

Stock Market

Weekly analysis: Stocks extend losing streak for 13th week

DSEX sheds 684 points in three months

The Financial Express, April 27, 2019

- Stocks extended their losing streak for the 13th straight week that ended on Thursday, as nervous investors continued to dump their shares to avoid further losses. The Dhaka Stock Exchange (DSE) saw BDT 321 bn of its market cap wiped out in the past three months while the benchmark index shed 684 points or 11.50 % during the period.
- Week on week, the DSEX, the prime index of the DSE, settled 55.23 points or 1.04 % lower at 5,266. Two other indices also followed suit. The DS30 index, comprising blue chips, fell 33.64 points to finish at 1,864 and the DSE Shariah Index lost 12.74 points to close at 1,214.
- The total turnover stood at BDT 13.66 bn last week against BDT 12.32 bn in the week before. The daily turnover averaged out at BDT 3.41 bn, registering an increase of 10.84 % over the previous week's average of BDT 3.08 bn.
- Block trade contributed 5.80 % to the week's total turnover, with stocks like Prime Bank, Mutual Trust Bank, Islami Bank and Square Pharma dominating the block trade board. The investors' panic sell-offs in the bearish market pushed down the DSEX to 5,266 points on Thursday from 5,950 points in January 24, 2019, said the stockbroker.
- The large-cap sectors witnessed the highest loss of 5.63 %, followed by food (2.36 %), engineering (2.05 %), and telecommunications (1.38 %). The non-bank financial institutions, pharmaceuticals and banking sectors also shed 0.90 %, 0.34 % and 0.05 % respectively.
- Losers outnumbered the gainers, as out of 348 issues traded, 224 closed lower, 96 ended higher and 28 issues remained unchanged on the DSE floor. Fortune Shoes dominated the turnover chart, with 26.34 mn shares worth BDT 1.0 bn changing hands. The company accounted for 7.33 % of the week's total turnover.
- The other turnover leaders were Monno Ceramic, United Power, Bangladesh Submarine Cable Company and National Tubes. Standard Insurance was the week's best performer, posting a gain of 26.35 % while Agrani Insurance was the biggest loser, shedding 16.69 %.

<http://thefinancialexpress.com.bd/stock/weekly-analysis-stocks-extend-losing-streak-for-13th-week-1556339843>

STOCKS VOLATILITY

ICB seeks share buy-back system for listed cos

New Age, April 28, 2019

- State-run Investment Corporation of Bangladesh has suggested that the finance ministry should introduce share buy-back by companies whose shares are trading at prices below their issue prices at the country's stock market, allow investment of undisclosed money in the capital market and resume subscription of ICB unit fund to stabilise the market.

- ICB on April 17 sent to the ministry a set of proposals that included the suggestions. The Dhaka Stock Exchange's key index, DSEX, lost 683 points in last 13 weeks that wiped out BDT 30,537 crore in market capitalisation, sending investors into a panic.
- The state-run investment firm in the letter recommended that the listed companies (except mutual funds) whose shares were trading at prices below their issue prices be forced to buy back shares.
- The subscription of ICB Unit Fund remained closed after the capital market development programme loan agreement between the government and Asian Development Bank. The single exposure rule of Bangladesh Bank limited the capacity of ICB as it has to adjust the additional amount collected from depositors.
- Despite the then finance minister's request to reconsider the single exposure limit on June 18 last year, the central bank is yet to provide any directive regarding the matter. In 2011, the government sent letters to the government offices to invest in ICB's closed-end deposit scheme to resuscitate the market.
- ICB has recently issued BDT 2,000 crore in bonds where bonds worth BDT 1,390 crore were subscribed. ICB in its April 17 letter suggested that Sonali Bank and General Insurance Corporation should subscribe BDT 500 crore and BDT 110 crore respectively.

<http://www.newagebd.net/article/70893/icb-seeks-share-buy-back-system-for-listed-cos>

BSEC yet to approve Norfund proposal to buy 10pc equity shares of MTB

The Financial Express, April 25, 2019

- The proposal regarding issuance of a substantial amount of shares to a foreign investment fund by Mutual Trust Bank (MTB) is yet to get regulatory approval though the bank sought permission from the BSEC almost six months back.
- Norfund, owned by the Norwegian government, in September of 2018 reached an agreement to buy 10 % equity shares in Mutual Trust Bank at more than BDT 1.73 bn. After a series of negotiations, both sides have agreed to make the deal at BDT 27.19 a share, including BDT 17.19 as premium
- In exchange, Norfund will get a seat in the board of the bank. Asked, a senior official of the Bangladesh Securities and Exchange Commission (BSEC), however told the FE on Wednesday that the bank's proposal is under their active consideration.
- The MTB sought approval from the securities regulator on November 6 last after completing relevant processes including approvals from the central bank and shareholders. Presently, the bank's paid-up capital stands at BDT 5.73 bn and it will go up to BDT 7.46 bn thanks to the injection of the fund.
- Earlier this year Norfund signed an agreement with MTB to provide a concessional loan of \$20 mn for the socio-economic development of Bangladesh. Norfund gave equity and loans to Brac Bank in 2010 and loans to City Bank in 2017.

<http://thefinancialexpress.com.bd/stock/bsec-yet-to-approve-norfund-proposal-to-buy-10pc-equity-shares-of-mtb-1556167073>

Economy

Steel industry booming on mega projects

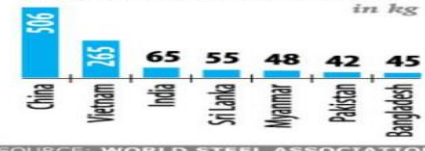
The Daily Star, April 28, 2019

- Bangladesh's steel industry is going from strength to strength thanks to a construction boom and implementation of mega infrastructure projects, said experts and a study report. A decade ago consumption of steel, which includes mild steel rod, prefabricated steel and corrugated iron sheet, was 1.6 mn tonnes and last year it stood at about 7.5 mn tonnes, according to industry players.
- Government projects account for 35 percent to 40 percent of the total steel consumed in Bangladesh, up from 15 percent a decade ago. And last year seven mega projects picked up steam, according to the report. Today, steel is almost a BDT 50,000 crore industry, according to sector people.
- At present, Bangladesh's steel consumption is significantly lower than the global average, according to the World Steel Association, the international trade body for the iron and steel industry. Currently, the per capita consumption in Bangladesh is 45kg whereas the global average is 208kg. In India, the average is 65.2kg and in Pakistan 42kg.
- Per capita steel consumption is much higher in developed countries—400 kg in South Korea, 600 kg in the USA and 1,000 kg in Japan. It is this potential that has perhaps convinced Chinese steel giant Kunming Iron & Steel Holding Company to fork out \$2.4 bn to set up a steel manufacturing plant in Bangladesh.

STEEL SECTOR AT THE END OF 2018

Production capacity: **80** lakh tonnes
Consumption: **75** lakh tonnes
Growth rate: **37.5** percent
Industry size: Around Tk **50,000** crore
Active mills: **40**
Market share: AKS and BSRM hold around **50** percent

PER CAPITA STEEL USE IN PEER COUNTRIES IN 2018



SOURCE: WORLD STEEL ASSOCIATION

<https://www.thedailystar.net/business/news/steel-industry-booming-mega-projects-1735855>

Bangladesh Bank may offer bailout to ailing NBFIs

New Age, April 28, 2019

- Bangladesh Bank is likely to formulate a bailout plan for up to eight non-bank financial institutions which have no capacity to return clients' money. The central bank may take the initiative as the finance ministry is yet to respond to its proposal on liquidation of Bangladesh Industrial Finance Corporation.
- Following request from NBFIs, BB also informed that NBFIs would not be forced to increase their paid-up capital to BDT 200 crore as the overall financial sector has been going through a liquidity shortage problem. As per the September-quarter end report of 2018, the amount of defaulted loans in the non-bank financial sector stood at BDT 7,890 crore, representing 11.2 % of the outstanding loans.
- At the end of December, 2017, the defaulted loan amount was BDT 4,520 crore. Of the NBFIs in the red zone, 95.31 % outstanding loans of Bangladesh Industrial Finance Corporation had become defaulted. The amount of defaulted loans in First Finance was 37.5 %.
- For the last instance, the central bank in April this year relaxed defaulted loan classification rules, extending the time for treating overdue loans as doubtful and bad, giving further break to banks in this connection.

- Earlier in February this year, the central bank relaxed loans write-off policy by extending banks capacity to write-off loans worth BDT 2 lakh. Previously the limit was BDT 0.5 lakh. In April last year, the government reduced commercial banks' mandatory cash reserve ratio to 5.5 % of their deposits from 6.5 %.

<http://www.newagebd.net/article/70985/bangladesh-bank-may-offer-bailout-to-ailing-nbfis>

Banks focus more on loan restructuring than cash recovery

BIBM survey finds

The Daily Star, April 24, 2019

- Loan rescheduling and restructuring were the banks' most preferred mode for recovering loans last year, found a recent survey. All banks had resorted to restructuring to recover their bad loans last year, while 93.10 % employed rescheduling, found the survey styled 'Credit Operation of Banks' by the Bangladesh Institute of Bank Management (BIBM).
- The disclosure casts suspicion on banks' recent proclamations of intensified recovery efforts to bring down the sector's non-performing loans. After grazing BDT 1 lakh crore in the third quarter of 2018, the banking sector's total NPLs stood at BDT 93,370 crore at the year's end, which is 10.30 % of the total outstanding loans, according to data from the Bangladesh Bank.
- Arbitration is getting popular in recovering loans, with 62.50 % taking up the tool last year, up from 41.38 % in the previous year, according to the survey. Lending to a single client by multiple banks has become an acute problem to the sector's credit management.
- Some 90.63 % of the banks faced the problem in the last year, up from 86.21 % a year earlier. The survey identified interest waiver and urban concentration as the other problems. Some 72 % of the banks faced the problem of interest waiver last year, while 62.50 % perceived urban concentration as a hurdle for credit operation.

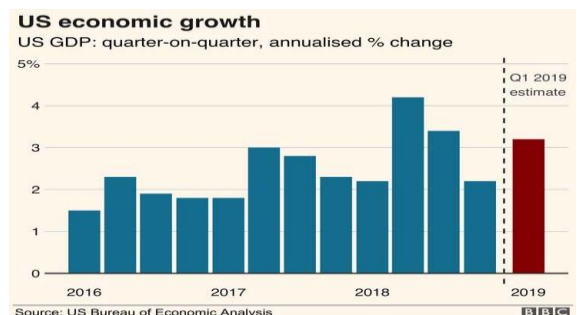
<https://www.thedailystar.net/business/news/banks-focus-more-loan-restructuring-cash-recovery-1733758>

International

US economy grows faster than expected

The Financial Express, April 27, 2019

- The US economy grew much faster than expected in the first quarter (Q1) of the year, helped by a jump in exports and by firms building up stocks of goods. The economy expanded at an annualized pace of 3.2 % in the January-to-March period, well above analysts' forecasts.
- The first largest economy of the world has accelerated since the previous quarter, when it grew at a pace of 2.2 percent. However, some analysts warned growth had been boosted by one-off factors, and could slow in the months ahead, reports BBC.



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- The growth figures - which are subject to revision in the months ahead - appeared to dispel any fears of an economic slowdown. Trade helped to boost growth in the first quarter, as exports rose while imports fell. Companies also built up inventories of goods at the fastest rate since the second quarter of 2015.
- However, consumer spending, which drives about two-thirds of economic activity in the US, grew by only 1.2 % in the Q1, down from a rate of 2.5 % previously.

<http://thefinancialexpress.com.bd/economy/global/us-economy-grows-faster-than-expected-1556350232>

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