

Financial health of banks deteriorates gradually

The worsening financial health of seven banks, including three State-owned Commercial Banks (SCBs), has mounted pressure on the banking sector as the rising default loans of these banks is eroding their capital base and profitability. The banks- Sonali, Rupali, BASIC, Farmers, Bangladesh Commerce, AB Bank and National Bank of Pakistan are categorized in the “red zone”, according to the Bank Health Index (BHI) report prepared by Bangladesh Bank (BB). BB has been preparing the half-yearly BHI report on the basis of six financial indicators- asset quality, capital adequacy ratio, efficiency, profitability, liquidity and lending ratio against capital. The latest BHI report prepared on the basis of the financial health as of December last year reveals that 32 banks are categorized in the yellow zone and 14 banks in green zone. According to the report, banks that perform well in line with the indicators are placed in the ‘green’ category while banks with worst performance belong to the red zone. The yellow zone consists of banks that stay between the red and the

| Bank | Classified Loans * (Taka in Bn) | % of Total Loans |
|---------------------------|------------------------------------|------------------|
| Sonali Bank | 131.39 | 35 |
| Rupali Bank | 49.07 | 23 |
| BASIC Bank | 84.43 | 57 |
| Farmers Bank | 15.21 | 29 |
| Bangladesh Commerce Bank | 5.5 | 26 |
| AB Bank | 15.25 | 7 |
| National Bank of Pakistan | 13.63 | 94 |

* Figure as on June 30, 2018

Source: Bangladesh Bank

green zones. Among the seven lenders, Sonali, BASIC, Bangladesh Commerce, Farmers and Rupali Bank have failed to meet the minimum capital requirement during the last quarters. Default loan of these banks has also continued to burgeon as they have disbursed a substantial amount of loans violating credit norms. The Financial Stability Department (FSD), a wing of the central bank, recommended the concerned departments of BB to take special supervisory and regulatory measures to overhaul the financial health of the banks. Among the banks categorized in the ‘yellow zone’, the FSD has recommended taking precautionary measures for six banks- Agrani, Janata, Prime, Islami, Shahjalal Islami and First Security Islami Bank as their financial health has worsened significantly in recent times.

Trade deficit stretches in July

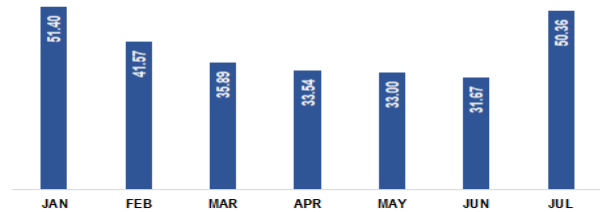
Trade deficit under the Balance of Payments (BoP) account has risen by 12.14% to US\$1.17b in the first month of FY2018-2019 as against US\$1.04b in the corresponding month of FY2017-18 as the hefty import bills in the month surpassed the export receipts. In July of the current fiscal, volume of import has stood at US\$4.7b, up by 17.44% (Y-o-Y) while export receipt has increased by 19.32% to US\$3.52b. In the last fiscal year, the figure of trade deficit hit US\$18.25b that was the highest in the history of the country. Economists and experts have opined that the government should address the financial imbalance expeditiously to ensure macroeconomic stability of the country. They have suggested the government to explore new export markets along with diversifying the export basket to sustain and boost the export earnings of the country. Economists have further urged to scrutinize the suspicious import bills rigorously and discourage the import of unproductive items.

Government saving tool overshadows bank deposit

Sales of National Saving Certificates (NSCs) again got rising momentum in July 2018 after experiencing decelerations in the previous five consecutive months. Savers started to park their funds again on this instrument avoiding the fixed-term products offered by banks as the banks were compelled to bring down their interest rates to single digit. According to latest statistics of the Directorate of National Savings, net sales of the government savings tool increased to Tk50.36b in July while it was Tk31.67b a month ago. In January, net investment in such instruments were at Tk51.40b, after which the investment went on slow lane and ranged between Tk31b and Tk42b. The acute cash crunch in the banking sector due to aggressive lending tempted the banks to offer high interests to lure deposits. However, in the face of government pressure, Bangladesh Association of Banks (BAB), a forum of bank directors, decided to lower the interest rate on deposit and lending to 6% and 9% respectively from July 1, 2018. According to government agencies, this measure would help boost investment and economic activity. In return, the government showered private banks with a raft of privileges including 1% cut in Cash Reserve Ratio (CRR) and 2.5%-points reduction in corporate tax. The interest rate on savings certificates ranges from 11.04% to 11.76% which were to be reduced as the government hinted, but the government backed off from the decision assuring that a new government will decide on the matter after the ensuing polls. Depositors have become reluctant to keep money with banks since they are being offered interest even lower than the inflation rate by the banks. Experts criticize the government move saying that this high yield instrument will put government under severe interest burden.

NET SALES OF SAVINGS TOOLS

(Jan-Jul 2018)
figures in billion Tk.

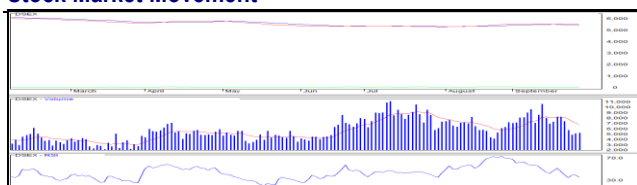


Investment registers record growth in FY2017-18

The country reportedly witnessed record growth of investment, crossing 31% of Gross Domestic Product (GDP) for the first time, in FY2017-18 mainly owing to a rise in public spending on mega infrastructure projects. Bangladesh Bureau of Statistics (BBS) claimed that the investment to GDP ratio was 31.23% in the last fiscal year while it was 30.51% in FY2016-17. The ratio had hovered between 27% and 30% for about a decade due to slow public investment. However, at the end of the last fiscal year, a spike in public investment aided the ratio to surpass 31%. According to BBS, public investment to GDP ratio was 7.97% which was 7.41% in FY2016-17. On the other hand, private investment to GDP stood at 23.26% in FY2017-18 which was 23.10% in FY2016-17. Private investment has been hovering around 21% to 23% of GDP for the last one decade which makes the 23.26% private investment-GDP ratio of the last fiscal year rather trivial. Since, the excess liquidity in banks shrunk approximately by 3.5 times during the past one and half year to Tk796.50b in May 2018 from Tk2,779.56b in November 2016 and private credit posted 16.94% growth in the last fiscal year, the private investment should have accelerated further than the growth it registered during the period, it is opined.

The week's data runs 20 September 2018 to 27 September 2018

Stock Market Movement



Global Markets

| | This Week | Last Week | +/- % |
|------------|-----------|-----------|-------|
| S&P 500 | 2,913.98 | 2,929.67 | -0.54 |
| FTSE 100 | 7,510.20 | 7,490.23 | 0.27 |
| Nikkei 225 | 24,120.04 | 23,869.93 | 1.05 |
| SENSEX | 36,227.14 | 36,841.60 | -1.67 |
| KSE 100 | 40,998.59 | 41,320.13 | -0.78 |

DSE Indicators

| | This Week | Last Week | +/- % |
|------------------------|-------------------|-------------------|--------|
| DSE Broad Index | 5,342.89 | 5,467.05 | -2.27 |
| Total Turnover, Tk | 28,497,947,842.00 | 38,838,569,699.00 | -26.62 |
| Market Capital, Tk | 3,272,569,609,050 | 3,310,395,756,228 | -1.14 |
| No of Issue Gain | 71 | 106 | |
| No of Issue Loss | 257 | 220 | |
| No of Unchanged Issues | 12 | 15 | |

Top Gainers

| Company | Weighted avg. Closing Price (Tk) | | | Turnover (Tk) |
|---------------------|----------------------------------|-----------|----------|---------------|
| | Last Week | This Week | Change % | |
| Republic Insurance | 28.40 | 39.30 | 38.38 | 439,889,000 |
| Pioneer Insurance | 29.00 | 34.30 | 18.28 | 137,581,000 |
| Phoenix Insurance | 24.00 | 28.00 | 16.67 | 14,756,000 |
| Dhaka Insurance Co. | 19.50 | 22.70 | 16.41 | 11,961,000 |
| Marico Bangladesh | 1100.70 | 1238.00 | 12.47 | 5,146,000 |
| Nitol Insurance | 30.10 | 33.80 | 12.29 | 13,650,000 |
| Stylecraft Limited | 3512.70 | 3911.30 | 11.35 | 186,144,000 |
| SK Trims | 28.00 | 31.10 | 11.07 | 204,351,000 |
| Eastland Insurance | 19.10 | 21.10 | 10.47 | 14,041,000 |
| Takafal Islami | 23.70 | 26.00 | 9.70 | 3,262,000 |

Top Losers

| Company | Weighted avg. Closing Price (Tk) | | | Turnover (Tk) |
|--------------------------|----------------------------------|-----------|----------|---------------|
| | Last Week | This Week | Change % | |
| Evince Textiles Limited | 15.0 | 9.40 | -37.33 | 98,694,000 |
| Central Pharma | 14.7 | 11.40 | -22.45 | 60,435,000 |
| Mozaffar Hossain Spin | 14.5 | 11.40 | -21.38 | 15,393,000 |
| Al-Haj Textile Mills | 70.6 | 57.10 | -19.12 | 23,800,000 |
| R.N. Spinning Mills Ltd. | 11.0 | 8.90 | -19.09 | 49,788,000 |
| Yeakin Polymer Limited | 15.7 | 12.80 | -18.47 | 12,565,000 |
| Appollo Ispat Complex | 11.2 | 9.20 | -17.86 | 44,381,000 |
| Rangpur Dairy & Food | 21.0 | 17.50 | -16.67 | 153,511,000 |
| Khulna Power | 130.9 | 110.00 | -15.97 | 2,539,768,000 |
| National Housing | 68.0 | 57.2 | -15.88 | 592,544,000 |

Sectoral Index & Turnover

| Sector | Sectoral Index | | | Turnover (Tk.M) | | |
|---------------|----------------|-----------|----------|-----------------|-----------|----------|
| | This Week | Last Week | Change % | This Week | Last Week | Change % |
| Bank | 406.28 | 412.99 | -1.62 | 1,268.67 | 1,620.27 | -21.70 |
| Cement | 344.70 | 356.07 | -3.19 | 425.58 | 806.16 | -47.21 |
| Ceramic | 734.90 | 751.83 | -2.25 | 430.72 | 445.89 | -3.40 |
| Engineering | 2,574.58 | 2,706.03 | -4.86 | 5,159.10 | 6,907.82 | -25.32 |
| Food & Al. | 3,838.81 | 3,808.98 | 0.78 | 965.76 | 1,565.63 | -38.32 |
| Fuel & Pow. | 4,236.91 | 4,263.69 | -0.63 | 5,384.50 | 6,033.86 | -10.76 |
| Insurance | 1,489.79 | 1,537.17 | -3.08 | 2,020.33 | 2,065.03 | -2.16 |
| IT | 282.72 | 300.08 | -5.78 | 915.40 | 1,241.54 | -26.27 |
| Jute | 799.73 | 843.01 | -5.13 | 63.15 | 70.81 | -10.82 |
| Misc. | 1,153.04 | 1,155.32 | -0.20 | 1,368.97 | 1,921.48 | -28.75 |
| Mutual Fund | 430.52 | 444.15 | -3.07 | 150.60 | 148.21 | 1.61 |
| NBFI | 1,219.25 | 1,276.03 | -4.45 | 1,255.19 | 2,021.47 | -37.91 |
| Paper | 14,668.22 | 15,641.55 | -6.22 | 180.83 | 271.12 | -33.30 |
| Pharma | 1,111.12 | 1,107.66 | 0.31 | 2,477.05 | 4,240.81 | -41.59 |
| Service | 1,223.69 | 1,285.32 | -4.80 | 185.42 | 381.68 | -51.42 |
| Tannery | 919.65 | 946.14 | -2.80 | 353.17 | 696.20 | -49.27 |
| Telecom | 3,358.33 | 3,278.54 | 2.43 | 326.67 | 501.44 | -34.85 |
| Textile | 1,418.46 | 1,521.60 | -6.78 | 4,192.4 | 6,688.8 | -37.32 |
| Travel & Leis | 516.49 | 525.38 | -1.69 | 306.10 | 850.10 | -63.99 |

Technical Talk

Dhaka stocks prolonged the losing streak for the fourth straight weeks ended on Thursday as nervous investors continued their selling binge on large-cap stocks. During the week, Fuel & Power sector dominated the turnover chart capturing 19% of the week's total turnover value followed by engineering 18% and textile 15%. Among the major sectors, Textile decreased by 6.78% over the week followed by Engineering 4.86%, NBFI 4.45%, Cement 3.19% and Insurance 3.08%.

DSE Broad Index (DSEX) reached at 5,342.89 points decreased by 124.26 points or 2.27% from the previous week. Total turnover reached at Tk28497.95m which was 26.62% lower than the previous week. Market capitalization decreased by 1.14% and stood at Tk3272.57b (\$39.10b) at the weekend against Tk3310.40b. DSE 30 has decreased by 16.17 points or 0.85% and closed at 1,884.83 points against 1,901.00 points. Last week's weighted average Market PE was 15.04 which was 15.20 previous week.

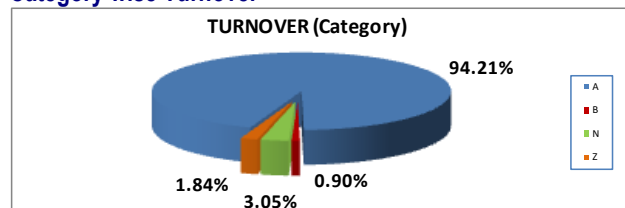
Top Turnover Companies

| Company | Volume | Value (Tk) | % of total |
|-------------------------|------------|---------------|------------|
| Khulna Power Company | 21,535,752 | 2,539,768,000 | 8.91 |
| United Power Generation | 5,693,759 | 1,819,924,000 | 6.39 |
| IFAD Autos Limited | 10,553,996 | 1,394,583,000 | 4.89 |
| Shasha Denims Limited | 13,905,888 | 1,051,564,000 | 3.69 |
| Active Fine Chemicals | 24,283,796 | 1,050,883,000 | 3.69 |
| BBS Cables Limited | 6,386,764 | 816,381,000 | 2.86 |

Top 10 Market Capital

| Company | Volume | Value (Tk) | % of total |
|---------------|---------|---------------|------------|
| GP | 495,695 | ICB | 84,518 |
| BATBC | 203,400 | BRAC Bank | 75,290 |
| Square Pharma | 199,317 | LafargeHolcim | 60,275 |
| United Power | 154,553 | Berger Paint | 58,255 |
| RENATA | 85,578 | Summit Power | 43,783 |

Category wise Turnover



Commodity Price

| | This Week | Last Week | Change % |
|----------------------------|-----------|-----------|----------|
| Gold (USD/t oz.) | 1,190.50 | 1,206.20 | -1.30 |
| Silver (USD/t oz.) | 14.56 | 14.26 | 2.07 |
| Brent Crude Oil (USD/bbl.) | 82.90 | 78.73 | 5.30 |

Exchange Rate

| | This Week | | Last Week | | Change % | |
|-----|-----------|--------|-----------|--------|----------|-------|
| | TT | BC | TT | BC | TT | BC |
| USD | 83.70 | 83.75 | 83.70 | 83.75 | 0.00 | 0.00 |
| EUR | 97.68 | 97.74 | 98.30 | 98.36 | -0.63 | -0.63 |
| GBP | 109.37 | 109.43 | 110.38 | 110.45 | -0.92 | -0.92 |
| AUD | 60.85 | 60.89 | 61.07 | 61.11 | -0.36 | -0.36 |
| JPY | 0.74 | 0.74 | 0.75 | 0.75 | -1.35 | -1.34 |
| CAD | 65.21 | 65.25 | 65.14 | 65.18 | 0.10 | 0.10 |
| SAR | 22.43 | 22.44 | 22.43 | 22.44 | 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) |
|-----------------------|-------------------------|-------------|------------|
| M.L. Dyeing Limited | July 08 - July 19, 2018 | 10 | 200 |
| Indo-Bangla Pharma | Aug 09 - Aug 16, 2018 | 10 | 200 |
| Silva Pharmaceuticals | July 29 - Aug 05, 2018 | 10 | 300 |
| Kattali Textile | Aug 28 - Sep 13, 2018 | 10 | 340 |

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