

Stock Market

Price upheaval wreaks havoc on investors

The Daily Star, June 27, 2018

- Prices of newly listed companies continue to rise abnormally on the Dhaka Stock Exchange without any apparent reason, which experts said may eat up general investors' money.
- Even the regulator's restriction for 30 days on margin loan for buying new shares has failed to rein in the unusual rise in new share prices.
- Analysts said a group of large scale investors, mostly institutional, such as merchant banks, asset management companies, mutual funds, stock dealers, banks, financial institutions, and insurance companies play up with these shares spreading rumors till they sell off their shares.
- And, they have a reason: institutional investors cannot offload their entire holdings on the first day of the trading of a stock.
- DSE data showed most of the companies that made debut in 2017 and so far this year saw their shares rise abnormally.
- These shares remained overvalued in the first few months following the debut before a major correction took place, dealing a blow to general investors because eligible investors get rid of their holdings when the prices are high.
- For instance, Oimex Electrode was listed on the bourse on November 6 and its shares soared to BDT 114 in the first month. Later, it shed 65 % within six months to BDT 39.
- Similarly, Shepherd Industries' shares soared to BDT 55.40 in the first few days following its debut. It lost 55 % and came down to BDT 25 within a year. Nurani Dyeing rose to BDT 27 within one month and a half but nosedived to BDT 14.40, a 48 % fall.
- BBS Cables also advanced to BDT 150 before shedding 52.66 % to BDT 71, while Nahee Aluminum rose to BDT 81.60 before losing 45.12 % to BDT 45.

<https://www.thedailystar.net/business/economy/price-upheaval-wreaks-havoc-investors-1595830>

Stocks dip for 2nd day before budget passage

New Age, June 27, 2018

- Dhaka stocks dropped for the second day on Tuesday as investors continued selling shares ahead of passage of the national budget for the 2018-19 fiscal that begins July 1.
- DSEX, the key index of Dhaka Stock Exchange, lost 0.41 %, or 22.51 points, to close at 5,411.27 points on Tuesday after losing 88.20 points in the previous trading session.
- Although the market opened positive, it lost the momentum soon after and finished the session in the negative territory as investors kept selling shares ahead of passage of the national budget, market operators said.
- The proposed financial bill for the year of 2018-19 will be passed in parliament on Thursday.
- Market operators said investors took cautious steps as they feared that the government might make major changes to the budget at the last moment following criticisms from economists and professionals over different proposals in the budget.
- The government cut corporate tax to 37.5 % from 40 % for listed and new banks, non-bank financial institutions and insurance companies in the proposed budget.

<http://www.newagebd.net/article/44560/stocks-dip-for-2nd-day-before-budget-passage>

BSEC Okays BDT 34-cr Kattali Textile IPO

The Daily Star, June 27, 2018

- The Bangladesh Securities and Exchange Commission on Tuesday approved a proposal of Kattali Textile Limited to raise BDT 34 crore from the capital market through initial public offering.
- The textile company will float 3.40 crore shares at an issue price of BDT 10 each.
- A BSEC meeting, presided over by its chairman M Khairul Hossain, approved the IPO proposal, said a BSEC press release.
- The company will use the IPO proceed to construct factory building, purchasing capital machinery, install electric transformer and generator, pay banks' loans, and to meet up IPO expenses.
- As per the entity's audited financial statement for the year ended on June 30, 2017, company's net asset value per share and weighted average earnings per share are BDT 20.48 and BDT 1.94 respectively.
- NRB Equity Management is the issue manager of the company's IPO.

<https://www.thedailystar.net/business/banking/nbfis-warned-over-attracting-depositors-messages-1595821>

Economy

Banks to cut lending rates in phases

The Daily Star, June 27, 2018

- Banks are sticking to their directors' decision to bring down the lending rates to 9 % from July 1 amid growing dilemma over how to execute the plan for a large number of loan products.
- Banks lend under different categories: industrial loan, manufacturing loan, working capital, SME loan, credit card, retail and wholesale loans, and many more.
- Some of these loans such as SME and credit card are unsecured and the operating costs of these loans are higher than others, leading lenders to charge more for these products.
- For example, banks charge 30 % or more for credit cards and 16-18 % for SME loans.
- But the Bangladesh Association of Banks (BAB), a forum of directors of the private banks, last week issued a directive asking all of its member banks to reduce the interest rate to 9 % from 12-15 % now without specifying any loan product. It also asked banks to bring down the deposit rate to 6 %.
- The banking sector has been going through a difficult period for a long time because of liquidity crisis, poor governance and loan scams in recent years.
- The BAB has taken advantage of the situation and successfully lobbied with the government to win some concessions, which include a one-%age point cut in cash reserve ratio and an increase in the share of private banks in the deposits of the state-owned entities.

<https://www.thedailystar.net/business/banking/banks-cut-lending-rates-phases-1595836>

Deposit govt funds with PCBs at rates below 6.0pc: ABB

The Financial Express, June 27, 2018

- Top executives of the private commercial banks (PCBs) have urged the Bangladesh Bank (BB) to ensure depositing the government's fund with their banks at rates below 6.0 % for implementing the single-digit lending rate.
- The leaders of Association of Bankers, Bangladesh (ABB) have also requested the central bank to intervene in the public sector banks for depositing their funds with the PCBs at maximum 6.0 % interest rate.
- ABB made the appeals at a meeting held at BB headquarters in the capital on Monday with BB Governor Fazle Kabir in the chair.
- "The ABB leaders are committed to implement the proposed cut in the banks' lending and deposit rates within the stipulated timeframe," a senior central banker told the FE after the meeting.
- On June 20, Bangladesh Association of Banks (BAB) decided to bring down the interest rates on both lending and deposit at 9.0 % and 6.0 % respectively from July 01.
- "The BB governor may talk with the finance minister regarding depositing the government's fund at interest rates below 6.0 %," the central banker said.
- The government allowed the state entities to deposit 50 % of their funds with the PCBs instead of the previous 25 % to meet their growing demand for liquidity.
- The PCBs are forced to offer higher interest rates on deposit to comply with the advance-deposit ratio (ADR) rules and the commitments made to their clients, they added.

<https://thefinancialexpress.com.bd/economy/bangladesh/deposit-govt-funds-with-pcbs-at-rates-below-60pc-abb-1529984721>

FY 19 budget to be passed today

New Age, June 27, 2018

- The proposed finance bill will be passed in parliament today while the annual budget for the 2018-19 will be passed on Thursday.
- At an unscheduled briefing on Tuesday at his secretariat office, finance minister AMA Muhith revealed the decisions.
- Answering questions, he ruled out changes in the proposed corporate tax rate and individual tax payers ceiling despite widespread criticisms since the announcement of the budget.
- Proposal of 2.5 % cut in corporate tax for bank companies and keeping the income tax threshold unchanged by in the proposed budget have been criticised as 'boon for affluent and bane for middle class' by many including the ruling party allies.
- The finance minister likely to clarify the proposal for imposition of value added tax on virtual shopping to clear the confusion that online shopping has been proposed to be taxed.
- He would announce slashing five % VAT on internet use to 10 % from the proposed 15 following urge by telecommunications and ICT minister Mustafa Jabbar and ICT industry leaders.
- On June 7, Muhith announced a series of measures while proposing a budget outlay of BDT 4,64,573 crore for 2018-19 financial year in parliament.
- For expediting the implementation of the annual development programme of BDT 1,73,000, Muhith proposed releasing fund in favour of project directors from July 1, the first day of the financial year.
- For financing the BDT 1,25,293 crore budget deficit, the finance minister projected that BDT 54,067 would be taken as loan from the external sources and BDT 71,226 would be taken from domestic sources.

<http://www.newagebd.net/article/44531/fy-19-budget-to-be-passed-today>

International

Global Trade Concerns Send Singapore Stocks to a Nine-Month Low

Bloomberg News, June 27, 2018

- Singapore stocks slumped to their lowest level in almost nine months as concerns about prospects for global trade dragged markets lower.
- The Straits Times Index dropped 0.8 % at the close after briefly entering a correction zone. The gauge has slid 9.8 % since its May 2 peak, nearing its first 10 % slide from peak to trough in more than two years.
- Trade tensions between the U.S. and other economic behemoths and rising interest rates have jolted markets, along with worries over higher crude oil prices. Benchmark gauges in Malaysia, Vietnam and Thailand have entered a correction, and the Philippines Stock Exchange Index slid into a bear market territory last week, holding on to its title of Asia's worst market this year
- "Singapore has been hit because it is a liquid market where foreigners can pull out enough volume and at a quick enough pace," said Nicholas Teo, a trading strategist at KGI Securities (Singapore) Pte. Teo sees "significant headwinds" for the rest of the year from prospects of higher rates and trade war concerns.
- Morgan Stanley strategist Jonathan Garner wrote that deteriorating economic backdrop amid Fed tightening, weaker liquidity in China, strengthening dollar and escalating trade tensions between U.S. and China, have led to significant downgrades in index targets across Asia.

<https://www.bloomberg.com/news/articles/2018-06-25/global-trade-concerns-spur-a-correction-for-singapore-equities>

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