Stock Market & Company

2019 worst year for stocks after '10 crash

DSEX loses 16.73pc as investors' confidence hits bottom

NewAge, December 31, 2019

- Stock investors have suffered the worst year in 2019 since the market crash in 2010-11 with the key index of Dhaka bourse losing 16.73 per cent in the outgoing year.
- Market experts said that continued bleeding of the country's financial sector with rising bad loans, poor governance in the capital market and the government's apathy towards the market resulted in erosion of investors' confidence.
- DSEX, the key index of Dhaka Stock Exchange, plunged by 16.73 per cent, or 896.25 points, over the year of 2019 to close at 4,452.93 points on Monday, the last trading day of the year.
- Although the market gained 62 points in the last three sessions as some investors continued with bargain hunting in the hope that the market would be better in the coming days, many others remained worried as there was no move from the government and the regulators to improve fundamental issues related to the financial sector and governance, market experts said.
- After the December 30 general election in 2018, the market gained more than 700 points within three weeks in January this year, but lost the stream and never turned back. The market lost around 1,500 points in last 11 months' rout that eroded almost BDT 80,000 crore in market capitalisation. The capital market also witnessed a 13-per cent fall in the previous year.
- Observing the overall market scenario in last two years, investors felt a pinch of the market crashes occurred in 1996 and 2010. Therefore, investors became panicky and rushed for an exit from the market.
- Former Bangladesh Bank deputy governor Ibrahim Khaled told New Age on Monday that the market was unstable and sluggish in the year. Market regulator Bangladesh Securities and Exchange Commission completely failed to reform the market and the government must bring changes to the commission, he said. He said that the government should appoint honest, efficient and firm people to the commission to develop the market.
- The foreign investors withdrew funds worth BDT 970 crore in last nine months, adding woes to the market. In the outgoing year, the average share prices of textile sector plummeted by 30 per cent, non-bank financial institution 26.1 per cent, telecommunication 21.5 per cent, energy 10.0 per cent and bank 8.1 per cent.

http://www.newagebd.net/article/95096/2019-worst-year-for-stocks-after-10-crash

DSE flags off large-cap index

Index developed with assistance of Shenzhen bourse

The Daily Star, December 31, 2019

- Dhaka Stock Exchange yesterday flagged off the first of its planned three new indices developed in partnership with Shenzhen Stock Exchange as part of the country's premier bourse's plan to attract foreign investors.

- Called the CNI-DSE Large-Cap Index, its base value is 1,000 points and the base day is December 31 of 2015. Through the index, launched at the new office of the Dhaka bourse in Nikunja, foreign investors would get an idea of how the country's largest listed companies are faring.
- At present, 40 of the largest and most liquid listed companies are on the index, but the list of companies would be reviewed in every six months.
- Of the 40, 11 are banks: Brac, Eastern, National, Pubali, Al-Arafah Islami, United Commercial, Prime, Dutch-Bangla, Shahjalal Islami and City.
- There are six companies from the pharmaceuticals sector, 11 from power, one from telecommunication, two from food & allied, two from cement, three from engineering, two from miscellaneous and two from the non-bank sector.
- The weighted average of pharmaceuticals sector is 22.46 percent, power 18.14 percent, telecommunication 9.26 percent, food & allied 4.91 percent, cement 4.20 percent, engineering 3.20 percent, miscellaneous 3.02 percent and financial institutions 2.22 percent
- The index was conceived and developed by the DSE and Shenzhen Securities Information, a subsidiary of Shenzhen Stock Exchange. Two other indices of the partnership -- CNI-DSE Mid-Cap Index and CNI-DSE Small-Cap -- will be rolled out soon.
- Fundamentals and liquidity as well as total market capitalisation are considered for the constituents' screening, while free float capitalisation is used for index price calculation.

https://www.thedailystar.net/business/news/dse-flags-large-cap-index-1847482

DSE launches electronic info disclosure system

Introduces new index

NewAge, December 31, 2019

- The Dhaka Stock Exchange on Monday launched the electronic information disclosure and dissemination process for listed companies to ensure accuracy and transparency.
- The system will be introduced first on the DSE SME platform and later it will be incorporated in the main board of the bourse.
- DSE director Xie Wenhai, who represents the DSE strategic partner, and the DSE management made commitment that the whole information disclosure process on the market would be digitalised soon.
- The system aims to standardise the information disclosure process, to make it more efficient, accurate, inclusive and far-reach to all the parties involved.
- During the process, structured information disclosure content would be automatically generated and stored.
- The top 10 companies of the new index are Square Pharmaceuticals, Grameenphone, BRAC Bank, Renata, Beximco Pharmaceuticals, Pubali Bank, Lafargeholcim Bangladesh, Olympic Industries, Eastern Bank and National Bank, weighting 52.86 per cent of the index.

http://www.newagebd.net/article/95097/dse-launches-electronic-info-disclosure-system

Asset managers crying out for funds

17 hit hardest

The Daily Star, December 31, 2019

REASONS FOR AMCs' FUND CRISIS

Liquidity crisis in banks

Lacklustre stock market

Poor performance of most AMCs

Trust deficit for breach of rules

Sudden changes in policies on dividend

Tenure extension of closed-end funds

- As many as 39 percent of the asset management companies (AMCs) are failing to attract funds from investors thanks to thinning confidence on fund managers and the stock market. The AMCs form mutual funds by attracting money from individuals and corporate investors to put them in stocks, bonds and other assets.
- Individuals are drawn to the AMCs because, worldwide, they are the experts at making well-timed investment decisions on behalf of their clients and at providing healthy dividends. But investors' experience is not that sweet in Bangladesh as most of the AMCs here have displayed below-par performance, which analysts say took a toll on investor confidence.
- There are 44 AMCs in Bangladesh, of which 17 could not form or sustain mutual funds. Some of them have been showcasing this lacklustre performance since their inception five to nine years back.
- Only four listed mutual funds out of a total of 37 are trading at prices exceeding their face value, according to data from the Dhaka Stock Exchange.
- Despite such a situation plaguing the AMCs, the regulator gave out 11 more licences since 2018. Of the 17 AMCs that failed to get funds, Invest Asia Capital Asset Management and Alif Asset Management Company got their licences in 2009. The former failed to form any mutual fund in the past 10 years, while the latter did manage to form one but later saw unitholders withdraw their investments citing substandard performance.

https://www.thedailystar.net/business/news/asset-managers-crying-out-funds-1847476

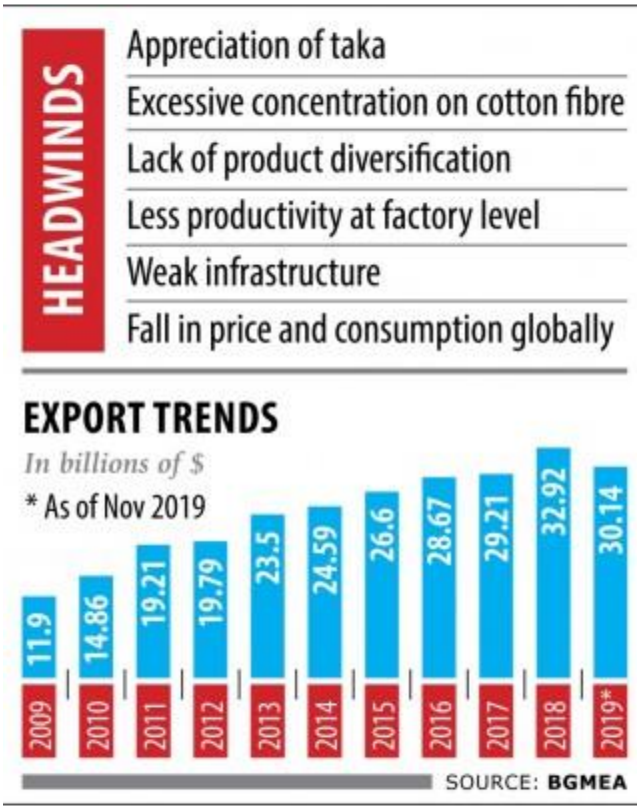
Economy and Industry

2019 in rear view

Garment sector lashed by giant waves

The Daily Star, December 31, 2019

- In the first six months of the year, apparel shipments fetched USD17.05 bn. And the trend continued into fiscal 2019-20, which began on July 1. But from August exports started dipping and the trend appears to be continuing. Yet, USD13.09 bn was received between the months of July and November, down 7.74 percent year-on-year.
- But the general sentiment of experts and analysts is that the slowdown in apparel shipment is a reflection of the decaying competitiveness of Bangladesh's garment industry. For instance, Bangladesh's garment exports dropped 6.67 percent between the months of July and October whereas its closest competitor Vietnam's grew 6.41 percent.



- Vietnam is honing in on Bangladesh's position as the world's second largest apparel supplier by focusing on product diversification. Even after four decades, the country's garment sector is still stuck in basic items: still 73 percent of the shipments consist of T-shirts, trousers, sweaters, formal shirts and jackets. Bangladesh is still lagging behind in production of technical and smart clothing items, due to which it could not tap into the global market for hospital clothing, school uniforms and armed forces, worth bns of dollars.
- Garment exporters and sector analysts though blamed the strength of the local currency against the US dollar as the main reason for declining shipments from Bangladesh. Currently, one US dollar is exchanging for BDT 85.
- Another reason for diminishing shipments is over-reliance on traditional markets, which can be construed as laziness or complacency. Shipments to the traditional markets of the US, the EU and Canada are on the wane due to economic slowdown there.
- But the emerging markets are providing a ray of hope: garment exports to non-traditional markets grew to nearly USD7 bn from somewhere between USD400 mn and USD500 mn in 2008. India, China and Japan are showing big potential, with shipments to the Fareast Asian nation crossing USD1 bn.
- The US-China trade war can be a boon for Bangladesh as China has been losing its export orders. However, in this case, Bangladesh will have to improve the business climate and productivity at the factory level.
- In the near future, duty concessions in international trade will vanish as the country is set to graduate from the least-developed bracket to the developing bracket. So, Bangladesh needs to sign the free trade agreements or join to different regional trading blocs for continuation of the duty benefit in international trade.
- The price of apparel imported by the US from Bangladesh between January and October was down 2.20 percent from five years earlier, according to the Office of Textiles and Apparel. The same happened for EU: 1.94 percent, according to Eurostat.

https://www.thedailystar.net/business/news/garment-sector-lashed-giant-waves-1847488

Single-digit lending rate put on hold again

NewAge, December 31, 2019

- The implementation of the much-talked-about single-digit lending rate was once again deferred by another three months following a request from the bank owners, said finance minister AHM Mustafa Kamal on Monday. The new deadline has now been set on April 1.

- The announcement came just two days before the deadline for the implementation of 9 per cent lending rate for the industrial manufacturing sector expires on January 1.
- Mustafa Kamal made the announcement after a meeting with the bank owners and executives at the office of the Bangladesh Association of Banks at Gulshan in Dhaka On December 1, the finance minister set the deadline on January 1, 2020 after a meeting with the bank owners and executives at the planning commission.
- Mustafa Kamal said that the banks will implement the 9 per cent lending rate for every sector, excluding the credit card-based lending products, instead of implementing the rate only for the industrial manufacturing sector decided earlier. He also said that the central bank would issue a circular in this regard soon.
- On December 24, the BB board decided to impose 9 per cent cap on lending rate for the export-oriented industrial manufacturing sector from January 1 next year.

http://www.newagebd.net/article/95168/single-digit-lending-rate-put-on-hold-again

International

Gold hits two-month peak

The Daily Star, December 31, 2019

- Gold prices rose to their highest in more than two months on Monday in thin year-end trading as the dollar dipped and US military strikes in the Middle East supported safe-haven buying.
- Spot gold was up 0.2 percent to USD1,513.30 per ounce at 0757 GMT after hitting its highest level since Oct. 25 at USD1,515.80. US gold futures were down 0.1 percent atUSD1,516.90.
- “We are looking at pre-positioning for next year and a rebalancing of portfolios ahead of year-end, overlaid with very low liquidity levels, that are essentially exacerbating the volatility,” said Ilya Spivak, a senior currency strategist at DailyFx. Gold is receiving modest support from the US air strikes in the Middle East, Spivak said.
- Gold is considered a safe investment in times of geopolitical and economic uncertainty. The dollar also slipped against a basket of rivals, making gold cheaper for holders of other currencies. Gold prices have risen nearly 18 percent this year and are on track for their best year since 2010, mainly due to a 17-month-long Sino-US tariff war and its impact on global economic growth.

https://www.thedailystar.net/business/news/gold-hits-two-month-peak-1847467

BASL DAILY NEWS BUZZ

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