

Stock Market

Stocks slide for 3rd day as investors on edge

New Age, May 30, 2018

- Dhaka stocks slid for the third consecutive session on Wednesday as investors were on edge amid a prolonged downward trend at the market.
- DSEX, the key index of Dhaka Stock Exchange, shed 0.25 %, or 13.94 points, to close at 5,395.75 points on Wednesday.
- The key index lost 61 points in last three trading sessions. The index shed 343 points in last 20 sessions in this month with just three positive sessions.
- On Wednesday, the market remained upbeat for a couple of hours but then moved downward sharply, ending the session in the negative trajectory, market operators said.
- They said the market began to fall continuously from the end of April when banks declared poor earnings and dividends exposing the bleak situation in the financial sector.
- On top of that, the media reports on scams and huge defaulted loans in the banking sector also dampened the investors' mood, market operators said.
- Now, investors are more concerned about the upcoming national budget which is scheduled to be announced on June 7.
- So, most of the investors remained on the sidelines to observe the market movement, market operators said.
- The turnover at the DSE dropped to BDT 461.30 crore on Wednesday compared with that of BDT 564.35 crore in the previous session.

<http://www.newagebd.net/article/42477/stocks-slide-for-3rd-day-as-investors-on-edge>

Golden Harvest's subsidiary inks deal with IFC Infraventures

The Financial Express, May 30, 2018

- Golden Harvest Ice Cream Limited, a fully owned subsidiary company of Golden Harvest Agro Industries, has signed an agreement with IFC Infraventures on Tuesday.
- Under the agreement, the companies will cover feasibility, pilot and scale up of jointly investing in US\$ 30 Mn (approximately) nationwide cold chain operation project in Bangladesh.
- Both IFC Infraventures and Golden Harvest Ice Cream plan to invest equity into the project.
- A cold chain network is a logistics system, which helps maintain and provide a series of facilities to ensure ideal storage conditions for perishable items from the point of origin to the point of sales.
- Golden Harvest is Bangladesh's one of the leading business groups with diversified interests in food, dairy, commodity, information technology, logistics, real estate, aviation, infrastructure development and insurance.
- Each share of the Golden Harvest, which was listed on the Dhaka bourse in 2013, closed at BDT 37.90 on Tuesday.

<https://thefinancialexpress.com.bd/stock/golden-harvests-subsiadiary-inks-deal-with-ifc-Infraventures-1527666227>

Opening of BO accounts slumps last nine month

The Financial Express, May 30, 2018

- About 121,386 beneficiary owner (BO) accounts were opened in last nine months, according to a stock market depository service provider.
- Data available with the Central Depository Bangladesh Limited (CDBL) shows the number of active BO accounts was 2,662,880 as of August 31, 2017.
- The BO accounts opened in the last nine months pushed up the total number above 2.78 Mn as of May 29 last.
- Stock brokers said the rate of opening new BO accounts was not up to the mark in the last nine months.
- It happened because of the cut in the IPO (initial public offering) quota for general investors, they stated.
- The IPO quota has been reduced in the revised public issue rules.
- Women own around one-fourth of the total number of BO accounts found active until Tuesday.
- The number of active BO accounts owned by males is above 2.03 Mn.
- Women and companies own 737,043 and 12,242 BO accounts respectively.
- Under the book building method, general investors can apply for only 30 % of IPO shares.
- The number of active BO accounts was 2,926,932 as of June 30, 2017.
- Later in the next two months, about 264,052 active accounts were closed due to non-payment of annual account maintenance fees.

<https://thefinancialexpress.com.bd/stock/opening-of-bo-accounts-slumps-last-nine-month-1527661662>

Economy

Bangladesh Bank cuts interest spread to rein in soaring lending rate

New Age, May 30, 2018

- Bangladesh Bank on Wednesday cut banks' interest rate spread by 1 % points and took a number of other steps to halt the rising interest rate on loans.
- The BB reduced the interest rate spread, the difference between interest rates on borrowing and lending, to 4 % points from 5 % points with an immediate effect.
- Interest rates on credit cards and consumer loans, however, would not be included in determining spread of banks, said a Bangladesh Bank circular issued in this regard on Wednesday.
- The BB circular issued by its banking regulations and policy department said the central bank under its circulars in 2015 asked banks to limit weighted average interest rate spread of advance and lending within 5 % points.
- The central bank, however, observed that banks were increasing rates of interest on different loan products gradually.
- It also mentioned that the recent hike in interest rates on loan products as illogical and alarming.

<http://www.newagebd.net/article/42480/bangladesh-bank-cuts-interest-spread-to-rein-in-soaring-lending-rate>

Govt to import 500MW of power from Tripura

The Daily Star, May 30, 2018

- The government yesterday approved a BDT 1,342-crore project to set up a high-voltage sub-station in Comilla in order to import 500 megawatts of electricity from Tripura, India.
- The approval came at a meeting of the Executive Committee of the National Economic Council (Ecne) chaired by Prime Minister Sheikh Hasina at the NEC conference room in Sher-e-Bangla Nagar in Dhaka.
- The Asian Development Bank will provide BDT 1,019.79 crore for the project, the government BDT 252.51 crore and Power Grid Company of Bangladesh (PGCB) BDT 69.96 crore.
- Briefing reporters after the meeting, Planning Minister AHM Mustafa Kamal said the imported power would be passed on to the national grid through the station. Bangladesh will import 500MW from Tripura due to a shortage of power and in future Bangladesh may export power to India through the station when its generation is in the surplus.
- For this reason, the back-to-back station will be set up to keep the export option open, Kamal added.
- The transmission line from Tripura to Comilla will be set up entirely with the government funds.
- PGCB will implement the project between July 2018 and June 2022.
- Currently, Bangladesh imports 160MW of power from Tripura.

<https://www.thedailystar.net/business/govt-import-500mw-power-tripura-1583620>

Recapitalization of state owned banks to continue

Dhaka Tribune, May 30, 2018

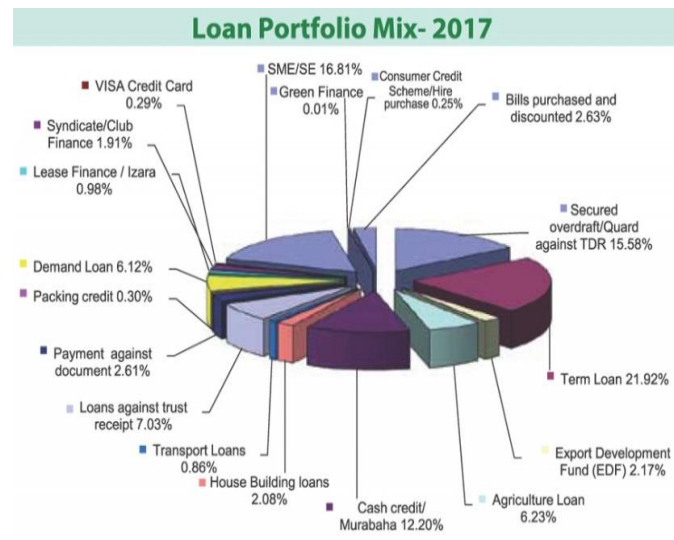
- The government once again plans to allocate funds for the recapitalization of state-owned banks (SoBs) in the upcoming budget for the next fiscal year (FY 2018-19), according to sources at the Ministry of Finance.
- Ministry insiders say the government is likely to allocate BDT2,000 crore of public money to ease the SoBs' capital deficit, despite this move facing heavy criticism from noted economists in the past.
- Finance Minister AMA Muhith might make the declaration in his budget speech on June 7.
- Recapitalization is a type of corporate reorganisation involving substantial change to a company's capital structure, motivated by a number of reasons. Usually a large portion of equity is replaced with debt or vice-versa.
- However, in Bangladesh, recapitalization is being termed a "black hole" by the financial sector, as the SoBs were involved in every one of the largest loan scams, and the banks' defaulted loans stood at 26.52% as of December 2017.

<https://www.dhakatribune.com/business/banks/2018/05/30/recapitalization-of-state-owned-banks-to-continue>

Term loan, SME share major loan portfolio of Standard Bank

The Financial Express, May 30, 2018

- Term loan and small and medium enterprises (SME) continued to grab the major loan portfolio of Standard Bank Ltd.
- As per the loan portfolio mix-2017 of the bank, term loan accounted for 21.92 %, SME 16.81 %, secured overdraft against TDR (term deposit receipts) 15.58 % and cash credit/murabaha 12.20 % of the total advances.
- "We will maintain asset quality by restricting increase of non-performing assets through early detection, monitoring and corrective actions," Mamun Ur Rashid, managing director & CEO of Standard Bank said in the latest annual report of the third generation private commercial bank.
- "Our Bank is committed to ensure a prudent asset liability management by maintaining a good credit portfolio through diversification of business with focus on SME, retail credit and import-export business," Mr Mamun Ur Rashid said.



<https://thefinancialexpress.com.bd/stock/bangladesh/term-loan-sme-snare-major-loan-portfolio-of-standard-bank-1527705249>

Private credit growth nosedives in April

The Daily Star, May 30, 2018

- Private sector credit growth saw a dramatic fall in April as banks put the brakes on their lending activities to adjust their loan-deposit ratio ceiling as per the central bank's instruction.
- Last month, credit growth stood at 13.6 %, down 4.33 % points from the previous month, according to data from the central bank.
- The growth rate was far below the monetary target of 16.3 % set for the second half of the fiscal year - and a stark contrast to the preceding nine months.
- At the end of April, total outstanding private sector credit stood at BDT 8.81 lakh crore.
- The steep fall in credit supply to the private sector was due to the banks not having the available funds to give out loans, said Md Arfan Ali, managing director of Bank Asia.
- "Though there is still excess liquidity of BDT 80,000 crore in the banking system, most of the private banks are going through fund shortage."
- The rising interest rate for lending also accounts for the slow credit growth, he said, adding that the chances of the rate coming down in the near future are slim.

<https://www.thedailystar.net/business/private-credit-growth-nosedives-april-1583629>

International

Asia stocks rebound, euro pulls off lows as Italy anxiety cools

Reuters, May 31, 2018

- Asian stocks extended a global sell-off on Wednesday as Italy's political crisis rippled across financial
- Asian stocks rebounded from a two-month trough on Thursday, while the euro enjoyed a respite after sinking to its lowest in 10 months as political turmoil in Italy that had roiled global financial markets showed signs of easing.
- MSCI's broadest index of Asia-Pacific shares outside Japan .MIAPJ0000PUS gained 0.56 % after slumping to its weakest since the start of April on Wednesday.
- Hong Kong's Hang Seng .HSI rose 0.5 %, South Korea's KOSPI .KS11 added 0.6 % and Japan's Nikkei .N225 advanced 0.5 %.
- The Shanghai Composite Index .SSEC rose 0.9 % after data showed China's factory growth in May accelerated strongly and well above forecasts to an eight-month high.
- Overnight, the Dow .DJI rose 1.25 % and the S&P 500 .SPX climbed 1.27 %.
- Stocks in Italy, the epicenter of the latest market tumult, bounced back 2.1 % .FTMIB on Wednesday. But it had given up all the gains made in 2018. [.EU]
- Global stocks were battered, safe-haven government bond yields fell sharply and the euro tumbled earlier in the week after Italy's two anti-establishment parties scrapped plans to form a coalition.

<https://www.reuters.com/article/us-global-markets/asia-stocks-rebound-euro-pulls-off-lows-as-italy-anxiety-cools-idUSKCN1IW02C>

China says reserves right to retaliate to U.S. actions against its investments

Reuters, May 31, 2018

- The United States' measures against China's investments are against World Trade Organization rules, and China reserves the right to take countermeasures, the commerce ministry said on Thursday.
- China is not willing to see an escalation in Sino-U.S. trade frictions, and believes the two countries have a huge potential for cooperation, Ministry of Commerce spokesman Gao Feng told reporters at a regular news briefing.
- After trade tensions between the two countries appeared to cool following talks in Washington earlier in the month, the U.S. on Tuesday said it still holds a threat of imposing tariffs and will press ahead with restrictions on investment by Chinese companies in the United States.

<https://www.reuters.com/article/us-usa-trade-japan/trump-giving-japans-abe-a-hard-time-on-trade-despite-close-ties-idUSKCN1IU0PA>

Bond fund managed by Bill Gross has its worst day ever

CNBC, May 30, 2018

- The portfolio manager's Janus Henderson Global Unconstrained Bond Fund declined by nearly 3 %, its worst day since inception, as bond market volatility surged on Italian geopolitical concerns.
- The fund is now down 5.9 % for the year to date through Tuesday, according to Morningstar.
- As of the end of March, the fund had minimal, if any, exposure to Italy. The European country, in the headlines this week because of political turmoil, is not listed among the fund's 10 largest country exposures.
- Instead, the drop in performance may have been driven by a negative bet against Treasury bonds, looking for their price to fall.
- On Tuesday, bond prices rallied as yields tumbled when investors grasped for a safe haven from the prospect of another euro zone crisis.
- The yield on the benchmark 10-year Treasury note broke below 2.8 % on Tuesday, declining more than 15 basis points from the previous session and off its highs above 3.13 % earlier this month.
- Bond yields move inversely to prices.
- Gross is the portfolio manager of the firm's \$2.1 Bn Global Unconstrained Bond Fund. Previously, he co-founded and was chief investment officer of Pimco.

<https://www.cnn.com/2018/05/30/bond-fund-managed-by-bill-gross-has-worst-day-ever.html>

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.