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

Daily News Snippet

January 18, 2024

Bangladesh Market	
Major Indices	**Last closing**
DSEX Index	6,346.21
% change	0.23%
DS30 Index	2,138.83
% change	0.43%
DSES Index	1,390.40
% change	0.57%
Turnover (BDT mn)	7,600.81
Turnover (USD mn)	69.10
% change	-5.09%
Source: Dhaka Stock Exchange	

International Market	
Major Indices	**Last closing**
Dow Jones Industrial Average	37,412.00
% change	-0.22%
S&P 500	4,765.00
% change	-0.52%
Nikkei 225	35,521.48
% change	-0.56%
FTSE 100	7,446.29
% change	-1.48%
Source: Bloomberg	

Exchange rate		
Major Currencies	**Low (BDT)**	**High (BDT)**
USD	110.00	110.00
EUR	119.61	119.65
GBP	138.99	139.00
INR	1.32	1.32
Source: BB		

Money market		
Date	**Call Money Rate Range (%)**	**Weighted Average**
17-Jan-24	7.75 - 9.75	9.40
16-Jan-24	7.75 - 9.80	9.41
Source: BB		

Commodities		
Major Commodities	**Price**	**% Change**
Brent Crude (Oil), USD/bbl.	78.13	0.50%
Gold Spot, USD/t oz.	2,008.25	-0.83%
Cotton, USD/lb.	81.84	0.96%
Source: Bloomberg		

Market Summary

Bangladesh Market

- The leading bourse of the country, DSEX gained a whopping 0.23% in the last trading day, closing at 6,346.21 point.
- The market was up for the sixth consecutive days and rose by ~1.0%.
- The daily turnover fell 5.09% in the last trading day.

Global Market

- Majority of the leading global indices posted negative returns as Dow Jones posted 0.22% loss, S&P 500 posted 0.52% loss, and FTSE 100 posted 1.48% loss.
- One of the leading Asian market indices, NIKKEI 225 posted 0.56% loss.

Key macro indicators

- All the major currencies remained unchanged 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 9.40% with a high rate of 9.75% and low rate of 7.75%.
- The oil price rebounded with a rise of 0.73% in the last trading day.

Bangladesh Macro Update

New monetary policy aims to rein in inflation, stabilise exchange rates

- Pressed by a liquidity crunch and soaring money rates, the Bangladesh Bank doubled down on tightening money supply, launching a new monetary policy to subdue the still-elevated inflation which has shown a slowing trend since November last year.
- In its new monetary policy announced on Wednesday for the second half of the current fiscal year, the central bank increased the key policy rate, also known as the repo rate, by 25 basis points to 8%, effectively making money more expensive for banks.
- The central bank has revised downward all money supply targets, notably, the private sector credit growth target has been reduced to 10% for June, down from the previous 11% while the broad money supply has been trimmed to 9.7% from the earlier target of 10%.
- At the same time, the central bank has disclosed its intention to implement a "crawling peg" system to stabilise the exchange rate and prevent further depletion of the country's foreign exchange reserves.
- This new mechanism will be linked to the real effective exchange rate, measured against the currency basket of trading partner countries and will operate within a predefined exchange rate corridor.

News Source:

https://www.tbsnews.net/economy/banking/new-monetary-policy-aims-rein-inflation-stabilise-exchange-rates-776730

Sectoral Update

Banks, NBFIs, and Insurance

Banks asked to keep LC margin low

- The central bank has instructed the banks concerned to keep LC (letter of credit) margin at a lower level under bank-client relation for import of eight essential items including edible oil, onion, gram, sugar and date to help ease their prices during the holy month of Ramadan.
- The Bangladesh Bank issued a circular to this effect on Wednesday.
- The central bank issued the directive in order to help ease the import of the key essentials for the sake of smooth supply of the items during the fasting month.
- The directive will be effective immediately and will be in force until March 31, 2024, according to the BB circular.

News Source:

https://today.thefinancialexpress.com.bd/first-page/banks-asked-to-keep-lc-margin-low-1705512726

Governor defends liquidity support to cash-strapped Islamic banks

- The Bangladesh Bank is providing liquidity support to cash-strapped Islamic banks as per the power of the governor, according to the central bank chief.
- Banks typically turn to their lender of last resort – the central bank -- when they can't get the funding they need for their daily business.

- The BB support comes after the current accounts of Islami Bank Bangladesh, Social Islami Bank, First Security Islami Bank, Union Bank and Global Islami Bank continue to face deficits due to a huge liquidity crisis.
- Not only Islamic banks but also conventional banks are borrowing from the central bank because there is tight liquidity in the banking sector.
- Throughout the first half of FY24, the banking sector encountered a situation of tightened excess cash reserves due to commercial banks' purchases of the dollars from the BB to satisfy heightened demand for foreign currency and increased investments in Treasury bills and bonds driven by attractive high-return opportunities.

News Source:

https://www.thedailystar.net/business/economy/news/governor-defends-liquidity-support-cash-strapped-islamic-banks-3521781

M&A likely for weaker banks: BB

- Mergers and acquisitions (M&A) may be in wait as a cure for comparatively weaker banks to strengthen their capital base, as they are deemed ridden with problems, according to a central bank plan.
- The regulator is now weighing this option, in a package of remedies for the financial sector at large, according to the Bangladesh Bank Governor.
- In the newly amended Bank Company Act 2023, the BB has been vested with the authority to initiate forced mergers of any bank if the board of directors and management are found to be involved in activities that go against depositors' interests.
- At the same time, the governor informed that the banking regulator planned to introduce crawling peg corridor to help manage foreign-exchange risks by stopping unusual fluctuations in the rates.

News Source:

https://today.thefinancialexpress.com.bd/first-page/ma-likely-for-weaker-banks-bb-1705512534

Marine insurance: 0.30% minimum premium hurts importers, competitiveness

- The 0.30% minimum premium in marine insurance for imports in Bangladesh is unusually higher than international rates and is escalating the business expenses, which are ultimately passed on to the consumers, according to experts and entrepreneurs.
- Setting a minimum insurance premium rate is deemed inconsistent with the principles of a free-market economy and a competitive environment, according to them.
- Unlike Bangladesh, no other country has a specified minimum insurance rate, with the global rate ranging between 0.01% and 0.1% in the international insurance market, a pattern observed even in neighbouring countries such as India and Pakistan, according to experts.

News Source:

https://www.tbsnews.net/bangladesh/marine-insurance-030-minimum-premium-hurts-importers-competitiveness-776766

Fuel & Power

BD wants 4,000MW power from Nepal

- Bangladesh is willing to buy more electricity from Nepal as the two countries work on finalising the 40 MW power deal, according to the Bangladesh Ambassador to Nepal.
- During a bilateral meeting in May last year, the two countries had agreed to make efforts to start exporting power to Bangladesh through India's transmission infrastructure starting this wet season.
- When Prime Minister Pushpa Kamal Dahal visited India in May and June last year, the southern neighbour had promised to facilitate the export of 40MW electricity to Bangladesh.
- Currently, Nepal and Bangladesh are working on finalising the terms and conditions including tariff to make it happen.

News Source:

https://today.thefinancialexpress.com.bd/last-page/bd-wants-4000mw-power-from-nepal-1705513009

Engineering

Rising production costs blindside building material industry

- Although building material makers in Bangladesh registered higher sales revenue in fiscal year (FY) 2022-23, their profits were eroded by increasing production costs, according to industry people.
- The overall sales revenue rose as manufacturers hiked the prices of their goods, such as rods and cement, to cope with higher raw material and energy costs.
- However, their efforts proved futile as the import-heavy industry faced growing input prices amid continued devaluation of the local currency.

News Source:

https://www.thedailystar.net/business/economy/news/rising-production-costs-blindside-building-material-industry-3521801

Capital Market

Dhaka stocks extend gain

- Dhaka stocks soared on Wednesday, extending the gaining streak to the sixth trading session, as opportunistic investors continued their chase to take positions in the current rallies after the national election, according to market operators.
- DSEX, the key index of the Dhaka Stock Exchange, added 14.59 points, or 0.23%, and settled at 6,346.20 points on Wednesday after gaining 13.53 points in the previous session.
- Market operators said that Wednesday's session was dominated by buyers, as a section of opportunistic investors continued showing interest in buying shares with the market improving after the January 7 parliamentary polls.

News Source:

https://www.newagebd.net/article/223085/dhaka-stocks-extend-gain

MPS emphasised capital market involvement in dev projects

- The Monetary Policy Statement (MPS) emphasised the need for capital markets in the government's ongoing development projects, such as mega projects, and private investment in the energy, power, and transport industries.
- Bangladesh Bank Governor Abdur Rouf Talukder unveiled the new MPS for the second half of FY24 on Wednesday afternoon.
- It points out that the capital market regulatory body Bangladesh Securities Exchange Commission (BSEC), in collaboration with the Bangladesh Bank and other relevant government entities, has consistently spearheaded initiatives to foster a robust capital and bond market within the country.
- The government's ongoing mega projects and private investments in energy, power, and transportation sectors have underscored the necessity for a well-developed capital market, added the MPS write-up.

News Source:

https://businesspostbd.com/stocks/mps-emphasised-capital-market-involvement-in-dev-projects