

Bangladesh market snapshot

	Last closing
DSEX Index	3,953.39
% change	-0.25%
DS30 Index	1,321.49
% change	-0.53%
DSES Index	915.96
% change	-0.33%
Turnover (BDT mn)	429.72
Turnover (USD mn)	5.12
% change	-71.85%
Market Capitalization (BDT bn)	3,100
Market Capitalization (USD bn)	36.90
% change	-0.13%

Source: Dhaka Stock Exchange

International market snapshot

	Last closing
Dow Jones Industrial Average	27,110.98
% change	+3.15%
Nikkei 225	22,863.73
% change	+0.74%
FTSE 100	6,484.30
% change	+2.25%

Source: Bloomberg

Exchange rate

Currency	BDT
USD	84.95
EUR	95.45
GBP	106.84
INR	1.13

Source: Bangladesh Bank

Money market

Date	Call Money Rate Range (%)	Weighted Average (%)
03-Jun-2020	4.50-5.50	5.02
02-Jun-2020	4.50-5.50	5.02

Source: Bangladesh Bank

Commodities

	Price	% Change
Brent Crude (Oil), USD/bbl	42.30	+5.78%
Gold Spot, USD/t oz	1,685.06	-1.69%
Cotton, USD/lb	60.98	+2.35%

Source: Bloomberg

Economy

IMF forecasts delayed recovery for Bangladesh

It will take longer than previously expected for Bangladesh's economy to recover from the effects of the coronavirus pandemic as its spread did not slow down in the first half of the year, according to the IMF. The International Monetary Fund (IMF) has projected a 5.7 percent GDP growth for the next fiscal year, which is significantly lower than the forecast of 9.5 percent for the next calendar year that the agency had made in April. The IMF made the disclosure on Wednesday in a report prepared to approve \$732 million in emergency support for Bangladesh. In the report, the organisation also said the Bangladeshi economy would achieve a 3.8 percent growth in the 2019-20 fiscal year, which will end this month. But the IMF had initially projected only a 2 percent growth for this fiscal year.

<https://tbsnews.net/economy/imf-forecasts-delayed-recovery-bangladesh-89275>

Ambitious budget despite country reeling from pandemic

Finance Minister AHM Mustafa Kamal is all set with his traditional briefcase to announce a budget of Tk5,68,000 crore for fiscal year 2020-21 with an unreasonable and ambitious target for revenue and growth. And such an ambitious move comes despite the fact that the country is currently plagued by the coronavirus pandemic. Amid limited economic activities to cope with rising cost pressures, a revenue target of Tk330,000 crore has been set for the National Board of Revenue (NBR). Even so, the government expects to attain 8.2 percent of GDP (gross domestic product) growth in the new fiscal year with an estimated budget deficit of six percent.

<https://tbsnews.net/economy/budget/ambitious-budget-despite-country-reeling-pandemic-89680>

Govt eyes lower borrowing from savings tools

The government looks set for a lower borrowing from savings tools to meet the budget deficit in the upcoming fiscal year as it received a low response from the sector during the current fiscal year. During the budget presentation for the next fiscal year, Finance Minister AHM Mustafa Kamal may propose a loan target of Tk25,000 crore from non-banking sources, including Tk20,000 crore from savings instruments and Tk5,000 crore from other non-banking systems, according to ministry insiders. The national budget for the fiscal year 2020-21 is going to be presented in the parliament only four days later, on June 11.

<https://www.tbsnews.net/economy/banking/govt-eyes-lower-borrowing-savings-tools-89674>

Import, export through Chittagong Port up in May

Import and export through Chittagong Port increased in May after continuous decline in the last few months due to the novel coronavirus outbreak. Compared to April, export-import of container

goods increased by 54.8 percent in May, but bulk goods trade dropped by 38.51 percent. According to the Chittagong Port Authority, in May, 223 ships arrived from different countries whereas 258 ships arrived in April, a 13.23 percent fall.

<https://tbsnews.net/economy/trade/import-export-through-chittagong-port-may-89659>

Government may cut import Advance Tax for industrial goods makers

The government may introduce a new slab of advance tax at the import stage for industrial products in the upcoming national budget for the fiscal year 2020-2021 to provide some relief to manufacturers. The rate of advance tax (AT), previously known as advance trade VAT, may be cut to 3 or 4 per cent per cent for industrial products and other products associated with industrial production and investment from the current 5 per cent. The AT will remain unchanged at 5 per cent for commercial products.

<https://www.newagebd.net/article/107799/government-may-cut-import-advance-tax-for-industrial-goods-makers>

Bank and NBF

Forced loans during shutdown drive up private credit

While all business activities were in a standstill in April amid a countrywide coronavirus shutdown, the banking sector saw an improvement in private sector credit growth after a six-month downward trend. In April, credit growth increased to 8.82 percent from a historic low of 8.20 percent in the previous month. The growth was mostly accounted for by forced loans as many importers failed to make repayment due to worldwide supply disruption amid the pandemic. There are two major reasons behind the improvement in credit growth -- one is non-payment by borrowers and the other is forced loan, observes Md Arfan Ali.

<https://tbsnews.net/economy/banking/non-payment-forced-loans-during-shutdown-help-credit-growth-pick-88909>

World Bank proposes \$300 million for credit guarantee scheme

The World Bank has proposed \$300 million to the Bangladesh Bank as support for forming a credit guarantee scheme to speed up lending by banks in high-risk sectors, especially to SMEs, during the pandemic. According to the initial implementation plan, the credit guarantee will not be given on individual loans, rather it will be given on a bank's portfolio based on risk measurement. Small, micro and cottage industries will mainly be entitled to get credit guarantee support. Banks will have to pay a price for availing such guarantee schemes similar to insurance premiums.

<https://www.tbsnews.net/economy/banking/world-bank-proposes-300-million-credit-guarantee-scheme-89650>

BB for stricter bank laws for errant directors

The Bangladesh Bank has suggested incorporating stricter provisions in

the Bank Company Act to rein in errant bank directors and control personal, family and group of companies' influences over the financial institutions to restore discipline in the ailing banking sector. In addition, the central bank has come up with a host of other suggestions to reduce the risks in the banking sector, bring back good governance and to make it more reliable after reviewing the Financial Institutions Division's (FID) draft amendments to the Bank Company Act, 1991.

<https://www.tbsnews.net/economy/banking/bb-stricter-bank-laws-errant-directors-89272>

Call money rate rises over 5pc on government bank borrowing

The inter-bank weighted average rate of call money bounced back to over 5 per cent after the nationwide lockdown was lifted as government borrowing from the banking sector surged amid revenue shortfall. The rate was within 5 per cent for around two months during the lockdown imposed by the government to contain the spread of the coronavirus pandemic. Although the banks facilitated transaction on a limited scale, demand for money was significantly low as almost all business activities were suspended during the lockdown.

<https://www.newagebd.net/article/107801/call-money-rate-rises-over-5pc-on-government-bank-borrowing>

Scheduled banks asked to submit info on daily basis

Bangladesh Bank (BB) has asked the scheduled banks to submit information on daily basis regarding the formation of the special fund earlier announced to support the country's ailing capital market. The BB delivered its instruction on Thursday after a decision taken in last week by the central bank and the securities regulator to accelerate the formation of the bank's special fund worth Tk 2.0 billion each. A total of 12 private and state-owned commercial banks so far have taken their boards' approval to form the special fund.

<https://today.thefinancialexpress.com.bd/stock-corporate/scheduled-banks-asked-to-submit-info-on-daily-basis-1591458982>

Fuel and Power

BPDB seeks Tk 58b from govt to meet expenses

The state-run Bangladesh Power Development Board (BPDB) has sought Tk 58 billion from the government to manage regular expenses, as a huge amount of its electricity bills remains due. The state-run power distribution companies, including the BPDB, did not impose any surcharge on electricity bill payment of household consumers for the months of February, March and April due to the ongoing coronavirus pandemic. The household consumers have been asked to pay electricity bills for all these months along with that of May by June 30, according to a decision of the Power Division under the Ministry of Power, Energy and Mineral Resources. Other state-run distribution companies, however, only informed the government about the loss that they are incurring due to non-payment of electricity bills. Usually a 5.0 per cent surcharge is imposed on electricity bills against non-payment of bills for each month.

<https://today.thefinancialexpress.com.bd/first-page/bpdb-seeks-tk-58b-from-govt-to-meet-expenses-1591464762>

Oxygen price shoots up astronomically

Unscrupulous traders have been selling medical oxygen extortionately, thus mounting the sufferings of Covid-19 and non-Covid patients as the demand for oxygen cylinders at household level goes up. Many families having elderly persons with asthma, heart or lungs diseases are buying cylinders as a precaution, fearing that they might not get admitted to any hospital during this crisis. Some Covid-19 cases are buying cylinders as they do not want to visit hospitals. Oxygen cylinder sale and rent have become a lucrative business with the growing number of Covid cases and sufferings at hospitals. A 2,000-litre cylinder was Tk 11,000 before Eid. It now sells at Tk 25,000-35,000, depending on brand names.

<https://today.thefinancialexpress.com.bd/last-page/oxygen-price-shoots-up-astronomically-1591465047>

Textile

BGBA for 5.0pc AIT in next budget

Bangladesh Garment Buying House Association (BGBA) has demanded reduction in advanced income tax (AIT) to 5.0 per cent from the existing 10 per cent in the next budget. The local buying houses are yet to receive any fund from the government-announced stimulus package, and they are struggling to survive. The BGBA leader also urged the government to provide a three-year tax holiday to the new buying houses.

<https://today.thefinancialexpress.com.bd/last-page/bgba-for-50pc-ait-in-next-budget-1591465169>

North America-based RMG platform closes BD activities

'Nirapon', a platform of North America-based apparel brands and retailers, has closed its activities in the country. The platform, however, said it will continue to monitor safety in more than 600 factories via a new third-party monitoring organisation, to be announced later. With the restructure, the organisation will shift to providing increased technical support with three main areas of focus - safety monitoring, training and helpline. A total of 21 global apparel brands along with more than a dozen of former Alliance-signatory members, including Gap, Walmart, JC Penny and VF, launched 'Nirapon' in March last year to oversee the ongoing safety, training and helpline efforts in the Alliance-listed 600 garment factories.

<https://today.thefinancialexpress.com.bd/last-page/north-america-based-rmg-platform-closes-bd-activities-1591465222>

Telecommunication

GP keen to regain investors' confidence in a bear market

Grameenphone is keen to work with the Bangladesh Securities and Exchange Commission (BSEC) to restore confidence in investors in the prevailing downtrend in the share market. GP chief executive officer Yasir

Azman paid a courtesy visit to BSEC chairman Professor Shibli Rubayat-ul-Islam on Thursday evening. After the meeting, Shibli Rubayat-ul-Islam told reporters, "The two sides have agreed to work together for the development of the capital market. We have also talked about investment in various products in the capital market."

<https://tbsnews.net/economy/stock/gp-keen-regain-investors-confidence-bear-market-88894>

Telecom sector can galvanise economic recovery

As connectivity through digitalisation has proven worthwhile in keeping socio-economic activities up and running even during the pandemic, entire Bangladesh is running after innovation in this area, said Yasir Azman, chief executive officer of Grameenphone. If the operators and the government work together, the telecom sector can contribute more towards faster economic growth and quick recovery from the knock-on effect of the pandemic. He, however, said their investment priorities could be changed due to the present crisis. Investment decisions will depend on the next few days considering the usage pattern and economic recovery.

<https://www.thedailystar.net/business/telecom/news/telecom-sector-can-galvanise-economic-recovery-1910353>

Capital Market

Block transactions may go beyond floor price

As block transactions do not affect stock market indices, they might be excluded from the ongoing floor pricing mechanism set to stop potential free falls, capital market stakeholders said on Saturday. Currently, no block transaction is allowed to take place at a price beyond 10 percent of the last working day's closing price for the sake of market stability. And since floor pricing has been in effect, block transactions below the floor is also not possible. Meanwhile, most of the listed securities are stuck at the floor without attracting sufficient buyers amid ample intentions to sell.

<https://tbsnews.net/economy/stock/block-transactions-may-go-beyond-floor-price-89677>

Black money allowed in stocks, realties

The stock market and the real estate industry anticipate a major boost as the government plans on allowing unconditional investment of untaxed money in these sectors for one year beginning from July 1, 2020. People who will avail the facility to invest in securities such as stocks, mutual funds and bonds will have to pay only 10 percent tax within 30 days of their investments without any penalty.

<https://tbsnews.net/economy/black-money-allowed-stocks-realties-89683>

DSE delisting rules propose buy-back, liquidation system

The Dhaka Stock Exchange has proposed that sponsor-directors of non-performing companies should buy back shares of the public shareholders

after delisting of their companies, and return the surplus capital to the shareholders following forceful liquidation of the companies. The bourse has also suggested a two-year 'rehabilitation period' for the non-performing companies for giving them a chance for reviving their business before delisting. The DSE in March sought approval from stock market regulator Bangladesh Securities and Exchange Commission regarding its proposals on procedures of delisting a company and amending clause 51 of the DSE listing regulation, 2015.

<https://www.newagebd.net/article/107800/dse-delisting-rules-propose-buy-back-liquidation-system>

DSE moves to digitalise market fully after flak over long closure

The Dhaka Stock Exchange has initiated a move to digitalise the market fully following a spate of criticisms over prolonged closure of trading on the bourse during the general holidays amid the coronavirus pandemic in the country. The bourse formed a seven-member committee headed by its independent director Masudur Rahman to make an assessment report about the way of digitalising the stock market completely. The committee was asked to submit the report within the next 30 days.

<https://www.newagebd.net/article/107740/dse-moves-to-digitalise-market-fully-after-flak-over-long-closure>

Stock

Tanjil Chowdhury elected new chairman of Prime Bank

Tanjil Chowdhury has been elected the new Chairman of Prime Bank Limited. At the age of 36, Tanjil Chowdhury has become the youngest serving Chairman of a private commercial bank in Bangladesh. He had previously served both as a Board Member and the Chairman of the Executive Committee of the Bank. Tanjil Chowdhury is the Managing Director of East Coast Group, a diversified conglomerate with more than 42 years of experience in the downstream hydrocarbons and energy sector.

<https://today.thefinancialexpress.com.bd/stock-corporate/tanjil-chowdhury-elected-new-chairman-of-prime-bank-1591459122>

Prime Bank sees 18% growth in quarterly profit

Prime Bank Ltd has posted an 18 percent increase in profits in the first quarter of the current financial year (Jan-Mar 2020) on a solo basis. Prime Bank's net profit rose to Tk51 crore during the January to March period and its earnings per share stood at Tk0.45.

<https://www.tbsnews.net/economy/banking/prime-bank-sees-18-growth-quarterly-profit-88858>

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Expected absolute returns are calculated as the percentage of difference between our target price and latest close price. Stock recommendations are based on absolute upside (downside) and have a 12-month horizon. Please note that future price fluctuations could lead to a temporary mismatch between upside/downside for a stock and our recommendation.

Recommendation Type	Holding period (if not otherwise mentioned)	Absolute Return Potential
Buy	12 Months	More than +15%
Neutral/ Hold	12 Months	Between +15 % and -5 %
Underweight	12 Months	Less than -5 %

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