

Stock Market

Stocks rebound on dialogue prospects

The Daily Star, October 31, 2018

- Stocks rebounded yesterday on the back of positive development on the political front and the premier bourse's disbursement of funds obtained from the 25% stake sell-off to the Chinese consortium. DSEX, the benchmark index of the Dhaka Stock Exchange, rose 52.56 points, or 1%, to close the day at 5,299.07 points.
- The Dhaka bourse yesterday handed over the first three cheques among the brokers as part of its plan to distribute a total of BDT 947 crore out of the BDT 962 crore that it received after selling 25% stakes to the consortium of Shanghai Stock Exchange and Shenzhen Stock Exchange.
- Meanwhile, Golden Harvest Argo Industries said its board has decided to issue rights shares for each of the existing ones at BDT 10 a share, according to a notice published on the DSE website. The rights issue is an offer of new shares by a company to its existing shareholders, usually at a discounted rate, in proportion to the shares they already own.
- Turnover, another important indicator of the market, climbed 24.77% from the previous day to BDT 552.49 crore. Khulna Power was the top traded stock with its transaction of 39.08 lakh shares worth BDT 48.84 crore. It was followed by Shahjalal Islami Bank, Summit Power, Pharma Aids and Advent Pharma. SK Trims & Industries was the day's best performer with a 10% gain, while Standard Ceramic was the biggest loser, shedding 7.46%. Gainers outnumbered losers by 231 to 73, while 34 securities remained unchanged.



<https://www.thedailystar.net/business/news/stocks-rebound-dialogue-prospects-1654156>

DSE starts disbursing sales proceeds to members

New Age, October 31, 2018

- Dhaka Stock Exchange on Tuesday started disbursing the strategic share sales proceeds to its shareholders after National Board of Revenue slashed the bourse's members' capital gains tax to 5% from 15%. DSE recently sold its 45,09,44,125 ordinary shares at BDT 947 crore to a Chinese consortium of Shenzhen and Shanghai stock exchanges to make the group its strategic partner.
- DSE distributed the share of sales proceeds to three members till filing of the report at 7:00pm. The Chinese group joined the DSE board after depositing BDT 947 crore on September 4, but the amount could have not been distributed to the DSE members before settling the tax issue. The issue of tax cut proposal came to the fore since the sales of the DSE shares to the Chinese consortium. On May 14, 2018, The DSE members had demanded a full waiver of the tax.
- The finance ministry, after analysing the proposals put forward by Bangladesh Securities and Exchange Commission, decided that tax on the bourses' shareholders' capital gains from sales of blocked shares should be 5% from 15% on condition that the shareholders would invest the net sales proceeds in the capital market for three years' duration.

<http://www.newagebd.net/article/54605/dse-starts-disbursing-sales-proceeds-to-members>

Brac Bank offers agent banking

The Daily Star, October 31, 2018

- Brac Bank has decided to go big with agent banking in a bid to get business by providing financial services to the unbanked. As part of the move, the SME-focused bank plans to recruit 5,000 agents in the next five years. Abed, also founder and chairperson of microfinance institution Brac, inaugurated the new banking window simultaneously at all eight divisions through a video conference.
- The customers living in remote areas will be able to access many services at the agent banking outlets of the bank. They will be able to open accounts, deposit and withdraw cash, avail deposit premium scheme and fixed deposit receipt, transfer funds, receive foreign remittance, pay utility bills and insurance premiums and get disbursed loans.
- Selim RF Hussain, managing director of Brac Bank, said the bank's new window, which includes biometric verification and digital capabilities, would bring convenience to people, providing them round-the-clock banking services.

<https://www.thedailystar.net/business/banking/news/brac-bank-offers-agent-banking-1654132>

Pacific Jeans investing \$100m to diversify products

The Daily Star, October 31, 2018

- Top denim maker Pacific Jeans is spending \$100 mn to set up two new factories in Chattogram in two years with the view to diversifying product base. One of the units, Pacific Knitex, will produce fabrics, while the other, Pacific Casuals, will make activewear, which would help the company broaden its product offerings from denim.
- North America dominates the global activewear industry thanks to its endless appetite for the athleisure trend. Athleisure is a trend in fashion in which clothing designed for workouts and other athletic activities is worn in other settings such as at the workplace, schools or other casual or social occasions.
- The European activewear market is also growing exponentially due to high popularity of sporting events, which led to increased participation and high demand for replica team jerseys and outerwear. Tanvir, who joined Pacific Jeans after completing his postgraduation degree in international marketing in 2004, has made the company the country's leading denim exporter in the last one decade.
- Pacific Jeans, founded by his father M Nasir Uddin in a small scale in the Chattogram Export Processing Zone (CEPZ) in 1994, exports premium denim products. The price ranges from \$50 to \$180 a piece. It employs 26,000 people in its five factories located in the CEPZ. The new facilities will create another 5,000 jobs.

<https://www.thedailystar.net/business/news/pacific-jeans-investing-100m-diversify-products-1654168>

Libra Infusion's share price jumps 29pc

The company recommends 20pc stock dividend

The Financial Express, October 30, 2018

- Share price of Libra Infusion jumped more than 29% following the news that the company recommended 20% stock dividend for the year ended on June 30, 2018. The pharma & chemicals sector company's share traded between BDT 750 and BDT 950, before closing at BDT 925.50 each. The company's share price rose more than BDT 209 each on Monday. The company's share price hovered between BDT 480 and BDT 1,334.80 each in the last one year.
- The board of directors of the company has recommended 20% stock dividend for the year ended on June 30, 2018, according to an official disclosure on Monday. The final approval of dividend will come during the annual general meeting (AGM) scheduled to be held on December 22 in Dhaka.

- The record date of the company is on November 20. The company has also reported earnings per share (EPS) of BDT 5.01, net asset (NAV) per share of BDT 1,593.00 and net operating cash flow per share (NOCFPS) of BDT 3.39 for the year ended on June 30, 2018 as against BDT 4.86, BDT 1,578.00 and BDT 1.75 respectively for the same period of the previous year.
- Libra Infusion, which was listed on the Dhaka Stock Exchange (DSE) in 1994, disbursed 30% cash dividend last year. The company's paid-up capital is BDT 12.52 mn and authorised capital is BDT 100 mn, while the total number of securities is 1.25 mn. The sponsor-directors own 34.43% stake in the company while the institutional investors own 13.86% and the general public 51.71% as on September 30, 2018, the DSE data shows.

<http://thefinancialexpress.com.bd/stock/libra-infusions-share-price-jumps-29pc-1540875997>

NPLs eating into the vitals of banking industry

The Financial Express, October 30, 2018

- Bangladesh's banking industry comprises 58 banks that include six state-owned commercial banks (SoCBs), three specialised banks (SBs), nine foreign commercial banks (FCBs) and 40 private commercial banks (PCBs). The banking remains one of the weakest sectors because of downgraded asset quality, poor capitalisation, and very fragile internal control - particularly in the state-owned ones.
- Total deposit of six SoCBs amounts to BDT 959.39 bn which is about 28.3% of the total market size. The SoCBs have been losing gradually their market share to the PCBs over the years, but they are still the dominant players because of the government's ownership, support, and patronisation.
- Non-performing loans or NPLs in 58 banks have piled up to BDT 885.89 bn, i.e., 10% of the outstanding loan portfolio. They are predominantly concentrated among the SoCBs and SBs with the rate of bad loans to total loans standing at 29.8% and 22% respectively. The ratio for PCBs and FCBs are 4.9% and 7.3% respectively. Moreover, 80% of NPLs are in the bad loan category and not easily recoverable.
- Although the banking sector as a whole has been able to maintain its Capital to Risk (Weighted) Assets Ratio (CRAR) above the minimum regulatory requirement, the aggregate CRAR stands at around 10.11%. It is revealed from a stress test report that in case of increase in NPLs by 3.0%, 9.0% and 15% that would severely dent the performance of 4, 28 and 34 banks respectively.
- Moreover, if just the three largest borrowers of each bank were to default, 26 banks would become non-compliant with regard to maintaining their minimum regulatory CRAR. This highlights the vulnerability of the banking sector as a whole to moderate shock, poor risk management culture, and high concentration of risk due to uneven distribution of loan exposures. Defaulted loans have badly affected the capital base of the SoCBs. From 2009 onwards to 2018, the government has allocated BDT 145.05 bn fund in aggregate for re-capitalisation of the banks in public sector.
- Meanwhile, the size of written-off loans, since the introduction of the policy in 2003, surged to the staggering figure of around BDT 490 bn. Some of the factors which are found largely responsible for the accelerated growth of NPLs in the lending portfolios of the banks and FIs are as follows:

<http://thefinancialexpress.com.bd/views/reviews/npls-eating-into-the-vitals-of-banking-industry-1540913298>

Economy

Male migrants' remittance drops 11pc

The Daily Star, October 31, 2018

- Annual per capita remittance from the male migrants has fallen by 11% in 2017 compared to that in 2014, says a new study. The annual remittance from male migrants, which was BDT 218,812 each in 2014, came down to BDT 193,885, show data derived from surveys covering 6,143 households in 20 districts in 2014 and in 2017.
- However, remittance from the female migrants rose by 1.5% from BDT 109,652 each in 2014 to BDT 111,271 last year. But if it is adjusted to inflation, the remittance would fall by 15%, the study says. The number of Bangladeshi migrants has increased significantly in recent years. In 2014, 4.26 lakh Bangladeshis migrated to different countries. The number was 10.08 lakh last year.
- However, remittance from migrants fell to \$13.5 bn last year from \$14.9 bn in 2014, show Bangladesh Bank data. On the other hand, the average migration cost of Bangladeshis is still very high though it came down to BDT 3.42 lakh each last year from BDT 3.82 lakh in 2014. When migrants return from abroad and stay here, their income drops. This means the migrants' remittance has not been invested in a manner that leads to sustainable income of the migrants' households, she pointed out.

32% migrants face exploitation

Migration cost Tk 3.4 lakh each

Male migrants take 3yrs to recoup the cost

SOURCE: RMMRU STUDY

<https://www.thedailystar.net/frontpage/news/remittance-male-migrants-drops-11pc-1654177>

BB issues new guidelines for credit risk management

The Financial Express, October 31, 2018

- Bangladesh Bank has issued a set of guidelines for credit risk management for the country's scheduled banks with an aim to make the system more effective and time-befitting. The Banking Regulations and Policy Department (BRPD) of the central bank informed the media on Tuesday about the newly-adopted "Guidelines on Internal Credit Risk Rating System for Banks".
- The new model and guidelines will remain effective until June 30, 2019, said the BB circular, reports UNB. The central bank said once the new guidelines are followed properly, proper persons and organisation will get loans easily and the volume of the default loans of banks would be reduced.
- The restructured guidelines on credit risk management were issued at a time when the country's economists are concerned over the rising trend of the default and non-performing loans in the banking sector. The circular said the new model of guidelines has 20 sub-sectors under four main sectors. Meanwhile, 20 individual models were also included in the guidelines considering the characteristics, risk, financial capacity and efficiency of the management of each of the sub-sectors.

<http://thefinancialexpress.com.bd/trade/bb-issues-new-guidelines-for-credit-risk-management-1540914597>

Cut economic disparity to achieve SDGs by 2030

Experts suggest at PKSF's conference

The Daily Star, October 31, 2018

- The government should take steps to reduce economic disparity to achieve sustainable development goals by 2030, experts said yesterday. Sustainable development aims at reducing economic disparity, said Qazi Kholiquzzaman Ahmad, chairman of Palli Karma-Sahayak Foundation (PKSF).
- Corruption is the main barrier for the country's economic development and the government will be able to achieve more growth only if corruption is cut, said Abdul Mannan, chairman of University Grants Commission. Bangladesh should give more focus on clean energy and develop micro entrepreneurship to make the development sustainable, said Moazzem Hossain, professor of Griffith University in Australia.
- Three sessions were held on the first day of the conference where three papers were presented by local and international experts.

<https://www.thedailystar.net/business/news/cut-economic-disparity-achieve-sdgs-2030-1654147>

International

Yuan hits decade low on trade, economy fears

The Daily Star, October 31, 2018

- The Chinese yuan weakened to a decade low on Tuesday on concerns over China's slowing economy and the US trade war, but Beijing was expected to prevent it breaking the psychologically important 7 yuan per dollar barrier. The yuan drifted past 6.96 to the dollar, hitting its weakest levels since May 2008.
- Breaking 7 could further undermine market confidence and potentially trigger fresh US accusations that China was allowing the yuan to weaken to blunt the impact of tariffs that Washington has imposed on Chinese goods. A weaker yuan makes Chinese exports less expensive overseas, ameliorating some of the higher costs brought by the tariffs.
- China restricts the yuan's daily trading band, and a front-page commentary on Tuesday in the state-run Economy Information Daily said authorities were unlikely to let it hit 7 to the dollar. Washington has imposed tariffs on billions of dollars worth of Chinese goods as President Donald Trump tries to pressure Beijing to change trade policies that he says are unfair to US companies.
- The yuan is likely to remain weak as long as the trade row persists, Ben Kwong, executive director at KGI Asia, told Bloomberg News. Washington recently declined to officially label China a currency manipulator -- a designation that would have further escalated the trade fight -- but expressed concern over the yuan's weakness and Beijing's foreign exchange policies.

<https://www.thedailystar.net/business/news/yuan-hits-decade-low-trade-economy-fears-1654081>

Failure to reach Brexit deal would be damaging

Says boss of carmaker Bentley

The Daily Star, October 31, 2018

- The boss of carmaker Bentley said failure to reach a Brexit deal would be "quite damaging" to annual profit in the worst case scenario, limit the company's ability to invest and could lead to its plant closing for an additional few days.

- Chief Executive Adrian Hallmark told Reuters the firm was already preparing by building up some stocks and switching from the port of Dover to Immingham to bring in certain parts with more contingencies to be enacted from December if needed.
- Like the rest of the sector, the Volkswagen-owned brand, which builds roughly 11,000 vehicles at a northern English plant in Crewe, is worried about duties and 10% tariffs under World Trade Organization terms. London and Brussels hope to strike a Brexit agreement next month but Hallmark said if there was no deal by the end of the year, the automaker would have to consider stockpiling more and closing its plant for a few extra days to handle any disruption.
- Britain's overwhelmingly foreign-owned automotive industry employs more than 850,000 people and has been vocal about the benefits of keeping free and unfettered trade as thousands of cars, engines and parts move to and from the continent daily. The country's largest carmaker Jaguar Land Rover has warned that the wrong Brexit deal could cost it 1.2 bn pounds (\$1.5 bn) per year whilst Mini has moved its annual shutdown to April, just after Britain leaves the bloc.
- Aston Martin is even considering flying in car components if there are snarl-ups on motorways to and from Dover, prompting many, including Bentley, to consider other ports to help avoid delays. Prime Minister Theresa May has repeatedly said she will get a good deal for the industry with her Chequers plan, which has faced stiff opposition from many in her party, promising a common rulebook for goods with the EU to avoid disruption.
- While having to adapt to the uncertainties around Brexit, car firms are also preparing to provide electric and hybrid models as stricter air quality rules come into place and governments increasingly penalize the use of combustion engines.

<https://www.thedailystar.net/business/news/failure-reach-brexit-deal-would-be-damaging-1654102>

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