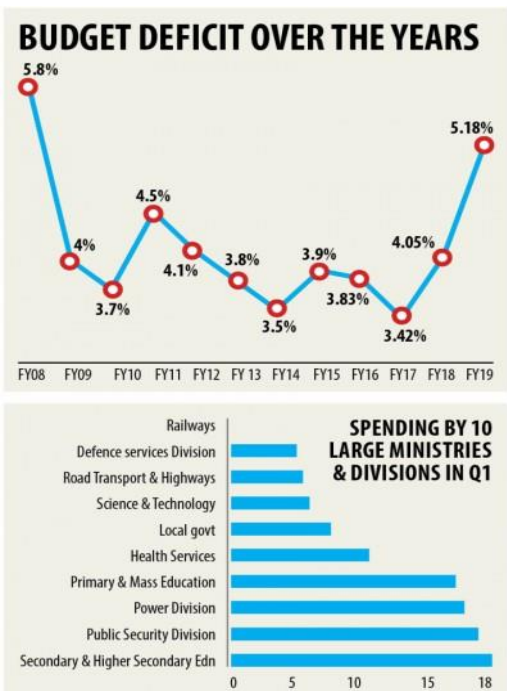
## Economy and Industry

### Budget deficit crosses 5pc for first time in 11 years

*Similar trend may continue this fiscal*

The Daily Star, January 24, 2019

- Budget deficit went past the sensible limit of 5 per cent last fiscal year, for the first time in 11 years, largely because of lower-than-expected revenue collection, official figures showed yesterday. The deficit, a situation when spending exceeds revenue, was 5.18 per cent in 2018-19, 4.05 per cent a year ago, according to the data released by the finance division.
- The last time the fiscal deficit went past 5 per cent was in 2007-08 when it stood at 5.8 per cent. For developing countries, a budget deficit is not unusual as the government needs to spend big on building infrastructure to shore up future economic activities. The government meets the gap between income and expenditure through domestic and foreign borrowing obtained as loans or grants.
- But keeping the deficit within 5 per cent is recommended, and is in fact considered international best practice. In Bangladesh, when the budget is drafted, a 5 per cent deficit





is projected. The actual deficit turns out to be about 4 per cent every year as the ministries and divisions fail to use up their allocated funds. But it was different in FY19, as shortfall in revenue generation pushed the budget deficit up.

- The revised budget aimed to generate BDT 316,612 crore in revenues in the last fiscal year, but the government managed to earn BDT 251,873 crore at the end, down 20.44 per cent.
- Collection by the National Board of Revenue (NBR) was BDT 218,610 crore against the target of BDT 280,000 crore. Although the spending was down 13 per cent to BDT 384,624 crore against the planned BDT 442,541 crore, it was enough for the budget deficit to overshoot the target, according to a finance ministry report.

<https://www.thedailystar.net/business/news/budget-deficit-crosses-5pc-first-time-11-years-1858348>

## Buyers offer Bangladesh lower RMG prices despite rise in green factories

Newage, January 25, 2019

- Global brands and buyers are gradually offering lower prices for readymade garment products to Bangladeshi factories although the number of green factories has increased considerably in the country in the last few years, according to the Bangladesh Garment Manufacturers and Exporters Association.
- The trade body said that despite decrease in the unit price of products by 1.61 per cent between 2014 and 2018, the number of USGBC certified green factories stood at 108 and more than 500 factories had registered for obtaining green certification.
- The BGMEA research identified lack of skills in assessing investment in green technology, finance and lack of awareness as the major challenges in mainstreaming green growth in the readymade garment sector.
- It said that although the Bangladesh Bank had green transformation and refinance schemes in place at 8 to 9 per cent interest rate, the need to fulfil a range of conditions had limited the access to finance for many entrepreneurs.



<https://www.newagebd.net/article/97674/buyers-offer-bangladesh-lower-rmg-prices-despite-rise-in-green-factories>

## International

### India likely to raise import duties on more than 50 items next week

The Daily Star, January 26, 2019

- India plans to increase import duties on more than 50 items including electronics, electrical goods, chemicals and handicrafts, targeting about USD56 bn worth of imports from China and elsewhere, officials and industry sources said.
- Finance Minister Nirmala Sitharaman could make the announcement when she presents her annual budget for 2020/21 on Feb. 1, along with other stimulus measures to revive sagging economic growth, one of the government officials said.
- Higher customs duties are likely to hit goods such as mobile phone chargers, industrial chemicals, lamps, wooden furniture, candles, jewellery and handicraft items, two government sources with direct knowledge of the matter said.
- The move could hit smartphone manufacturers that still import chargers or other components such as vibrator motors and ringers, along with retailers such as giant IKEA that is in the process of expanding its footprint in India.
- IKEA had previously flagged higher Indian customs duties as a challenge. The government had identified items and decided to increase import tariffs by 5%-10 percent as recommended by a panel of trade and finance ministry officials, among others, the second government official said.

<https://www.thedailystar.net/business/news/india-likely-raise-import-duties-more-50-items-next-week-1858987>

### US-China tech rivalry raging

The Daily Star, January 26, 2019

- China and the United States may have laid down their arms for now in a trade truce, but their technological rivalry is still raging, raising the spectre of a high tech cold war. The coming battle played out this week in the corridors of the World Economic Forum in Davos, where Chinese executives rubbed shoulders with Silicon Valley supremos, and US diplomats lobbied hard to keep companies from embracing Made in China for their tech revolution.
- At the centre of this cold war 2.0 is Huawei, the Chinese telecom giant whose 5G technology is key to delivering artificial intelligence (AI) and the next generation of computing. Despite the idyllic winter setting, the tensions over Huawei between Beijing and Washington couldn't be higher.
- Huawei has been banned from the United States, which insists on the risk of Chinese espionage and implores its European allies to do the same as the company rolls out deals in major emerging markets led by Brazil and India.
- Making matters personal, company founder Ren Zhengfei, a Davos star this year, came to the snowy resort just as his daughter, the company's chief financial officer, was being grilled in Canada for extradition to the US where she is wanted on charges of fraud and breaking US sanctions against Iran.

<https://www.thedailystar.net/business/news/us-china-tech-rivalry-raging-1858981>

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