

Economy in trauma

The Bangladesh economy appears to be facing some severe pressures from different segments. A slowdown in exports, double digit inflation, repeated hikes in the prices of fuel and electricity, sluggish foreign investment and delay in releasing soft loans by the donor agencies have emerged as drawbacks at a time when risks of political instability loom large. Poor macro-economic management is being increasingly cited as responsible for the current economic instability. International reserves have fallen markedly to less than three months of import payments as foreign exchange reserve tumbled below \$9b for the first time in three years. Well before the reserve fell below \$9b mark on January 09, 2012, the value of Taka continued to slide against the US Dollar for the last one year hitting Tk83.60 to a Dollar in the inter-bank transaction on same date. Foreign Direct Investment (FDI) inflow has been stagnant for a long time due to inadequate supply of gas and power. According to Bangladesh Bank (BB), the country attracted \$377m net FDI during Jul-Nov period in the FY12. FDI inflow is unlikely to increase unless energy situation improves. In this back-drop the country's business bodies Dhaka Chamber of Commerce & Industry (DCCI), Chittagong Chamber of Commerce & Industry (CCCI) and the Foreign Investors Chamber of Commerce & Industry (FICCI) expressed doubts on achieving the targeted 7% GDP growth in the current fiscal year under the existing economic scenario. Depicting a gloomy picture of the economy, the local business bodies have urged the government not to borrow further from the banking sector. As per BB data, the government had surpassed its annual bank borrowing target of Tk189.57b in the first four months and seven days of the current financial year. Excessive borrowing threatens economy. Higher level of borrowing from banking sources certainly has negative implications for private sector investment as it worsen the liquidity position and crowd out the private sector. Meanwhile BB also in a working paper expressed its fear that if the government continues with heavy borrowing then the banking system could face similar fate like some European banks which bought sovereign bonds of some debt-ridden countries like Greece and fell into deep crisis.

New reporting format for AMCs

In order to ensure transparency and accountability in the activities of the Asset Management Companies (AMCs) the capital market watchdog has designed a new financial reporting chart. From now on the AMCs will have to submit their daily transaction & financial activity summary as per the newly devised format followed by weekly and monthly reports. As per the earlier reporting pattern, the AMCs had to submit quarterly, half-yearly and yearly reports to the Commission. As the SEC was not getting a detail picture of the daily activities of the AMCs by analyzing only such periodic reports the Commission formulated the daily reporting chart. According to the new reporting outline, the AMCs will give daily buy-sell information, trading statements, weekly investment position, and comprehensive financial report for the month, and profitability report on a quarterly basis. Additionally, the AMCs will have to post portfolio investment details on their websites on a half yearly basis.

Ballooning inflation eases a flicker

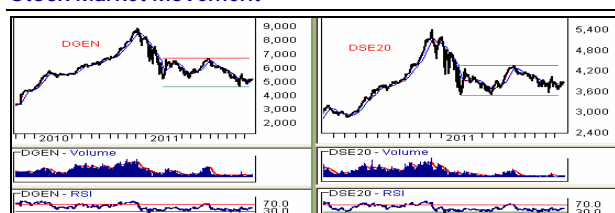
After a continuous rise till November of the past year the point-to-point inflation slowed down to 10.63% in December, 2011 falling marginally by 0.95 percentage points from that of November owing to a fall in food inflation. As per Bangladesh Bureau of Statistics (BBS) data, food inflation stood at 10.40% falling by 2.07 percentage points while non-food inflation went up by 1.19 percentage points from November. The effect of fuel price hike was very much visible in the non-food inflation status as it reached 11.38% to cross food inflation for the first time. From the beginning of the year food inflation was at a double-digit range while the non-food inflation maintained single digit, but in November it touched double digit mark. The monthly point-to-point inflation hit double-digit mark in March, 2011 for the first time since July 2008 and is still maintaining that level. Point-to-point inflation both in rural and urban areas dropped in the last month. In rural areas the rate dropped to 10.25% from 11.37% in November and in urban areas also decreased to 11.62% from 12.11% in the earlier month. In the rural areas, the food inflation dropped to 9.60% while the non-food inflation swelled to 11.62% whereas food inflation declined to 12.26% in the urban areas and those of the non-food items increased to 10.74%. In order to curb inflationary pressures the Bangladesh Bank (BB) hiked the policy rates once again by 50 basis points that came into effect from January 08, 2012. The policy rate has been revised and increased four times in the last year and at the beginning of the year 2012 BB again raised the repurchase agreement (repo) rate to 7.75% from 7.25% and reverse repo rate to 5.75% from 5.25%.

	General		Food Inflation		Non-Food Inflation	
	2011	2010	2011	2010	2011	2010
	Jan	9.04%	8.99%	11.91%	10.56%	3.85%
Feb	9.79%	9.06%	12.77%	10.93%	4.36%	6.14%
Mar	10.49%	8.78%	13.87%	10.80%	4.32%	5.60%
Apr	10.67%	8.54%	14.36%	10.47%	3.97%	5.46%
May	10.20%	8.65%	13.16%	10.72%	4.78%	5.34%
Jun	10.17%	8.70%	12.51%	10.88%	5.73%	5.24%
Jul	10.96%	7.26%	13.40%	8.72%	6.46%	4.87%
Aug	11.29%	7.52%	12.70%	9.64%	8.76%	3.76%
Sep	11.97%	7.61%	13.75%	9.72%	8.77%	3.69%
Oct	11.42%	6.86%	12.82%	8.43%	9.05%	3.82%
Nov	11.58%	7.54%	12.47%	9.80%	10.19%	3.33%
Dec	10.63%	8.28%	10.40%	11.01%	11.38%	3.27%

The central bank in a working paper, submitted to the parliamentary standing committee on the finance ministry hoped inflation will come down to single digit in the last quarter of the FY12 unless any domestic or external causes outclass the prospect. Meanwhile, a Reuters report forecasted that rate of inflation may climb in near future due to hike in fuel and power price. Considering the costly food prices, weaker local currency, higher import bills, deteriorating Balance of Payment (BoP) and borrowing habit of the government it seems that the current downtrend will not sustain for long time and if the rate of inflation is not contained it will be impossible to achieve the targeted 7% GDP growth.

The week's data runs from Jan 05 to Jan 12 2012

Stock Market Movement



Global Markets

	This Week	Last Week	+/- %	PE
S&P 500	1289.09	1277.81	0.88	14.1
FTSE 100	5636.64	5649.68	-0.23	10.8
Nikkei 225	8500.02	8390.35	1.31	13.7
SENSEX	16154.60	15848.80	1.93	16.2
KSE 100	11014.46	11125.35	-1.00	8.1

DSE Indicators

	This Week	Last Week	+/- %
DSE General Index	5114.49	5467.00	-6.45
Total Turnover, Tk	22,950,753,009	34,598,281,553	-33.67
Market Capital, Tk	1,995,495,478,138	2,118,952,038,200	-5.83
No of Issue Gain	19	222	
No of Issue Loss	247	45	
No of Unchanged Issues	4	2	

Top Gainers

Company	Weighted avg. Closing Price (Tk)			Turnover (Tk)
	Last Week	This Week	Change %	
Standard Ceramic	39.70	42.00	5.79	13,908,000
Kohinoor Chemicals	220.00	228.40	3.82	1,444,000
H.R.Textile	46.90	48.50	3.41	72,607,000
CVO Petrochemical	354.90	365.80	3.07	92,935,000
2nd ICB M F	330.00	339.3	2.82	153,000
Karnaphuli Insurance	53.50	54.70	2.24	202,733,000
Beacon Phar	32.30	33.00	2.17	547,890,000
Kay & Que	58.00	59.20	2.07	65,612,000
National Tea	531.10	541.80	2.01	5,790,000
Jute Spinners	152.80	154.20	0.92	564,000

Top Losers

Company	Weighted avg. Closing Price (Tk)			Turnover (Tk)
	Last Week	This Week	Change %	
Meghna Petroleum	194.90	137.40	-29.50	107,458,000
R.N. Spinning Mills	86.60	73.10	-15.59	778,001,000
DESCO	118.40	103.80	-12.33	92,990,000
Reckitt Benckiser	885.00	778.80	-12.00	981,000
Saiham Textile	64.30	56.60	-11.98	135,670,000
Monno Ceramic	64.70	57.20	-11.59	26,384,000
Keya Cosmetics	78.00	69.20	-11.28	402,491,000
Anwar Galvanizing	34.70	30.80	-11.24	4,680,000
Grameen M F One	54.60	48.50	-11.17	86,240,000
Purabi Gen. Ins.	118.60	105.70	-10.88	12,556,000

Sectoral Index & Turnover

Sector	P/E	Sectoral Index			Turnover (Tk.M)		
		This Week	Last Week	Change %	This Week	Last Week	Change %
Bank	7.65	575.84	568.84	1.23	4912.10	7469.94	-34.24
Cement	20.36	243.62	227.10	7.27	754.28	1131.47	-33.34
Ceramic	27.41	803.18	742.73	8.14	656.04	1258.85	-47.89
Engineering	18.66	1375.45	1328.51	3.53	2150.92	3035.29	-29.14
Food & Al.	22.62	784.25	787.82	-0.45	847.65	1099.01	-22.87
Fuel & Pow.	16.58	2610.36	2514.78	3.80	1165.85	2234.91	-47.83
Insurance	20.34	1330.84	1264.36	5.26	2058.18	3025.99	-31.98
IT	35.37	252.12	238.13	5.87	197.32	398.60	-50.50
Jute	30.19	485.15	492.62	-1.52	20.59	35.96	-42.73
Misc.	24.10	992.66	938.39	5.78	954.04	1450.14	-34.21
Mutual Fund	7.84	485.79	473.01	2.70	486.72	906.34	-46.30
NBFI	11.66	1523.07	1365.37	11.55	1782.91	3067.00	-41.87
Paper	39.48	427.53	450.79	-5.16	4.51	2.53	78.22
Pharma	24.46	652.00	625.61	4.22	2219.26	2915.67	-23.89
Service	12.76	1175.96	1089.83	7.90	236.13	424.81	-44.42
Tannery	15.62	520.79	510.19	2.08	128.27	311.15	-58.77
Telecom	22.03	1767.00	1635.00	8.07	1037.14	1105.53	-6.19
Textile	30.49	810.11	753.95	7.45	2575.61	3587.80	-28.21
Travel & Leis.	14.90	244.39	234.10	4.39	629.29	959.71	-34.43

Technical Talk

After four weeks of steady increase Dhaka Stock Exchange (DSE) ended up with some shaky gestures. The average daily turnover dropped by 33.67% to Tk4590.10m in the last week from Tk6919.66m in the week before. Lifting cap on lending rates and possibility of announcing tight monetary policy to control inflation as the Bangladesh Bank increased its policy rates by 50 basis points with effect from January 08, 2012 motivated the investors to maintain their selling spree.

DSE General Index reached at 5114.49 points decreased by 352.51 points or 6.45% from the previous week. Total turnover reached at Tk22950.75m with 33.67% decrease from the last week's Tk34598.28m. On the other hand, market capital fell by 5.83% and stood at Tk1995.50b (\$23.90b) at the weekend against Tk2118.95b. DSE-20 has moved downward by 202.42 points (5.04%) and closed at 3816.39 points against 4018.81 points. Last week weighted average Market PE was 13.43 which was 5.95% lower than previous week's 14.28.

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

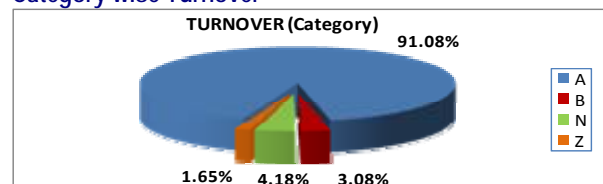
Top Turnover Companies

Company	Volume	Value (Tk)	% of total
Grameenphone	5855800.00	1,037,135,000	4.52
National Bank	14381300.00	1,028,225,000	4.48
R. N. Spinning Mills	9621500.00	778,001,000	3.39
United Airways	26160800.00	629,290,000	2.74
Beacon Pharma	15970000.00	547,890,000	2.38

Top 10 Market Capital

Company	Volume	Value (Tk)	% of total
Grameenphone	235,897	Islami Bank	52,340
Titas Gas	62,556	BEXIMCO	38,607
Square Pharma	61,097	BSRM Steel	36,976
ICB	60,058	BATBC	36,144
NBL	59,795	Lafarge Surma	33,679

Category wise Turnover



Commodity Price

	This Week	Last Week	Change %
Gold (USD/t oz.)	1630.40	1616.10	0.88
Silver (USD/t oz.)	29.49	28.65	2.93
Brent Crude Oil (USD/bbl)	110.44	113.06	-2.32

Exchange Rate

	This Week		Last Week		Change %	
	TT	BC	TT	BC	TT	BC
USD	82.50	83.50	81.75	82.75	0.92	0.91
EUR	104.40	106.74	105.16	107.54	-0.72	-0.74
GBP	126.06	128.25	127.27	129.50	-0.95	-0.97
AUD	84.56	86.47	83.98	85.89	0.69	0.68
JPY	1.06	1.10	1.05	1.09	0.95	0.92
CAD	80.59	82.40	80.19	82.04	0.50	0.44
SAR	21.87	22.37	21.69	22.18	0.83	0.86

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)
Saiham Cotton Mills	Mar 04- Mar 08, 2012		950	
GPH ispat ltd.	Feb 02- Feb 09, 2012		600	
Padma Islami Life Insurance	Jan 22 - Jan 26, 2012		120	
GSP Finance	Jan 08 - Jan 12, 2012		500	