EBL ASSET MANAGEMENT LTD.
(A fully owned subsidiary of Eastern Bank Ltd.)

Daily News Snippet
December 31, 2023

Bangladesh Market	
Major Indices	**Last closing**
DSEX Index	6,246.50
% change	0.04%
DS30 Index	2,093.83
% change	0.31%
DSES Index	1,364.13
% change	-0.13%
Turnover (BDT mn)	6,606.16
Turnover (USD mn)	60.06
% change	36.75%
Source: Dhaka Stock Exchange	

International Market	
Major Indices	**Last closing**
Dow Jones Industrial Average	37,689.54
% change	-0.05%
S&P 500	4,769.83
% change	-0.28%
Nikkei 225	33,464.17
% change	-0.22%
FTSE 100	7,733.24
% change	0.14%
Source: Bloomberg	

Exchange rate		
Major Currencies	**Low (BDT)**	**High (BDT)**
USD	110.00	110.00
EUR	122.13	122.18
GBP	140.73	140.79
INR	1.32	1.32
Source: BB		

Money market		
Date	**Call Money Rate Range (%)**	**Weighted Average**
28-Dec-23	7.75 - 9.75	9.19
27-Dec-23	7.75 - 9.50	9.16
Source: BB		

Commodities		
Major Commodities	**Price**	**% Change**
Brent Crude (Oil), USD/bbl.	77.04	-1.72%
Gold Spot, USD/t oz.	2,062.98	-0.13%
Cotton, USD/lb.	81	0.06%
Source: Bloomberg		

Market Summary

Bangladesh Market

- The leading bourse of the country, DSEX gained 0.04% in the last trading day.
- Even after the market returned to positive territory, the rising tension regarding the national polls and the rising interest rates are few of the major concerns for the investors.
- The turnover rose 36.75% during the last trading day.

Global Market

- Majority of the leading global indices posted positive returns as Dow Jones posted -0.05% gain, S&P 500 posted -0.28% gain, and FTSE 100 posted -0.14% gain.
- One of the leading Asian index NIKKEI 225, posted a positive return of -0.22%% in the last trading day.

Key macro indicators

- All of the major currencies rose against BDT yesterday.
- The average overnight rate is rising steadily in the past few weeks as per the latest trend.
- The current weighted average overnight rate stood at 9.19% with a high rate of 9.75% and low rate of 7.75%.
- The oil price decreased by 1.72%.

Bangladesh Macro Update

Economy reels from gloom in outgoing yr

- Hope against hope for a better luck is cherished as the economy reels from setbacks as 2024 dawns in world chronicles with shadows of war and trade sanctions hanging over.
- By all accounts, 2023 has been quite a gloomy year in terms of many economic indicators that people of Bangladesh, as elsewhere around the globe, are passing through while about to bid it farewell this midnight (Sunday).
- People and policymakers, however, hold hope for the better in the coming year 2024, though concern persists over political uncertainty centring around the general election to be held on January 07 and high inflation.
- The economic trend that persists throughout the year -- macroeconomic instability -- was much talked about in 2023.

News Source:

https://today.thefinancialexpress.com.bd/first-page/economy-reels-from-gloom-in-outgoing-yr-1703955440

Explaining the potential exodus of funds from Bangladesh

- Historically, Bangladesh's financial account averages an inflow of about 2.5%of GDP.
- But in 2022-23, it experienced an outflow of 0.5% of GDP, which is quite a significant reversal.
- This has prompted the IMF to express concern that Bangladesh might have experienced capital flight in the last financial year.
- The total shipment value of exports from the Export Promotion Bureau recorded under the balance of payment grew by 6.3%year-on-year in FY23, the receipts recorded by the Bangladesh Bank based on forex deposits at commercial banks increased only marginally relative to the previous year.
- As a result, unrealised export proceeds increased to 2.1 percent of GDP in the fiscal year.

News Source:

https://www.thedailystar.net/opinion/views/the-overton-window/news/explaining-the-potential-exodus-funds-bangladesh-3506471

Policy persistence and dollar crisis: A dire outlook for 2024

- A market-based determination of the dollar rate is necessary in 2024.
- The current trend is causing hardships for small business owners who are compelled to spend more, sometimes up to BDT 126-128 per dollar.
- According to central bank laws, BAFEDA lacks the authority to set the dollar price.
- Such actions contribute to market instability and there should be a revaluation of the central bank's role in this regard.
- The government needs to leave all interest rates, including lending rates, to market dynamics and reduce the money supply to curb dollar demand.

- The government should focus on macroeconomic stability, control inflation, and initiate financial sector reforms, while also ensuring compliance with IMF-prescribed reserve limits.

News Source:

https://www.tbsnews.net/supplement/policy-persistence-and-dollar-crisis-dire-outlook-2024-766978

New worries as interest payment for debt doubles in 5 months

- The government's spending on interest payments against the mounting foreign debt surged 136.70% year-on-year to USD 562 million in the first five months of the current fiscal year as disbursements surged in recent years.
- The interest payment stood at USD 237 million in July-November of the previous financial year of 2022-23, according to the data from the Economic Relations Division (ERD).
- The fund release for the mega projects such as the Dhaka Metro Rail, Matarbari Coal Power Plant, and Rooppur Nuclear Power Plant has increased in recent times as their implementation has entered the last phase.
- The repayment of the principal amount of the funds begins after the maturity of the loans, whose tenure range from 20 years to 30 years.
- The interest repayment starts after the disbursement is made and hence, the interest expenses for Bangladesh are rising.
- Another factor for the higher interest expenses has been the elevated cost of funds from the international sector, driven by a spike in the interest rate for Libor and SOFR-linked loans.

News Source:

https://www.thedailystar.net/business/economy/news/new-worries-interest-payment-debt-doubles-5-months-3505431

Import of 30 high-in-demand products down 26%

- The import of 30 goods, which are in high demand in industry, farming and households, through Custom House, Chattogram has dropped in volume by 26.0% in the first five months of fiscal year 2023-24 compared to the same period of last year.
- The items include diesel, octane, furnace oil, crude oil, cement clinker, stone, iron, steel tubes, diammonium phosphate, triple superphosphate, disodium sulphate, cotton, soya beans, dried peas, dried lentils, orange and dates.
- According to data from Custom House, Chattogram and National Board of Revenue (NBR), some 1.20 crore tonnes of these items were imported in the July-November period of 2023-24.
- In value, they amounted to BDT 48,819 crore and during the same period of 2022-23, some 1.63 crore tonnes were imported, whose value was BDT 79,063 crore.
- Customs data shows that it caused a drop in revenue generation to BDT 6,350 crore, around BDT 1,060 crore less than that last year.

News Source:

https://www.thedailystar.net/business/news/import-30-high-demand-products-down-26-3505441

Sectoral Update

Apparel & Textile

Garment exports to face rocky recovery in 2024

- Garment exports from Bangladesh may witness moderate growth of between 7.0% and 10.0% in 2024 after struggling to perform strongly in the outgoing year due to a global economic slowdown.
- In January-November of the outgoing year, garment shipments from the country grew 4.35% year-on-year to USD 42.83 billion, which is an unusually low rate.
- Bangladesh's garment sector has been maintaining 10.0% growth over the last decade, barring the Covid-19 period, and the sector has become a nearly USD 50 billion export market, accounting for nearly 8.0% percent of the USD 700 billion global market.
- However, with historic inflation in major markets such as European countries and the US, garment shipments from Bangladesh experienced a lull in 2023.
- Still, local exporters are expecting moderate growth in 2024 as the US, Bangladesh's single largest export destination, has already paused its high interest rate in the last quarter.

News Source:

https://www.thedailystar.net/business/economy/news/garment-exports-face-rocky-recovery-2024-3506681

Millers for making a must-use 70pc BD cotton yarn

- Textile millers have urged the government to make use of 70.0% local cotton yarn in export-oriented garment manufacturing mandatory for an interim period.
- The Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), which sources most of its yarn and fabrics domestically, has expressed reservations about any such conditions on import.
- The BTMA also proposed release of yarn consignments after ensuring compatibility of the imported yarn only to discourage such imports showing 'unusual' prices.
- BTMA also argues that price difference of local and imported yarn is not more than 15-25 cent per kg as Bangladesh imports raw materials - cotton and other components.
- Bangladesh imported 0.793 million tonnes of yarn in the fiscal year (FY) 2022-23, which was 0.588 million tonnes in FY20 according to the BTMA

News Source:

https://today.thefinancialexpress.com.bd/first-page/millers-for-making-a-must-use-70pc-bd-cotton-yarn-1703954434

Travel & Leisure

Tourism fared well in 2023 despite jitters

- The overall tourism industry in Bangladesh performed well throughout the outgoing calendar year despite facing adversity in the final quarter due to ongoing political unrest, according to industry people.
- The local tourism industry usually sees peak business from September till March each year as the cooler and dryer weather during these months make them more suitable for outdoor recreation.

- Cox's Bazar and the Chittagong Hill Tracts typically draw in the largest crowds, accounting for about 70.0% of all domestic tourism in 2023 despite facing some adversities in the final quarter.
- On the other hand, Sylhet and Kuakata did not get the expected number of travellers.
- Additionally, a section of people remains unaffected by the current economic turbulence.
- So, people can travel freely, especially given their increased confidence thanks to the security measures provided by tourist police, which has helped keep the industry vibrant in the outgoing year.

News Source:

https://www.thedailystar.net/business/news/tourism-fared-well-2023-despite-jitters-3505416

Fuel & Energy

PDB incurs record losses

- The Bangladesh Power Development Board's losses soared 52.4% to its highest level yet in fiscal 2022-23 - a year that saw record subsidy and a 29.6% hike in the bulk electricity price.
- In fiscal 2022-23, PDB's highest expense was on power purchases from independent power producers (BDT 59,022 crore), which increased 19.9% from fiscal 2021-22, according to its annual report.
- The main reason behind PDB racking up huge losses year after year is the government's weakness in negotiating contracts with the power producers.
- One of the macroeconomic challenges the country is facing at the moment is because of the import-dependent nature of the power and energy sector.
- As the fossil fuel prices soared for the Ukraine war, so did Bangladesh's import bills, which gobbled up foreign currency reserves at an alarming rate.

News Source:

https://www.thedailystar.net/news/bangladesh/news/pdb-incurs-record-losses-3506736

Crisis may go in 8-9 months after polls

- The setback in external payments against energy- import bills is expected to be over within 8-9 months after the country's general election slated for January 7 according to the State Minister Nasrul Hamid.
- The country has a payment obligation worth around USD 1.0 billion per month, especially against imports of petroleum products and liquefied natural gas (LNG), and gas purchases from the international oil companies (IOCs) operating in the country.
- Bangladesh has planned to implement an automated dynamic fuel-pricing mechanism from March next year & prices of refined petroleum products will be fixed once in every month under the plan.
- Petrobangla currently owes around USD 200 million to LNG suppliers and around USD 250 million to US oil and gas giant Chevron against gas purchases.
- The BB had failed to achieve the previous target set by the IMF of maintaining a minimum NIR of USD 24.46 billion by June 30.

News Source:

https://today.thefinancialexpress.com.bd/first-page/crisis-may-go-in-8-9-months-after-polls-1703954695

Capital Market

Regional markets recovered in 2023 but Bangladesh stocks were stymied by floor price

- Equity-based securities worth 60.0% of the total stock market value have remained trapped on the floor this year.
- The regulator's fear that the market would collapse without the price-fixing mechanism led to a dysfunctional market with erosion of investors' confidence.
- Bangladesh's stock market ranked the worst performer among Asian frontier markets in 2023, while the Sri Lankan market soared to a historic high overcoming its worst economic shock in history.
- The average daily turnover hit a four-year low to BDT 5.78 billion in 2023, which was BDT 9.60 billion last year.
- Desperate to encash investments, many investors resorted to sell-off of assets at a 10.0% lower than the floor price on the block market.
- In 2023, overseas investors bought shares worth BDT 11.59 billion, against sales worth BDT 10.51 billion on the Dhaka Stock Exchange (DSE).

News Source:

https://today.thefinancialexpress.com.bd/stock-corporate/regional-markets-recovered-in-2023-but-bangladesh-stocks-were-stymied-by-floor-price-1703951500