

### Emerging challenges for the economy

Some recent developments in the macroeconomic and internal financial scenario have placed additional fresh challenges for the economy. Excessive bank borrowing by the government, double digit inflation growth and unavailability of the expected foreign aid & loans due to suspension of credit by multilateral agencies has already made the fiscal management a troubling act. Liquidity crisis in the formal economy became so discernible that for the very first time the banking industry is suffering liquidity crunch for consecutive ten months. Bangladesh Bank (BB) statistics, published in a media report, states that out of the Tk704.39b currently circulating within the economy the banking channel possess only 8.78%. The remaining Tk642.54b (91.22%) is suspected to have been kept as 'mattress' money. Local and foreign currency crisis became so staid that opening of import L/Cs for essential merchandises like fertilizer is being hampered and threatening the steadiness of food supply. In such a circumstance the government has exploited 99.49% of its bank borrowing target in only 5 months turning a blind eye towards the noxious byproducts of such borrowing e.g. crowding out of private sector, inflation, etc. According to the central bank data, until November 09, 2011 a total of Tk188.60b have been availed against Tk189.57b budgeted borrowing target. 56.96% of the borrowed fund has been supplied by BB i.e. by printing money and 43.04% by the commercial banks. Excessive demand pressure from the banks prolonged the money market volatility even in the subsequent week of Eid-ul-Azha. State-owned banks were had to resort to short term funds in the call money market when they are usually the supplier of fund. Moreover, the government is also seeking sovereign loan from foreign banks for the first time. On the other hand, intimidating turmoil in economies across the world is jeopardizing the export earnings and remittance inflow of Bangladesh. Specialists assume the fiscal target might remain unmet. Conversely, skyrocketing fuel import bills are sapping up the foreign exchange (forex) reserve, in last two week the reserve plunged to below the \$10b threshold more than once. On November 09, 2011 the forex reserve was only \$9.64b; which is quite insufficient to pay off three months' import bills and falls short of international standards. Apparently balance of payments (BoP) came under further stress. In Q1 of FY12, trade deficit widened by 23.48%. The current account balance is down to \$307m, 50.6% lower than FY11's balance of \$622m during this period. Deteriorating exchange rate has put a new twist into this dynamism. In 2011 Taka has depreciated by 9% against the US Dollar. Obviously the decline has chain reactions on inflation, external balance sheet and forex reserve. On top of that, in spite of the satisfactory collection by the National Board of Revenue (NBR) Q1 revenue target on an aggregate basis, it is very concerned on the collection of the next three quarters. Tax revenue collection from the Large Taxpayers Unit (LTU) is feared to drop by Tk10b in this fiscal year following the decline of operating profits of private commercial banks (PCBs) in the first quarter. Financial institutions contributed about 25% of the revenue earnings by the income tax department. The marked decline in operating profit of most of the scheduled banks mainly for the ongoing crisis in the capital market and liquidity condition is worrying the Board. However, the LTU has beaten its quarterly target by Tk10m in Q1 of FY12.

### Bangladesh 3rd in RMG export

Bangladesh scrolled two steps ahead and reached at the 3rd position in Readymade Garments (RMG) export by capturing 4.5% of the RMG export industry according to the International Trade Statistics - 2010 published by the World Trade Organization (WTO). In 2009 Bangladesh was at the fifth position with 3.4% market share. Last year, leaving Turkey (3rd position holder of 2009) and India (4th position holder of 2009) behind Bangladesh achieved the 3rd position by posting significant export growth. The market leader, China, strengthen its first position by assembling 36.9% market share that was 34% in 2009. European Union (EU), the alliance of 27 countries, held the second position with a lower share of the market, 28.1% in 2010 and 30.7% in 2009.

### Squeezed SCBs

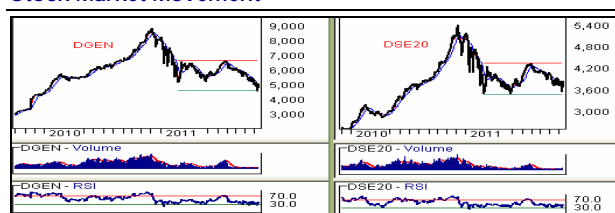
A comparison between balances of June 11 and October 11, 2011 shows that the state-owned banks (SCBs) have lost Tk22.75b in deposit owing to offering non-competitive rates. But they had to continue their lending activity to the priority sectors and state entities. As a result all four SCBs are now suffering from a severe cash crunch which made Bangladesh Bank (BB) deeply concerned. Where the average deposit and credit growth of overall banking sector was 15% and 9% respectively it was just reverse at 9% and 15% respectively for the SCBs. BB sent warning letters to all four banks in this regard but the situation is yet to improve. Recently, BB has informed the ministry about the current fund mismanagement in the banks and asked to take necessary measures about it. Previously though these banks were insolvent, but never faced liquidity dearth. As the SCBs manage their asset-liability depending on assumption-based information so their liquidity position experience excessive volatility. Consequently SCBs are meeting their requirements from borrowed funds even from the call money market. Sonali Bank lost Tk5.73b in deposit during Jun-Sep period, Janata Tk9.9b, Agrani Tk7.06b and Rupali Tk63.1m whereas their loan up to September 2011 was Tk3.76b, Tk11.7b, Tk25.3b and Tk3.5b respectively. Weaknesses exist in other areas also. These banks are allowing beyond limit single sector credit exposure that is very risky for credit management. Apart from Rupali Bank the size and growth of non-performing loan has increased for the other three SCBs from March to June, 2011. Agrani Bank failed to keep BASEL-II reserve requirement of 9% of the risk-weighted asset in June 2011. The capital reserve of Agrani was only 8.72%. It was very marginal for the other banks also, 10.23% for Sonali, 9.01% for Janata and 9.96% Rupali.

### Bangladesh 146th in HDI ranking

In the Human Development Report 2011 - "Sustainability and Equity: A Better Future for All" Bangladesh remained steady at 146th position among 189 countries in the world and 6th in the South-Asian region with significant improvement in maternal and child health and gender equality. Norway topped the list and Congo sits at the bottom. Sri Lanka ranked top among South Asian countries at 97th position among South Asian nations. The pace of human development in Bangladesh is higher than any of these neighbours. However, the country needs to address environmental degradation, climate change and risk of disaster factors and better management of inequality. Although poverty rate has declined from 49% to 31%, the rate was not the same in vulnerable areas. Maternal mortality is still highest in Bangladesh and less than one fourth of the infants are attended by skilled health personnel.

The week's data runs from 10 Nov to 17 Nov 2011

## Stock Market Movement



### Global Markets

	This Week	Last Week	+/- %	PE
S&P 500	1215.65	1261.15	-3.61%	13.6
FTSE 100	5362.94	5545.64	-3.29%	10.5
Nikkei 225	8374.91	8801.40	-4.85%	13.5
SENSEX	16371.51	17481.93	-6.35%	16.3
KSE 100	11937.81	11807.46	1.10%	8.9

### DSE Indicators

	This Week	Last Week	+/- %
DSE General Index	5166.96	5208.97	-0.81
Total Turnover, Tk	14,828,002,517	13,520,633,615	9.67
Market Capital, Tk	1,989,621,781,535	2,004,599,917,667	-0.75
No of Issue Gain	85	42	
No of Issue Loss	172	219	
No of Unchanged Issues	3	3	

### Top Gainers

Company	Weighted avg. Closing Price (Tk)			Turnover (Tk)
	Last Week	This Week	Change %	
Tallu Spinning	562.75	703.75	25.06	31,351,000
1st Janata Bank MF	7.20	7.90	9.72	8,002,000
Atlas Bangladesh	316.00	344.70	9.08	87,823,000
Desh Garments	521.25	566.75	8.73	6,013,000
Green Delta MF	6.30	6.80	7.94	13,790,000
Glaxo SmithKline	630.10	677.80	7.57	2,433,000
DBH 1st MF	8.10	8.70	7.41	25,249,000
Southeast B. 1st MF	8.40	9.00	7.14	937,000
Eastern Cables	528.00	564.00	6.82	6,734,000
ICB AMCL 3rd NRB	7.70	8.20	6.49	20,187,000

### Top Losers

Company	Weighted avg. Closing Price (Tk)			Turnover (Tk)
	Last Week	This Week	Change %	
Metro Spinning	42.10	30.60	-27.32	26,064,000
Chittagong Veg.	2,574.00	1,929.25	-25.05	6,584,000
Malek Spinning	40.10	30.90	-22.94	91,245,000
Mithun Knitting	971.50	763.00	-21.46	9,769,000
Quasem Drycells	66.10	53.60	-18.91	33,386,000
DESCO	1,435.00	1,178.75	-17.86	94,068,000
Rahim Textile	1,599.25	1,323.25	-17.26	1,168,000
BSC	1,487.25	1,275.25	-14.25	1,616,000
Standard Ceramic	319.75	275.50	-13.84	3,659,000
Eastern Lubricants	350.60	302.10	-13.83	4,607,000

### Sectoral Index & Turnover

Sector	P/E	Sectoral Index			Turnover (Tk.M)		
		This Week	Last Week	Change %	This Week	Last Week	Change %
		Bank	7.73	552.70	547.92	0.87	5291.43
Cement	19.74	234.60	238.12	-1.48	559.66	571.63	-2.09
Ceramic	25.27	679.11	687.05	-1.15	375.47	214.23	75.27
Engineering	18.38	1,119.45	1,154.11	-3.00	967.48	879.34	10.02
Food & Al.	17.32	679.92	674.84	0.75	408.81	333.87	22.45
Fuel & Pow.	16.41	2,707.87	2,757.65	-1.80	1410.36	1356.39	3.98
Insurance	18.54	1,175.29	1,221.18	-3.76	804.52	649.11	23.94
IT	28.50	200.94	196.70	2.16	69.87	73.56	-5.01
Jute	23.57	367.46	393.50	-6.62	5.53	7.16	-22.88
Misc.	20.81	927.47	941.86	-1.53	745.73	913.88	-18.40
Mutual Fund	11.18	466.28	455.01	2.48	470.33	284.04	65.59
NBFI	14.50	1,326.80	1,360.20	-2.46	837.76	743.01	12.75
Paper	33.44	355.54	361.08	-1.53	1.26	0.87	44.82
Pharma	23.24	623.23	625.71	-0.40	984.35	1010.93	-2.63
Service	12.29	1,037.09	1,067.83	-2.88	134.06	102.44	30.86
Tannery	15.55	502.97	510.42	-1.46	76.12	89.68	-15.12
Telecom	13.49	1,629.00	1,629.00	0.00	630.49	640.75	-1.60
Textile	26.72	636.60	663.64	-4.07	741.71	846.33	-12.36
Travel & Leis.	15.16	228.60	220.18	3.82	172.80	154.48	11.86

## Technical Talk

Dhaka stocks passed another dramatic week. In the first three sessions it lost 559.64 points. On Monday the market barometer dropped below 5000-point mark and on Tuesday it reached at two year's low points at 4649.33. Then the market regained 517.63 points following anticipation on the emergency meeting held between the PM and capital market stakeholders. Optimistic investors put new funds into the bourse as the meeting promised stabilization and compensation packages. The bullish pressure of the last two sessions pushed the indices of banking, food and allied, mutual fund and travel sectors upward. Telecom closed flat. Textile, engineering, NBFI and service sectors were the major declining sectors.

DSE General Index reached at 5166.96 points decreased by 42.01 points or 0.81% from the previous week. Total turnover reached at Tk14828m with 9.67% increase from the last week's Tk13520.63m. On the other hand, market capital decreased by 0.75% and stood at Tk1989.62b (\$25.99b) at the weekend against Tk2004.60b. DSE-20 has moved upward by 21.28 points (0.55%) and closed at 3893.04 points against 3871.76 points. Last week weighted average Market PE was 13.68 which was 0.94% lower than previous week's 13.81.

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

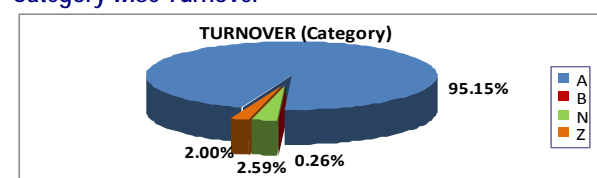
### Top Turnover Companies

Company	Volume	Value (Tk)	% of total
BEXIMCO	6,082,800	672,235,000	4.53
Grameenphone Ltd.	3,985,400	630,488,000	4.25
Social Islamic Bank Ltd.	19,994,250	514,262,000	3.47
NBL	7,866,000	507,652,000	3.42
Titas Gas	581,450	426,638,000	2.88

### Top 10 Market Capital

Company	Volume	Value (Tk)	% of total
Grameenphone	219,964	Islami Bank	53,892
Titas Gas	77,362	BATBC	36,744
Square Pharma	64,342	Lafarge Surma	36,003
ICB	62,092	Prime Bank	35,793
NBL	57,128	BSRM Steel	32,013

### Category wise Turnover



### Commodity Price

	This Week	Last Week	Change %
Gold (USD/t oz.)	1724.70	1766.80	-2.38
Silver (USD/t oz.)	32.41	34.36	-5.68
Brent Crude Oil (USD/bbl.)	107.56	112.31	-4.23

### Exchange Rate

	This Week		Last Week		Change %	
	TT	BC	TT	BC	TT	BC
USD	76.55	76.60	76.30	76.35	0.33	0.33
EUR	103.49	103.56	105.12	105.18	-1.55	-1.55
GBP	121.06	121.14	122.19	122.27	-0.92	-0.92
AUD	77.60	77.65	79.33	79.39	-2.18	-2.18
JPY	1.00	1.00	0.99	0.99	1.73	1.73
CAD	74.98	75.02	75.30	75.35	-0.43	-0.43
SAR	20.51	20.53	20.45	20.46	0.33	0.33

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 Public Offering

Company	Subscription Period	Sponsor (M.Tk)	IPO (M.Tk)	Private Placement (M.Tk)
GBB Power Limited	Dec, 04 - Dec 11, 2011		820	
NLI First Mutual Fund	Dec 12 - Dec 15, 2011	100	300	100