

Banking sector weakens on rescheduled loans

Bangladesh Bank (BB) released the "Financial Stability Report (FSR) 2016" on July 31, 2017 revealing the financial health of banks in the past calendar year. According to the report, increasing loan exposure of commercial banks in large-scale industries owned by a handful of corporate groups posed a threat to the financial stability of the overall banking sector. BB pointed out that the rescheduled loans exerted extra stress on the banking sector in recent times as these constitute a significant part of the total loan portfolio of banks. During the period of 2012 to 2016, banks have rescheduled default loans of around Tk704b. At the end of December 2016, the total default loan stood at Tk621.72b and out of it, the loans that had been rescheduled at least once were Tk154.2b. Overall Non-Performing Loans (NPLs) were concentrated in three sectors-Ready-Made Garments (RMG), large-scale industries segment and Commercial Loans which constituted 45.8% to the total figure. Commercial loans alone made up 23.4% which was the highest among all sectors followed by RMG 12.6% and large-scale industrial credits 9.8%. According to the BB, the stress advances increased to 17.20% as of December 2016 from 16.10% as at December 2015. The stress advances cover defaulted loans and restructured and rescheduled loans. Large industries segment held 33.8% of the total stress advances. Around 42.0% of the rescheduled loans were also composed by large-industry category. Medium and other industries contributed 25% and 23.3% to the overall rescheduled loans respectively. Out of the 57 banks, only three state-owned banks and three private commercial banks managed to maintain provisions keeping in line with BB policies. As of December 2016, the Capital Adequacy Ratio (CAR) in Bangladesh stood at 10.80%. According to the report, CAR will decline to 6.69% in the banking sector if the top 10 largest borrowers become defaulter. The report identified over-leverage, poor due diligence, influenced lending, fraud and negligence in compliance with risk management practices as probable reasons for the surge in rescheduled loan.

No limit on MF unit holding by Els

Bangladesh Securities and Exchange Commission (BSEC) has decided to allow a single eligible investor (EI) to hold more than 10% stake of an open-end Mutual Fund (MF) from the allocated portion for the institutional investors during Initial Public Offering (IPO). By taking this latest step, institutional investors will get a chance to hold any quantity of securities of an open-end mutual fund. Such relaxation, however, will not be applicable for close-end MFs. According to the existing condition, no EI shall apply for more than 10% of the total securities reserved for the other Els. Rule 46 of the Securities and Exchange Commission (Mutual Fund) Rules, 2001 mandated raising 25% of a mutual fund through IPO. However, in reality, it has become quite impossible to raise fund through IPO for MFs considering the recent public subscription reports of the funds. In 2016, tepid response of investors to subscribe IPO of mutual funds was reflected in the public subscription of CAPM BDBL Mutual Fund 01 and Vanguard AML Rupali Bank Balanced Fund. Prolonged poor performance by MFs due to dull market condition was one of the major reasons for such poor response to the initial offers of MFs.

MNCs, Banks, FIs report higher profit in Q2

Listed Multinational Companies (MNCs), banks, Non-Bank Financial Institutes (NBFIs) and insurance companies witnessed a surge in net income during the first half (January-June) of this year. A total of 94 listed companies earned Tk56.94b as net profit, a rise of 11.62% or Tk5.93b (Y-o-Y). Out of these 94 companies, 88 saw profit and the remaining 6 made loss during this six month period. Regrettably, these loss-making companies were all NBFIs. Reviewing the financials, the profitable companies made net income of Tk30.63b during the second quarter (Q2) of 2017 which was Tk1.08b more than they did during the same quarter of the previous year. Among the profitable ones, Grameenphone topped the list by recording a profit of Tk4.47b followed by British American Tobacco, Islami Bank, BRAC Bank and The City Bank sequentially. Among these companies, EPS of 61 companies increased (Y-o-Y) during the six month period of 2017 compared to the corresponding period of last year. Based on the EPS growth, Standard Insurance saw 367% (Y-o-Y) growth in EPS followed by Bank Asia 175%, Prime Bank 174%, Premier Bank 157%, LankaBangla Finance 125%, One Bank 123% and Rupali Bank with 108%.

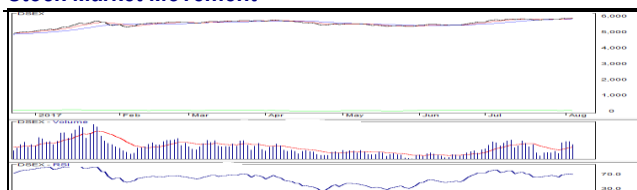
Top 10 Profit-makers Jan-Jun 2017

Companies	Net Profit in Tk	EPS in Tk	Growth (Y-o-Y)
Grameenphone	14.47b	10.72	35.35%
BATBC	4.08b	68.02	5.88%
Islami Bank	2.90b	1.80	-16.28%
Brac Bank	2.27b	2.66	26.67%
City Bank	1.91b	2.18	-5.22%
IFIC Bank	1.76b	1.48	2.78%
EBL	1.70b	2.31	4.52%
Mercantile	1.57b	2.03	52.53%
DBBL	1.42b	7.10	26.33%
One Bank	1.38b	1.90	123.53%

Demand-supply imbalance of greenback widens

Spread between buying and selling rates of the US dollar has recently widened to Tk1.50 from Tk1 as a result of mounting demand-supply gap of the currency, triggering cost escalation of import bills. Experts fear that the recent increment of the buying-selling gap of dollar would trigger inflationary pressure in future and exert pressure on the foreign exchange reserve, even though the gap has been asked to be maintained at Tk1 as per the instruction of the central bank. Lately, the two key sources of foreign currency in Bangladesh- exports and inward remittances are confronting downbeat trend though the volume of import bills has increased and stretching the current account deficit. As per Bangladesh Bank statistics, remittance inflow in FY2016-17 has decreased to \$12.77b, the lowest in six years, and the growth rate of export earnings has reduced to a 15-year low of 1.69%. Moreover, export from apparel sector has registered an insignificant growth of 0.20%, being a 15 year low. On the other hand, volume of import payments has hit an all-time high in the recently concluded FY2016-17 with a growth of 10.47% (Y-o-Y) against the 4.22% in FY16. This significant gap might be proved profitable for banks as they provide foreign exchange services to their customers involving buying and selling of the currency. In this case, Islami Bank Bangladesh along with two other foreign commercial banks might gain from the scenario as the bank brings in more than 25% of total inward remittance and administers a significant sum of export receipts. However, Bangladesh Bank is trying to stabilize the exchange rate by injecting dollar in the market amid the ongoing mismatch between demand and supply.

Stock Market Movement



Global Markets

	This Week	Last Week	+/- %
S&P 500	2,476.83	2,472.10	0.19
FTSE 100	7,511.71	7,368.37	1.95
Nikkei 225	19,952.33	19,959.84	-0.04
SENSEX	32,325.41	32,309.88	0.05
KSE 100	46,877.37	45,912.03	2.10

DSE Indicators

	This Week	Last Week	+/- %
DSE Broad Index	5,880.45	5,815.07	1.12
Total Turnover, Tk	53,219,272,080.00	31,174,146,323.00	70.72
Market Capital, Tk	3,355,565,726,904	3,332,641,307,202	0.69
No of Issue Gain	177	186	
No of Issue Loss	142	118	
No of Unchanged Issues	15	28	

Top Gainers

Weighted avg. Closing Price (Tk)

Company	Last Week	This Week	Change %	Turnover (Tk)
Rupali Bank Ltd.	42.60	49.70	16.67	401,586,000
Eastern Bank Ltd.	36.90	42.50	15.18	212,104,000
Trust Bank Ltd.	29.10	33.00	13.40	355,153,000
Premier Bank Ltd.	13.00	14.70	13.08	863,909,000
Dutch-Bangla Bank	114.10	127.30	11.57	243,051,000
Fu Wang Food Ltd.	23.10	25.70	11.26	1,042,544,000
ATCSLGF	12.50	13.80	10.40	227,902,000
C & A Textiles	11.90	13.10	10.08	1,251,072,000
City Bank Ltd.	38.20	41.90	9.69	2,035,281,000
Bank Asia Ltd.	17.70	19.40	9.60	225,910,000

Top Losers

Weighted avg. Closing Price (Tk)

Company	Last Week	This Week	Change %	Turnover (Tk)
Pragati Life Insurance	125.1	105.00	-16.07	6,835,000
Union Capital Ltd.	24.1	21.80	-9.54	155,612,000
Jute Spinners Ltd.	100.1	92.70	-7.39	4,097,000
Meghna Life Insurance	58.5	54.90	-6.15	32,925,000
Lafarge Surma Cement	64.0	60.10	-6.09	384,703,000
GQ Ball Pen Industries	103.9	97.70	-5.97	84,856,000
Rahima Food	174.4	164.10	-5.91	68,215,000
Mercantile Insurance	20.6	19.40	-5.83	1,518,000
BRAC Bond	1060.0	1000.00	-5.66	5,000
BBS	50.9	48.3	-5.11	399,159,000

Sectoral Index & Turnover

Sector	Sectoral Index			Turnover (Tk.M)		
	This Week	Last Week	Change %	This Week	Last Week	Change %
Bank	460.13	438.48	4.94	12,587.06	6,134.42	105.19
Cement	396.63	410.09	-3.28	1,141.75	752.44	51.74
Ceramic	711.70	715.86	-0.58	511.14	523.40	-2.34
Engineering	2,746.94	2,619.45	4.87	5,346.91	3,397.44	57.38
Food & Al.	3,793.73	3,787.23	0.17	2,263.82	1,134.90	99.47
Fuel & Pow.	4,302.65	4,378.42	-1.73	2,685.81	2,427.85	10.63
Insurance	1,286.19	1,310.40	-1.85	586.71	418.79	40.10
IT	258.83	259.43	-0.23	1,293.62	716.76	80.48
Jute	965.46	923.31	4.57	106.80	89.33	19.56
Misc.	1,154.41	1,160.49	-0.52	1,692.00	1,014.01	66.86
Mutual Fund	559.06	541.16	3.31	1,336.33	747.99	78.65
NBFI	1,619.12	1,633.21	-0.86	5,696.15	3,230.63	76.32
Paper	1,524.85	1,434.62	6.29	263.81	199.72	32.09
Pharma	1,642.34	1,644.72	-0.14	3,187.94	2,730.71	16.74
Service	1,667.08	1,628.81	2.35	1,242.80	549.62	126.12
Tannery	955.42	941.46	1.48	1,024.53	406.98	151.74
Telecom	3,468.18	3,507.28	-1.11	727.83	835.36	-12.87
Textile	1,467.97	1,463.45	0.31	7,208.0	4,244.8	69.81
Travel & Leis.	564.19	546.25	3.28	385.74	355.17	8.61

Technical Talk

Dhaka bourse continued buoyancy for the second week ended on Thursday with robust turnover as investors exhibited their buying appetite on large-cap stocks especially for banks. Opportunistic investors showed their appetite on banking stocks as most of the banks reported positive earnings growth for the April-June quarter. During the week, Bank sector dominated the turnover chart capturing nearly 29% of the week's total turnover value followed by Textile 14% and financial institutions 13%. Among the major gainers, Bank escalated by 4.94% over the week closely followed by Engineering 4.87%, Jute 4.57%, Mutual Fund 3.31%, Travel 3.28% and Textile 0.31%.

DSE Broad Index (DSEX) reached at 5880.45 points increased by 65.38 points or 1.12% from the previous week. Total turnover reached at Tk53219.27m which was 70.72% higher than the previous week. On the other hand, market capitalization moved up by 0.69% and stood at Tk3355.57b (\$41.07b) at the weekend against Tk3332.64b. DSE 30 has, however, moved down by 5.98 points or 0.28 % and closed at 2123.12 points against 2129.10 points. Last week's weighted average Market PE was 16.15 which was 16.06 previous week.

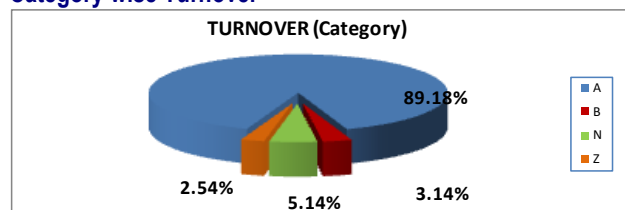
Top Turnover Companies

Company	Volume	Value (Tk)	% of total
LankaBangla Finance	42,828,164	2,450,585,000	4.60
City Bank Ltd.	49,308,532	2,035,281,000	3.82
BBS Cables Limited	15,977,501	1,332,068,000	2.50
C & A Textiles Limited	98,212,509	1,251,072,000	2.35
One Bank Limited	48,092,518	1,146,473,000	2.15
SAIF Powertec Limited	22,670,528	1,081,756,000	2.03

Top 10 Market Capital

			In million
GP	506,092	Lafarge Surma Cement	69,799
Square Pharma	193,368	UPGDCL	63,588
BATBC	179,112	Renata	60,849
ICB	118,083	Olympic	57,782
BRAC Bank	72,773	Islami Bank	56,028

Category wise Turnover



Commodity Price

	This Week	Last Week	Change %
Gold (USD/t oz.)	1,258.50	1,269.00	-0.83
Silver (USD/t oz.)	16.21	16.69	-2.91
Brent Crude Oil (USD/bbl.)	52.41	52.58	-0.32

Exchange Rate

	This Week		Last Week		Change %	
	TT	BC	TT	BC	TT	BC
USD	81.70	81.75	81.70	81.75	0.00	0.00
EUR	96.70	96.76	96.51	96.57	0.20	0.20
GBP	106.79	106.85	107.61	107.67	-0.76	-0.76
AUD	65.12	65.16	65.59	65.63	-0.71	-0.71
JPY	0.75	0.75	0.75	0.75	-0.01	-0.01
CAD	64.94	64.98	66.05	66.09	-1.68	-1.68
SAR	21.90	21.91	21.90	21.91	0.01	0.01

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	Offer Price	IPO (M.Tk)
ICB AMCL First Agrani Bank MF	Aug 01-Aug 10 2017	10	500
AAMRA Networks Ltd.	Aug 06-Aug 16 2017	35	150.41