

Margin loan criteria changed again (and again)

The Securities & Exchange Commission (SEC) has tightened margin loan provisions again and directed the merchant banks and brokers to suspend margin loans against those securities having PE over 50. It has also now brought down the broker's margin loan ratio to 1:1. Just about 48 hours back it was reduced by the SEC to 1:1.5 from 1:2 but the market visibly showed no impact of such a contraction measure. Earlier on December 09, 2009 the regulatory body banned margin loan facilities against securities having PE over 75. The move is apparently taken to cool down the overheated market but, with the continuous infusion of new money and new investors, analysts are quite skeptical on the desired effect. There is wide apprehension that liquidity controlling measures have over time lost relevance in changed circumstances and due to over use. However, the interventions may alert and discourage a section of the new investors from exposure in an overbought market with scarce overvalued assets.

Net interest income of banks soar

The local banking sector experienced a notable growth in net interest income last year with Private Commercial Banks (PCBs) and Foreign Commercial Banks (FCBs) performing better than the State-owned Commercial Banks (SCBs) as usual. Aggregate net interest income of the banking industry has been positive and consistently increased from Tk8.4b in 2000 to Tk70.9b in 2008. The trend of net interest income indicates that the PCBs and FCBs are charging interests at disproportionately high rates on lending as compared to the interest they are paying to the depositors. According to the Bangladesh Bank statistics, in 2008 net income from interests against lending for private banks rose to Tk48.50b from Tk25.40b in 2006 and Tk21b in 2005. In case of FCBs the net interest income was Tk12.60b in 2008 which was Tk8.20b in 2006 and Tk5.60b in 2005. In 2008 net interest income was Tk7.90b for state-owned banks from Tk9b in 2006 and Tk7.70b in 2005. Since 2005, SCBs have been able to increase net interest income by reducing their cost of funds.

Net Interest Income (in billions of Tk)					
Banks	2004	2005	2006	2007	2008
SCBs	-1.1	7.7	9.0	7.4	7.9
PCBs	13.7	21.0	25.4	36.1	48.5
FCBs	4.2	5.6	8.2	9.9	12.6

Two private companies to be directly listed

Two private companies-Ocean Containers Limited and Khulna Power Plant Limited, both of the Summit Group known as close to the present government, will be directly listed with the bourses despite a November 05, 2009 ban on such listing of private companies. The Finance Ministry has approved the proposal on February 01, 2010 as the companies reportedly applied before the restriction order. The SEC on February 23, 2006 approved the direct listing regulations to encourage profit-making companies to step in the capital market. Since then eight companies, including state-owned Dhaka Electric Supply Company, Power Grid Company, Jamuna Oil, Meghna Petroleum, Titas Gas Transmission & Distribution Company and three private companies - Shinepukur Ceramics, ACI Formulations and Navana CNG Limited were listed under direct listing method. However, application from Unique Hotel and Resort Limited (Westin Hotel) has been turned down by the Ministry as they applied after the ban was imposed.

IOSCO invites SEC for listing

The International Organization of Securities Commissions (IOSCO) has invited the Securities & Exchange Commission (SEC) of Bangladesh to be listed in Appendix B along with some other member countries. To become a full signatory of the Multilateral Memorandum of Understanding (MMoU) that is in fact eligibility for Appendix A listing, certain amendment is needed in the Bangladesh Securities & Exchange Ordinance, 1969. SEC Bangladesh has committed to IOSCO to make those amendments. IOSCO has set a goal in 2005 to have its eligible members to sign onto or committed to sign the MMoU concerning consultation, cooperation and exchange of information within January 2010. SEC of Bangladesh joined the IOSCO in 1995 which plays the key role in maintaining cooperation, exchange of information, mutual assistance among the Capital Market Regulatory Authorities throughout the world regarding the securities rules and regulations, compliance, enforcement etc. Bangladesh SEC has also participated in various programs of IOSCO at different times.

BB to restrict defaulters from banks board

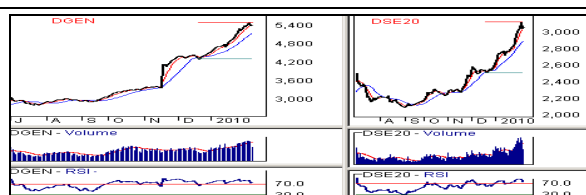
Through a recent circular the Central Bank has directed the commercial banks to verify loan status of their directors before appointment or re-appointment. According to Bank Company Act, a loan defaulter cannot be appointed as a director in the Board of any commercial bank. The central bank has taken this move as a good number of banks reportedly appointed loan defaulters as directors some of whom allegedly have made fake declarations in this regard. The banks will have to verify default loan condition from the central bank's Credit Information Bureau (CIB) prior to appointment or re-appointment of directors which should be attested by the bank Chairman. All commercial banks must submit an updated list of directors to the central bank with declaration of directors eligibility, according to the circular.

November inflation hits 7.24%

The point-to-point inflation hit 14-months high at 7.24% in November 2009 mainly due to the increase in food prices. Just like other months the inflation in urban areas increased more compared to that in rural areas. According to the Bangladesh Bureau of Statistics (BBS), national food inflation stood at 7.84% against 6.68% in November 2008 whereas the national non-food inflation increased to 6.44% in November 2009 against 5.25% in November 2008. In urban areas food inflation in November 2009 was 9.83% which for rural areas was 7%. The non-food inflation in urban and rural areas was 6.27% and 6.51% respectively. In October 2009 food inflation rose to 7.78% compared to 4.98% in September and 4.93% in August 2009 while non-food inflation stood at 5.07% in October 2009 from 4.28% in September and 4.54% in August 2009. The point-to-point inflation dipped 35-month low at 5.81% in February last. In February 2008, the point-to-point inflation was recorded at 10.16%. It reached double digit at 10.10% in July 2007 for the first time in the last two decades. The point-to-point inflation had been maintaining an upward trend till September 2008 when it was 10.19%. After a continuous and high level of inflation, it came down to single digit dropping to 7.26% in October last year. The current soaring rate of inflation is one of the major challenges confronting the economy. The existing upward trend of inflation might continue in near future due to the major hike in food prices, it is feared.

This week's data runs from 28 January to 04 February 2010

Stock Market Movement



Global Markets

	This Week	Last Week	+/- %
S&P 500	1066.19	1073.87	-0.72%
FTSE 100	5060.92	5188.52	-2.46%
Nikkei 225	10057.09	10198.04	-1.38%
SENSEX	15790.93	16357.96	-3.47%
KSE 100	9769.63	9614.19	1.62%

DSE Indicators

	This Week	Last Week	+/- %
DSE General Index	5434.04	5390.48	0.81
Total Turnover, Tk	77,720,052,065	75,365,109,645	3.12
Market Capital, Tk	1,857,508,383,311	1,842,251,115,030	0.83
No of Issue Gain	70	170	
No of Issue Loss	175	74	
No of Unchanged Issues	4	2	

Top Gainers

Company	Last Week	This Week	Change %	Turnover (Tk)
Standard Ceramic	309.11	369.50	19.48	15,508,000
EXIM Bank	388.34	448.75	15.29	1,009,218,000
Gemini Sea Food	1386.67	1575.00	13.60	15,000
United Leasing	1888.90	2121.25	12.82	566,202,000
ICB AMCL 1st M F	668.39	743.25	12.40	20,439,000
Southeast Bank	385.10	435.75	11.73	2,161,320,000
Mercantile Bank	496.45	554.50	9.64	1,154,372,000
Northern G. Ins.	524.73	572.50	8.94	339,422,000
Shahjalal Islami Bank	372.28	400.25	7.67	1,423,171,000
Eastern Bank	627.34	672.50	7.51	300,998,000

Top Losers

Company	Last Week	This Week	Change %	Turnover (Tk)
Alpha Tobacco	33.51	25.10	-25.07	106,000
BSC	4319.80	3578.50	-17.16	3,194,000
Al-Haj Textile	104.26	87.40	-16.04	33,328,000
Modern Dyeing	596.40	512.00	-14.13	622,000
Northern Jute	36.10	31.00	-14.13	149,000
Sinobangla Ind.	62.09	56.30	-12.85	40,721,000
Desh Garments	308.21	274.50	-12.72	3,435,000
BD.Autocars	497.12	434.50	-12.58	3,434,000
S. Alam CR Steel	862.94	748.00	-12.57	529,900,000
Rangpur Foundry	150.53	134.30	-11.06	154,444,000

Sectoral Index & Turnover

Sector	P/E	Sectoral Index			Turnover (Tk.M)		
		This Week	Last Week	Change %	This Week	Last Week	Change %
Bank	19.49	413.66	400.87	3.19	26806.74	18292.59	46.54
Cement	66.01	200.93	201.82	-0.44	1784.06	1395.13	27.88
Ceramic	167.59	1,568.44	1,677.77	-6.52	1291.12	2013.97	-35.89
Engineering	46.14	1,101.17	1,164.83	-5.47	4077.40	4965.54	-17.89
Food & Al.	28.43	562.35	560.40	0.35	1455.70	1385.06	5.10
Fuel & Pow.	25.33	2,780.74	2,854.83	-2.60	6435.50	7554.53	-14.81
Insurance	41.54	1,009.71	1,028.09	-1.79	4813.79	5930.20	-18.83
Investment	42.01	4,167.25	4,419.31	-5.70	2419.89	4130.87	-41.42
IT	71.01	296.23	305.48	-3.03	727.04	658.20	10.46
Jute	43.74	373.94	383.52	-2.50	0.46	0.90	-48.61
Misc.	55.36	1,525.42	1,577.17	-3.28	4505.72	4125.67	9.21
NBFI	40.06	1,165.91	1,192.12	-2.20	6719.60	6798.92	-1.17
Paper	35.49	654.55	699.80	-6.47	7.04	11.49	-38.73
Pharma	39.70	655.43	677.00	-3.19	6031.34	6915.71	-12.79
Service	54.75	2,380.82	2,496.41	-4.63	1342.44	1627.42	-17.51
Tannery	19.24	516.66	522.94	-1.20	949.51	738.74	28.53
Telecom	118.25	2,883.00	2,721.00	5.95	4494.70	4741.83	-5.21
Textile	28.18	584.30	598.22	-2.33	3788.34	3999.19	-5.27

Technical Talk

Last week market slowed, intraday volatility entered as securities regulator took attempt to tame the wild bull. Market showed instability from the onset of the week. Benchmark DSE general index hit all time high 5500 mark on February 02, but later retraced as SEC reduced margin loan to 1:1 and set down eligibility of margin loan for a company to PE ratio of 50 from 75. Following the action investors turned to selling mode and index lost 130 points, highest single day fall within last six months in Wednesday. In last trading day index recovered some of its losses riding on GP, banks and NBFIs as their declarations are approaching. Now its worth watching how market will behave in upcoming days amid influx of household funds, supply side shortage and regulatory actions. DSE General Index reached at 5434.04 rose by 43.56 points or 0.81% from the previous week. Total turnover reached at Tk77720.05m with 3.12% increase from the last week's Tk75365.11m. On the other hand, market capital rose by 0.83% and stood at Tk1857.51b (\$27.12b) at the weekend against Tk1842.25b. DSE-20 has moved upward by 58.85 points (1.96%) and closed at 3066.64 points against 3007.79 points. Last week weighted average Market PE was 29.88 which was 1.15% higher than previous week's 29.54.

During the week, DSE General Price Index was above of both 9 and 18-day moving average line.

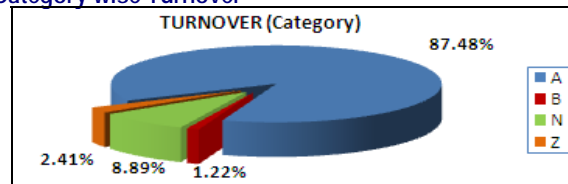
Top Turnover Companies

Company	Volume	Value (Tk)	% of total
Grameenphone	15,856,600	4,494,695,000	5.78
BEXIMCO Ltd.	12,166,300	4,063,764,000	5.23
AB Bank	2,084,165	2,525,420,000	3.25
Prime Bank	3,118,850	2,247,135,000	2.89
Southeast Bank	5,070,450	2,161,320,000	2.78
BEXTEX Ltd.	24,133,200	2,150,283,000	2.77
Lankabangla Finance	4,746,500	1,693,085,000	2.18
Premier Bank	3,995,200	1,606,576,000	2.07
Beximco Pharma	8,686,050	1,540,718,000	1.98
Titas Gas TDCL	2,169,100	1,534,966,000	1.97

Top 10 Market Capital

Company	Volume	Value (Tk)	% of total
Grameenphone	392,978	Lafarge Surma Cement	32,845
ICB	69,963	BEXIMCO Ltd.	31,160
Square Pharma	55,015	AB Bank	30,770
Titas Gas TDCL	47,003	BATBCL	30,638
Islami Bank BD	41,511	Dutch Bangla Bank	29,772

Category wise Turnover



Exchange Rate

	This Week		Last Week		Change %	
	TT	BC	TT	BC	TT	BC
USD	68.50	69.50	68.50	69.50	0.00	0.00
EUR	95.11	97.51	95.92	98.32	-0.84	-0.82
GBP	109.22	111.39	110.17	112.36	-0.86	-0.86
AUD	60.31	61.82	61.51	63.05	-1.95	-1.95
JPY	0.75	0.78	0.76	0.79	-1.32	-1.27
CAD	64.43	66.07	64.07	65.70	0.56	0.56
SAR	18.17	18.63	18.17	18.63	0.00	0.00

Based on Standard Chartered selling rates to public in Taka. Notes: USD-US Dollar, GBP-Great Britain Pound, AUD-Australian Dollar, JPY- Japanese Yen, CAD-Canadian Dollar, SAR-Saudi Riyal.

Last Initial Public Offering

Company	Subscription Period	Sponsor (M.Tk)	IPO (M.Tk)	Private Placement (M.Tk)
ACI-Zero Coupon Bonds	January 31- February 04, 2010	-	534.34	801.51
IFIC Bank 1st M F	February 07-11, 2010	250.00	400.00	550.00