

BB adopts "Balanced" MPS for H2 of FY13

Bangladesh Bank (BB) has decided to pursue a 'balanced' monetary policy for H2 FY13. Just like the preceding Monetary Policy Statement (MPS) this one also focuses on adequate credit flow to the productive sectors to support the attainment of the growth target while keeping consistency with the targeted 7.5% average inflation rate for FY13. In an effort to increase the country's investment it has reduced repo rate by 50 point. With the same intention it has also increased the private sector credit growth target by 0.5 percentage point to 18.5% and broad money growth target by 1.2 percentage points to 17.7%. While assessing the achievement of the previous MPS the BB claimed it is largely on track in achieving inflation target (8.43% in December 2012 against 7.5% target) and building reserves (about 4 months import cover of \$12.8b in end December 2012). Sharp increase in Net Foreign Assets due to higher remittances and lower imports, sharp decline in inter-bank rates and healthy growth in private sector credit were identified as three key developments of this period. Private sector credit growth in November 2012 was 17.4% against 5% public sector credit growth. BB has expected the deposit and lending rates would decline in the coming months. However it has forecasted the real GDP growth of FY13 to be less than the previous ten years average. Financial sector stabilization and minimizing excessive volatility of the exchange rate are two other areas of concern of the MPS.

The private placement saga

Between 2008 and 2012 around 672 companies raised capital worth Tk389.95b through private placement with consent of the securities regulator. Around 400 such companies issued placement shares in the absence of a specific guideline in the period of the outlandish market situation of 2008 to 2010. As per a media report, 168 private companies raised Tk75.99b and 189 public limited companies raised Tk159.34b during January 01, 2009 to May 31, 2011 by issuing private placement shares. Another Tk51.89b was raised by 167 private companies and Tk102.73b by 148 public limited companies during June 01, 2011 to December 31, 2012. But the actual size would be much higher since the unscrupulous strategic holders of a number of these companies have capitalized the over enthusiasm of the investors and added exorbitant premiums on the approved face value. It is alleged that many in government, regulatory high-ups and influential market insiders got involved in price manipulation of the placement shares. The stock market scam report cited mass-scale distribution and manipulation in private placement as one of the key reasons behind the market anomaly. In some cases the placement holders, who had strong influence in the market activity, took care of the listing of these companies through direct listing and book-building methods before the market crash and reaped the best return out of it. But many other companies could not get listed before the crash and are now finding it difficult to go public. A massive amount of fund of the placement-holders of these companies is stuck up creating liquidity crisis in the market. Ensuring refund of this money is not legally impossible but apparently difficult. Meanwhile on October 2, 2011, Bangladesh Securities & Exchange Commission (BSEC) issued a private placement guideline limiting distribution of placement shares among maximum 100 TIN (Tax Identification Number) holders at face value.

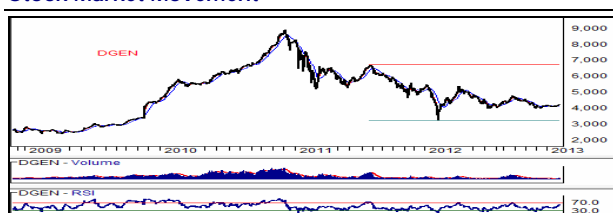
Free-float based index launched

Dhaka Stock Exchange (DSE) has launched two float-adjusted market capitalization based price indices - DSE Broad Index (DSEX) and DSE-30 Index (DS30) from January 28, 2013. Opening values of these indices were 4055.91 and 1460.30 respectively. The indices were developed and designed with assistance from Standard and Poor's (S&P). January 17, 2008 is the base date for both the indices. The DSEX which reflects 97% of the total market capitalization would replace the current market barometer DSE General Index (DGEN). Base point for DSEX has been fixed at 2951.91 DGEN value of base date. Each of the eligible stocks must have above Tk100m float-adjusted market capitalization along with Tk1m six-month Average Daily Value Traded (ADVT) as of rebalancing reference date. An existing index constituent would remain inclusive if its market capitalization remains above Tk70m and ADVT above Tk0.7m. Additionally the eligible stocks are required to trade at least half of normal trading days each month for the three months prior to the rebalancing reference date. Currently 199 companies have managed to meet the eligibility criteria of DSEX. The index will be rebalanced once in a year based on year-end closing. On the other hand, the DSE-30 Index or DS30 in short which reflects around 51% of the total market capitalization would replace the blue-chip index i.e. DSE-20. The index has a base point of 1000 and will be reconstituted twice in a year based on half-yearly trading performance. Stocks having Tk500m float-adjusted market capitalization, Tk5m three-month ADVT and positive net income based on latest four quarters report as of the rebalancing reference date would be eligible for this selective index. The number of constituents in Banks, Financial Institutions, Insurance sector and Real Estate Sub-sector is limited at 5 each and 10 combined for the index. Companies that has comprised the DS30 are Islami Bank, National Bank, Pubali Bank, UCBL, Prime Bank, People's Leasing, LankaBangla Finance, Aftab Auto, Olympic Industries, BSRM Steels, BATBC, Padma Oil, Summit Power, DESCO, Powergrid, Jamuna Oil, Meghna Petroleum, Titas Gas, KPCL, MJL, Square Textiles, RN Spinning, Beximco Pharma, Square Pharma, Keya Cosmetics, Heidelberg Cement, Lafarge Surma Cement, GP, United Airways and BEXIMCO. However inclusion of the stocks like RN Spinning, Lafarge Surma, United Airways, KPCL, and People's leasing triggered criticism from fundamental point of view. Chittagong Stock Exchange will also re-launch its existing indices under free float method from February 03, 2013.

Numb investment in savings tools

According to the Directorate of National Savings (DNS), government's net borrowing from the savings certificates stood at only Tk1.77b in H1 of FY13, much below the target. Net borrowing target for the fiscal year was Tk74b. Net investment in such tools has nosedived by 46.89% during the first half because of huge premature encashment. Against Tk115.58b gross sales divestment of such tools was Tk113.81b. Less attractive yield in comparison to bank deposits is putting an adverse impact on the sales of savings instruments. Moreover sales through the banks had entered into a negative zone as banks were disinterested to sell these certificate that put competitions for their own savings and deposit products. Net sales of the saving instruments showed a negative growth of Tk2.07b in December last. With recent increase in retirement age the sale of Pension Certificates also declined remarkably.

Stock Market Movement



Global Markets

	This Week	Last Week	+/- %	PE
S&P 500	↑ 1513.17	1502.96	0.68%	16.7
FTSE 100	↑ 6347.24	6284.45	1.00%	13.2
Nikkei 225	↑ 11191.34	10926.65	2.42%	17.1
SENSEX	↓ 19781.19	20103.53	-1.60%	17.9
KSE 100	↑ 17266.23	17056.36	1.23%	9.1

DSE Indicators

	This Week	Last Week	+/- %
DSE General Index	↑ 4230.69	4167.69	1.51
Total Turnover, Tk	↑ 13,700,092,857	7,341,570,445	86.61
Market Capital, Tk	↑ 1,811,060,526,264	1,782,155,766,046	1.62
No of Issue Gain	200	156	
No of Issue Loss	76	106	
No of Unchanged Issues	7	19	

Top Gainers

Company	Weighted avg. Closing Price (Tk)			Turnover (Tk)
	Last Week	This Week	Change %	
FAS Finance	26.40	35.70	35.23	50,892,000
In Tech Online	18.00	21.60	20.00	34,100,000
Dafodil Computers	16.00	19.00	18.75	62,362,000
The Dacca Dyeing	28.60	33.60	17.48	160,772,000
Al-Haj Textile	36.10	42.40	17.45	30,999,000
National Housing	38.00	43.30	13.95	18,337,000
BDCOM Online	19.10	21.50	12.57	22,358,000
Sinobangla	25.60	28.70	12.11	27,320,000
Phoenix Insurance	57.60	64.50	11.98	16,573,000
Fine Foods	17.30	19.30	11.56	5,710,000

Top Losers

Company	Weighted avg. Closing Price (Tk)			Turnover (Tk)
	Last Week	This Week	Change %	
Malek Spinning	24.50	20.30	-17.14	220,283,000
Prime Fin. 1 st MF	22.70	19.40	-14.54	21,024,000
Maksons Spinning	19.70	17.50	-11.17	93,158,000
NCCBL MF-1	11.90	10.80	-9.24	521,000
Reliance One	10.00	9.20	-8.00	803,000
ACI Formulations	92.10	85.60	-7.06	88,696,000
Samorita Hospital	63.70	59.80	-6.12	150,000
CVO Petrochem.	160.30	150.70	-5.99	11,523,000
LR Global BD MF 1	8.70	8.20	-5.75	374,000
2nd ICB M.F.	287.00	271.20	-5.51	151,000

Sectoral Index & Turnover

Sector	P/E	Sectoral Index			Turnover (Tk.M)		
		This Week	Last Week	Change %	This Week	Last Week	Change %
		Bank	7.57	419.91	412.30	1.85	1549.94
Cement	21.46	250.49	244.26	2.55	484.76	294.12	64.82
Ceramic	18.58	574.84	576.81	-0.34	172.39	98.95	74.22
Engineering	21.25	993.39	977.95	1.58	834.38	452.90	84.23
Food & Al.	29.32	927.90	956.73	-3.01	254.40	189.03	34.58
Fuel & Pow.	10.69	2,417.71	2,372.71	1.90	1305.87	609.57	114.23
Insurance	34.22	1,154.72	1,102.87	4.70	936.04	432.25	116.55
IT	21.36	216.00	192.51	12.20	306.41	113.87	169.09
Jute	23.80	267.55	269.80	-0.83	6.48	3.13	107.19
Misc.	27.03	710.09	703.80	0.89	494.97	307.13	61.16
Mutual Fund	10.30	524.53	536.42	-2.22	484.19	578.49	-16.30
NBFI	14.66	1,093.08	1,064.10	2.72	814.62	263.63	209.00
Paper	29.84	211.55	199.37	6.11	0.14	0.13	8.27
Pharma	17.72	567.21	556.74	1.88	994.10	545.94	82.09
Service	18.28	652.25	649.99	0.35	47.26	28.33	66.83
Tannery	11.82	421.45	433.40	-2.76	41.51	55.86	-25.70
Telecom	11.26	1,807.21	1,806.82	0.02	491.48	318.91	54.11
Textile	24.05	919.14	895.32	2.66	2790.70	1226.36	127.56
Travel & Leis.	22.94	1,017.73	1,003.16	1.45	1612.47	746.73	115.94

Technical Talk

All market indices including the new ones ended last week with a big gain along with a pleasing lift in turnover. Launching of the new indices DSEX and DS30 boosted investors' confidence level. The joint move by stock market stakeholders to form the 10-member stock market surveillance committee drew many investors to the trading floor as well. Alongside anticipations on a relaxed monetary policy statement and December quarterly earnings announcement cheered the trade euphoria further. Most major sectors advanced notably. The NBFI, cement and textiles sectors were amongst the top gainers. Sunlife Insurance has made its debut on the last trading day of the week. Its stocks traded within Tk81.70-Tk100 band on the debut date and closed at Tk82.10 against Tk10 offer price, witnessing 721% gain.

DSE General Index reached at 4230.69 points increased by 63 points or 1.51% from the previous week. Total turnover reached at Tk13700.09m with 86.61% increase from the last week's Tk7341.57m. On the other hand, market capital increased by 1.62% and stood at Tk1881.06b (\$22.57b) at the weekend against Tk1782.16b. Newly launched DSEX has moved upward by 80.40 points (1.98%) from the first day's opening index of 4055.91 points and closed at 4136.31 points. Last week's weighted average Market PE was 12.24 which was 2.75% higher than previous week's 11.91.

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

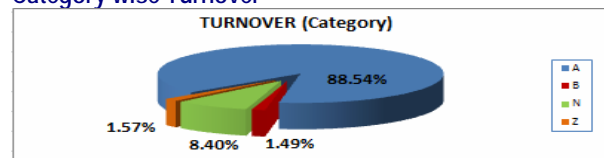
Top Turnover Companies

Company	Volume	Value (Tk)	% of total
United Airways	45,781,100	1,012,131,000	7.39
Unique Hotel	4,853,900	600,334,000	4.38
Generation Next	11,901,500	404,548,000	2.95
BEXIMCO	6,231,700	403,807,000	2.95
R. N. Spinning	9,047,250	330,704,000	2.41

Top 10 Market Capital

Company	Value (Tk)	% of total
Grameenphone	227,120	53,880
Titas Gas	65,091	41,113
Square Pharma	64,254	36,388
ICB	59,748	34,530
Islami Bank	54,667	32,083

Category wise Turnover



Commodity Price

	This Week	Last Week	Change %
Gold (USD/t oz.)	1667.40	1657.50	0.60
Silver (USD/t oz.)	31.94	31.18	2.44
Brent Crude Oil (USD/bbl.)	116.62	113.40	2.84

Exchange Rate

	This Week		Last Week		Change %	
	TT	BC	TT	BC	TT	BC
USD	80.25	80.30	79.30	80.30	1.20	0.00
EUR	109.46	109.53	105.06	107.48	4.19	1.91
GBP	127.19	127.27	125.19	127.43	1.60	-0.12
AUD	83.91	83.96	83.12	85.04	0.95	-1.27
JPY	0.89	0.89	0.89	0.92	0.17	-3.04
CAD	80.46	80.51	79.50	81.34	1.21	-1.02
SAR	21.51	21.52	21.04	21.52	2.22	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 Public Offerings

Company	Subscription Period	Sponsor (M.Tk)	IPO (M.Tk)	Private Placement (M.Tk)
Apollo Ispat Complex Limited	March 03-07, 2013	-	2200	-