

### BB keeps banks under watch

The ongoing bull-trend of stock market has mainly been riding on banking issues. Bank shares have been dominating the turnover chart for several months. According to Dhaka Stock Exchange (DSE) statistics, market capitalization of the listed 30 banks rose by 57% to Tk761.46b as of October 5, 2017 from Tk484.06b on December, 2016. Following the recent hype in stock market, Bangladesh Bank (BB) carried out investigations over the stock market activities of the banks last month. Banks are not allowed to invest more than 25% of their capital in stocks, as per provisions of the Banking Company Act 2013; the probe found that the average exposure of the banking sector remained at 20% of their capital as of August, 2017. Although the direct exposure to the stock market remained within the permissible limit, banks are increasing their indirect investment through loans. The investigation found that the banks invested in stocks by way of providing loans to their subsidiaries without reporting it to the authority. The central bank, based on the findings, slapped fines on seven banks for violating the rules by misreporting their share market exposure and overexposure. According to BB, one or two banks had exceeded their stock-market-exposure limits on consolidated basis; however, the rest of the banks had misrepresented information on their investment in stocks to the BB on weekly and monthly basis. It is noteworthy that BB took this punitive measure against these seven errant banks aiming to establish and uphold discipline & stability in stock market since the overexposure of banks was one of the leading causes for market debacle in 2010 when banks were allowed to invest only 10% of their liabilities. In addition, BB brought eight more banks under close monitoring after it had detected anomalies in their recent capital market activities. In consequence to the action, the key index of DSE plunged by 1.23% or 76.60 points on the very next day (October 9, 2017) after the media release of the investigation of BB and its findings & measures. Based on DSE records, it was the biggest single-day fall in nearly five months since April 23, 2017, when DSEX fell by 1.51% or 82 points. On October 8, 2017, the market capitalization of banking sector was Tk758.26b while the panic sell on October 9, 2017 dragged the market cap of the sector down to Tk733.76b shedding 3.23% in value.

### Export slumps in September

The exporters of Bangladesh shipped US\$2.03b worth of merchandise in September 2017 posting a decline of 9.83% compared to the corresponding month of 2016. Total export earnings during the month lagged behind the target of US\$2.77b by 4.86%. However, export earnings increased to US\$8.66b in the first quarter (Q1) of the FY2017-18, marking a rise of 7.23% compared to US\$8.07b of the corresponding period last year, though it still missed the quarterly target of US\$8.91b. The quarterly rise of earnings figure was contributed mainly by the strong growth of export in the first two months (July-August) of this fiscal year. The plunge in earnings from garment shipments which contributes typically 80% of total export receipts resulted in the recent fall. During the month, apparel exports plummeted by 11.48% Y-o-Y and by 46.71% on a month-on-month basis to US\$1.62b. Industry people attributed the slowdown mostly to the production pause due to the week-long Eid vacation last month and to the appreciation of Taka against the Dollar. However, shipment of frozen and live fish and shrimp, pharmaceutical products, jute and jute goods, home textile observed positive growth in August this year.

### Private credit growth hits 58-month high

Private sector credit disbursement has registered 17.84% growth (Y-o-Y) in August from 16.94% a month ago mainly for trade financing of swelling import payments. Moreover, banks have started to reroute their focus on consumer, SME and farm loans to keep their profitability intact as corporate groups shy away from taking large loans from banks. Earlier, Bangladesh Bank has set the private sector credit growth target at 16.20% in the monetary policy for the first half (July-December) of FY2017-18. Bangladesh Bank officials have clarified that the bulky import bills in the first two months of the current fiscal year is one of the reasons behind the increase in credit growth. During the period, the overall imports have grown by more than 31% to US\$ 9.42b from \$7.16b in the same period of the last FY17. They have also forecast that the upward trend in private sector credit growth might continue in the coming months as government has relaxed the barriers of importing rice. On the other hand, declining trend of bank interest rates and ongoing political stability have also stimulated the entrepreneurs to borrow more to meet their growing demand of funds. Also, some banks have recently started to finance large infrastructural projects mainly in power and telecommunication sectors. However, Bangladesh Bank has advised the banks to invest more in the productive sectors to expedite economic growth as the banks have been inclined to disbursing excessive amount of consumer loans.

### Bad loans push banking sector in dire straits

Mounting default loan is slowly crippling the banking sector of Bangladesh. According to the statistics of Bangladesh Bank, the amount of default loans has stood at Tk741.48b as of June this year as against Tk621.72b in December, 2016. Such a rise in default loans has pushed the default loans ratio to 10.14% on June, 2017. In fact, the aggregate amount of total default loans in June this year would have been around Tk1.19 trillion if Tk450b of bad loans had not been written off. At the end of June 2017, the amount of default loans were Tk400.98b at eight state-run and specialized commercial banks, Tk317.29b in private banks and Tk23.21b for foreign commercial banks. As a result of the situation, banks face hefty capital shortfall. The situation is worse in state-owned banks that require frequent injections of capital from the public exchequer. The government has so far injected Tk137.05b into the state-owned banks between FY10 to FY17 and has planned to allocate Tk20b further for recapitalization. Banking sector experts have alleged that the amount of default loans has started to run rampant since 2011 when the total defaulted loan was Tk226.44b or 6.12% of the total disbursed credit at that time. They have further said that SOBs generally have the largest amount of default loans but the alarming fact is that the amount of bad debts of private banks is also rising rapidly. In the first six months of the current fiscal year, the amount of defaulted loans of 40 private banks has increased by Tk20.02b. Economists have warned that the default loans culture might paralyze the banking sector and above all the economy in the coming days. They observe that the habituated defaulters intentionally refuse to repay loans and it is shocking that this type of defaulters covers almost 85% of the total default loans on June 30, 2017. Against the backdrop of the situation, economists have urged for taking prompt actions to overhaul the situation by upgrading relevant laws and taking stern stance legally and politically against the default culture.

## Stock Market Movement



### Global Markets

	This Week	Last Week	+/- %
S&P 500	2,553.17	2,549.33	0.15
FTSE 100	7,535.44	7,522.87	0.17
Nikkei 225	21,155.18	20,690.71	2.24
SENSEX	32,432.69	31,814.22	1.94
KSE 100	39,846.78	41,312.59	-3.55

### DSE Indicators

	This Week	Last Week	+/- %
DSE Broad Index	6,064.41	6,202.31	-2.22
Total Turnover, Tk	46,225,330,543.00	36,700,766,828.00	25.95
Market Capital, Tk	3,477,858,079,088	3,528,558,536,569	-1.44
No of Issue Gain	72	173	
No of Issue Loss	247	137	
No of Unchanged Issues	15	25	

### Top Gainers

#### Weighted avg. Closing Price (Tk)

Company	Last Week	This Week	Change %	Turnover (Tk)
Stylecraft Limited	1542.90	2533.50	64.20	120,504,000
BRAC Bank Ltd.	87.50	99.40	13.60	1,511,493,000
Daffodil Computers	50.30	56.60	12.52	442,655,000
Apex Spinning	126.40	141.60	12.03	21,891,000
IFAD Autos Limited	144.20	160.00	10.96	984,528,000
Kohinoor Chemicals	412.10	452.50	9.80	26,309,000
Pharma Aids Ltd.	268.70	291.20	8.37	47,400,000
Ambee Pharma Ltd.	390.70	422.70	8.19	18,416,000
Libra Infusions	557.10	601.10	7.90	23,981,000
Sonali Ansh	201.50	216.00	7.20	16,258,000

### Top Losers

#### Weighted avg. Closing Price (Tk)

Company	Last Week	This Week	Change %	Turnover (Tk)
aamra networks limited	144.5	115.10	-20.35	1,273,924,000
Simtex Industries	29.9	25.20	-15.72	112,114,000
Shepherd Industries	38.7	33.20	-14.21	53,187,000
NCCBANK	19.4	17.10	-11.86	427,152,000
Northern General	27.0	23.80	-11.85	7,202,000
Premier Bank Ltd.	18.3	16.20	-11.48	769,180,000
Modern Dyeing	227.9	202.20	-11.28	3,656,000
Information Services	23.3	20.70	-11.16	3,527,000
Standard Bank Ltd.	16.3	14.50	-11.04	323,968,000
Emerald Oil Industries	22.0	19.6	-10.91	32,848,000

### Sectoral Index & Turnover

#### Sectoral Index

#### Turnover (Tk.M)

Sector	Sectoral Index			Turnover (Tk.M)		
	This Week	Last Week	Change %	This Week	Last Week	Change %
Bank	529.16	489.04	8.20	20,480.77	12,668.82	61.66
Cement	376.76	384.75	-2.08	531.86	573.27	-7.22
Ceramic	724.42	754.07	-3.93	315.22	1,361.13	-76.84
Engineering	2,672.20	2,867.79	-6.82	2,761.88	3,910.22	-29.37
Food & Al.	3,543.15	3,767.21	-5.95	751.37	856.29	-12.25
Fuel & Pow.	3,493.10	4,305.87	-18.88	1,713.44	1,910.17	-10.30
Insurance	1,356.69	1,320.05	2.78	1,226.23	842.18	45.60
IT	333.96	263.40	26.79	2,109.88	548.52	284.65
Jute	891.87	1,061.84	-16.01	116.75	234.99	-50.32
Misc.	1,069.84	1,121.16	-4.58	603.73	1,243.69	-51.46
Mutual Fund	531.21	535.29	-0.76	453.23	504.63	-10.19
NBFI	1,680.38	1,632.00	2.96	5,775.84	4,045.89	42.76
Paper	1,467.05	1,496.36	-1.96	53.07	239.30	-77.82
Pharma	1,681.78	1,651.99	1.80	2,967.91	3,047.83	-2.62
Service	1,106.39	1,639.00	-32.50	286.84	534.11	-46.30
Tannery	925.67	975.37	-5.10	552.63	1,374.95	-59.81
Telecom	3,934.64	3,596.99	9.39	610.13	540.36	12.91
Textile	1,305.41	1,453.19	-10.17	2,445.5	4,456.9	-45.13
Travel & Leis.	547.74	620.60	-11.74	120.78	270.12	-55.29

## Technical Talk

Dhaka bourse witnessed a major correction last week that ended Thursday as investors opted to sell bank shares in the reaction to the latest penalty imposed by Bangladesh Bank against seven banks. During the week, Bank sector dominated the turnover chart capturing nearly 47% of the week's total turnover value followed by Financial Institutions 13% and Textiles 6%. Among the major losers, Fuel & Power declined by 18.88% over the week closely followed by Textile 10.17%, Engineering 6.82%, and Mutual Fund 0.76%.

DSE Broad Index (DSEX) reached at 6,064.41 points decreased by 137.90 points or 2.22% from the previous week. Total turnover reached at Tk46,225.33m which was 25.95% higher than the previous week due to four trading days in the previous week. On the other hand, market capitalization moved down by 1.44% and stood at Tk3,477.86b (\$42.54b) at the weekend against Tk3,528.56b. DSE 30 has moved down by 3.97 points or 0.18% and closed 2,197.46 points against 2,201.44 points. Last week's weighted average Market PE was 16.30 which was 16.52 previous week.

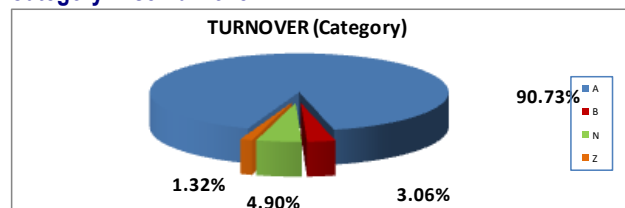
### Top Turnover Companies

Company	Volume	Value (Tk)	% of total
LankaBangla Finance	34,730,004	2,238,444,000	4.84
Uttara Bank Ltd.	41,449,358	1,684,368,000	3.64
Islami Bank Bd Ltd	42,276,230	1,615,045,000	3.49
BRAC Bank Ltd.	15,698,359	1,511,493,000	3.27
Exim Bank	79,314,426	1,438,638,000	3.11
aamra networks limited	9,677,705	1,273,924,000	2.76

### Top 10 Market Capital

Company	Volume	Value (Tk)	% of total
GP	579,279	Lafarge Surma Cement	68,056
Square Pharma	206,332	UPGDCL	59,777
BATBC	167,106	Renata	62,845
ICB	118,526	Olympic	54,083
BRAC Bank	84,604	Islami Bank	59,248

### Category wise Turnover



### Commodity Price

	This Week	Last Week	Change %
Gold (USD/oz.)	1,301.70	1,271.80	2.35
Silver (USD/oz.)	17.38	16.71	4.01
Brent Crude Oil (USD/bbl.)	57.22	55.53	3.04

### Exchange Rate

	This Week		Last Week		Change %	
	TT	BC	TT	BC	TT	BC
USD	81.75	81.80	81.75	81.80	0.00	0.00
EUR	97.14	97.20	96.41	96.47	0.76	0.76
GBP	108.91	108.98	107.10	107.16	1.69	1.69
AUD	64.82	64.86	63.85	63.89	1.52	1.52
JPY	0.74	0.74	0.73	0.73	0.71	0.71
CAD	65.94	65.98	65.60	65.64	0.52	0.52
SAR	21.91	21.92	21.91	21.92	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 Public Offerings

Company	Subscription Period	Offer Price	IPO (M.Tk)
Oimex Electrode Ltd.	Sep 05-Sep 13 2017	10	150
Nahee Aluminium Composite	Sep 24-Oct 03, 2017	10	150