Daily News Snippet

January 4, 2024

Bangladesh Market	
Major Indices	**Last closing**
DSEX Index	6,236.07
% change	0.04%
DS30 Index	2,092.13
% change	0.11%
DSES Index	1,361.01
% change	0.06%
Turnover (BDT mn)	2,921.42
Turnover (USD mn)	26.56
% change	-43.48%
Source: Dhaka Stock Exchange	

International Market	
Major Indices	**Last closing**
Dow Jones Industrial Average	37,711.00
% change	-0.68%
S&P 500	4,748.50
% change	-0.73%
Nikkei 225	33,251.47
% change	-0.64%
FTSE 100	7,682.33
% change	-0.51%
Source: Bloomberg	

Exchange rate		
Major Currencies	**Low (BDT)**	**High (BDT)**
USD	110.00	110.00
EUR	120.13	120.14
GBP	139.28	139.32
INR	1.32	1.32
Source: BB		

Money market		
Date	**Call Money Rate Range (%)**	**Weighted Average**
3-Jan-24	7.75 - 9.75	9.24
2-Jan-24	7.75 - 9.75	9.28
Source: BB		

Commodities		
Major Commodities	**Price**	**% Change**
Brent Crude (Oil), USD/bbl.	78.66	3.73%
Gold Spot, USD/t oz.	2,043.33	-1.00%
Cotton, USD/lb.	80.66	0.62%
Source: Bloomberg		

Market Summary

Bangladesh Market

- The leading bourse of the country, DSEX added 0.04% in the last trading day, closing at 6,236.07 point.
- With the national polls are so close, the investors are very cautious about the market which reflected on the daily turnover.
- The turnover fell 43.48% during the last trading day.

Global Market

- Majority of the leading global indices posted negative returns as Dow Jones posted 0.68% loss, S&P 500 posted 0.73% loss and FTSE 100 posted -0.51% loss.
- One of the leading Asian market indices, NIKKEI 225 fell 0.64%.

Key macro indicators

- All the major currencies fell 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 9.24% with a high rate of 9.75% and low rate of 7.75%.
- The oil price increased by 3.73%.
- The rise in oil price was boosted by the potential disruption to Middle Eastern supply after the latest attack on a container ship in the Red Sea, and by Chinese demand hopes.

International Macro Update

Shipping firms react to Houthi attacks in the Red Sea

- Iranian-backed Houthi militants in Yemen have stepped up attacks on vessels in the Red Sea to show their support for Palestinian Islamist group Hamas fighting Israel in Gaza.
- The attacks impact a route vital to East-West trade, especially of oil, as ships access the Suez Canal via the Red Sea.
- In response, some shipping companies have instructed vessels to instead sail around southern Africa, a slower and therefore more expensive route.

News Source:

https://www.thedailystar.net/business/news/shipping-firms-react-houthi-attacks-the-red-sea-3509811

Bangladesh Macro Update

Private sector foreign loan repayment $5.21b higher than receipt in 11 months

- Bangladeshi businesses repaid USD 5.21 billion more in principal and interest for short-term foreign debt than loan receipt in the first 11 months of 2023.
- The additional payment of debt is putting fresh pressure on the dollar liquidity and dwindling forex reserves in the country.
- According to the Bangladesh Bank, Bangladeshi businessmen received short-term private sector foreign debt amounting to USD 23.70 billion in the January-November period while their repayment of loan and interest amounted to USD 28.92 billion.
- Bankers say private sector's foreign short-term debts drastically fell due to the rising interest rate of the dollar in the international market and continuous increase in dollar rate.

News Source:

https://www.tbsnews.net/economy/private-sector-foreign-loan-repayment-521b-higher-receipt-11-months-769058

Government set to issue bonds to pay off bank debts against power subsidies today

- Independent power producers and fertiliser importers can breathe a sigh of relief as starting today, the government is all set to begin issuing special bonds to cover bank debts accrued from unpaid subsidies.
- To settle bank debts totalling BDT 25,500 crore till June 2023, the finance ministry will issue bonds to 40 banks in phases, offering a 7.7% coupon or interest rate matching the Bangladesh Bank repo rate, according to ministry officials.
- As of last June, the amount of outstanding subsidy in the fertiliser and power sector is about BDT 42,000 crore and of that, bank debts amount to BDT 25,500 crore.
- Power producers' bank debt stands at around BDT 15,000 crore and fertiliser importers' debt is BDT 10,500 crore.

- An official of the Treasury and Debt Management Department of the Finance Division told TBS that in the first phase, two bonds worth BDT 4,500 crore could be issued on Thursday to clear fertiliser subsidy arrears, with the state-owned Sonali Bank receiving a bond worth BDT 4,000 crore and the private IFIC Bank receiving a bond worth BDT 500 crore.

News Source:

https://www.tbsnews.net/economy/government-set-issue-bonds-pay-bank-debts-against-power-subsidies-today-769082

Seven major sectors fell from grace as export dropped

- At the end of fiscal year (FY) 2021-22, Bangladesh had eight sectors that recorded over half a billion dollars in overseas sales.
- One sector -- frozen and live fish-- slipped from the club the following year, and the downturn of export receipts of the sector continued in the current fiscal year 2023-24.
- Export of engineering products, including bicycles, which recorded roughly USD 800 million in FY22, are on the decline for the second consecutive year while the sector for woven garments, the second-largest export earner after knitwear, has also found itself on the list of sectors suffering from falling export earnings.
- In fact, except knitwear, export earnings across the other seven major sectors that had registered at least half a billion dollars in annual export receipts in FY 2021-22 each fell in the first half of the current fiscal year 2023-24, showed data released by the Export Promotion Bureau (EPB).
- Exporters said demand from buyers in major markets such as Europe and the USA had slowed as consumers cut back on spending amid high inflation, and inventory build-up in the post-Covid-19 period while the Russia-Ukraine war and geopolitical tensions also cut sales.

News Source:

https://www.thedailystar.net/business/economy/news/seven-major-sectors-fell-grace-export-dropped-3510136

Freight charges up for export, import

- Bangladeshi exporters and importers are having to pay higher freight charges to the US and Europe following attacks last month on commercial vessels on the Red Sea, one of the world's busiest shipping routes.
- The attacks were launched by Iran-backed Houthis, who control much of Yemen but are not recognised internationally and who said it was to put pressure on Israel over its devastating war with Palestinian Hamas militants in the Gaza Strip, reports the AFP.
- It prompted the major shipping lines to suspend travel across the Red Sea and adjoining Suez Canal, which basically connects Africa and Asia.
- Around 12.0% of the global trade of all goods, including 30.0% of the world's shipping container volume, especially from South Asia, relies on the Red Sea route to trade with parts of West Asia, Africa and Europe.
- According to shipping executives, over 70.0% of Bangladesh's export-laden containers, which are destined for the EU, US East Coast and Canada, cross the Red Sea.

- Meanwhile, 8.0%-10% of the country's imports come through the route.

News Source:

https://www.thedailystar.net/business/economy/news/freight-charges-export-import-3510151

Businesses demand zero margin LC facility for import

- Basic commodity importers and traders yesterday demanded the government provide zero margin facility on opening of letters of credit (LCs) for imports of six commodities which will be essential during the upcoming Ramadan.
- The six items are onions, edible oil, sugar, lentils, chickpeas and dates.
- Businesses made the demand at a meeting with Senior Commerce Secretary Tapan Kanti Ghosh at his secretariat office in Dhaka.
- Currently, the LC margin depends on bank-client relationships except in the case import of luxury goods, on which there is a 75.0% to 100.0% percent margin in place.

News Source:

https://www.thedailystar.net/business/economy/news/businesses-demand-zero-margin-lc-facility-import-3510096

Debt-ridden cos cleared to take forex loans

- Despite debt-equity ratio of some private companies already having crossed the permissible limits, they have been allowed to take foreign-currency loans from multilateral lenders while Bangladesh reels from depleting foreign-exchange reserves.
- The companies sought the funds to open letters of credit (LCs) for importing capital machinery, equipment, and raw materials, according to officials.
- The high-powered scrutiny committee on foreign loan/supplier credit, headed by Bangladesh Bank Governor Abdur Rouf Talukder, approved the loan proposals at a recent meeting at the central bank.
- However, the committee asked the companies to maintain the debt-to-equity ratio at 70.30 throughout the project life.

News Source:

https://today.thefinancialexpress.com.bd/first-page/debt-ridden-cos-cleared-to-take-forex-loans-1704303176

Sectoral Update

Banks, NBFIs, & Insurance

Scheduled bank borrowing continues to repay BB

- The government continues to borrow from scheduled banks and repay the central bank, while the sector struggles to navigate a persisting liquidity crisis amid sluggish private sector credit growth.
- This in turn is leading to shrinking funds availability at banks, needed to provide loans for the private sector.

- Economists too believe that when the government increases borrowing from scheduled banks, it directly impacts the country's private sector credit growth.
- The government borrowed BDT 27,952 crore from scheduled banks in the July to December 27 period of FY24, and in the same timeframe, it repaid BDT 35,798 crore of the loans it took from the central bank, according to central bank sources.
- In the first five months of FY23, the government – instead of borrowing from the country's scheduled banks – had repaid BDT 19,064 crore in loans.
- The government borrowed BDT 45,161 crore from the central bank during the same period.

News Source:

https://businesspostbd.com/economy/banking/scheduled-bank-borrowing-continues-to-repay-bb

Fuel & Power

Power generation capacity up 20% in 2023

- The country's overall power generation, combining grid capacity and off-grid (mainly captive) power, increased by about 5000MW in 2023 to reach a new benchmark of 30,700 MW, although with demand failing to keep up, this is expected to lead to higher capacity payments for the government.
- This is disclosed in available data from the Bangladesh Power Development Board (BPDB), Bangladesh Energy Regulatory Commission (BERC) and Sustainable and Renewable Energy Development Authority (Sreda).
- The BPDB data shows that of the 5,000 MW new power generation, some 3,343 MW was added to the national grid by the import electricity from India and production from newly set up local power plants while about 1,400 MW came from off-grid captive and off-grid solar power.
- It also shows that the country's installed grid-connected power generation capacity reached to 25,951 MW on December 30 in 2023 from 22,608 MW in 2022 showing a capacity enhancement of 3343 MW.

News Source:

https://businesspostbd.com/national/development/power-generation-capacity-up-20-in-2023

Capital Market

DSE turnover hits 9-month low

- Dhaka stocks gained slightly on Wednesday after a two-day fall, but the turnover hit a nine-month low, as most of the investors preferred to be on the sideline amid political and economic worries in the country, according to market operators.
- Investors were also cautious as the national election is a just a few days away.
- DSEX, the key index of the Dhaka Stock Exchange, added 2.65 points, or 0.04%, and settled at 6,236.07 points on Wednesday after losing 13.07 points in the previous two sessions.
- The turnover on the DSE decreased to BDT 292.14 crore on Wednesday compared with that of BDT 516.88 crore in the previous trading session.

News Source:

https://www.newagebd.net/article/221898/dse-turnover-hits-9-month-low

Why capital market under bear attack

- The series of measures taken over the years in the stock market has discouraged many large and good companies from participating in it for long-term financing, say experts and stakeholders.
- Companies often turn to bank borrowings to bypass the cumbersome process of an unattractive stock market, according to the speakers.
- This is keeping the capital market low-performing which is a hindrance to fulfil Bangladesh's long-term financing requirements for its economic growth objectives, such as achieving upper-middle-income status by 2031 and high-income status by 2041, according to experts and stakeholders.

News Source:

https://www.tbsnews.net/economy/why-capital-market-under-bear-attack-769110