EBL ASSET MANAGEMENT LTD.
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Daily News Snippet

May 02, 2024

Bangladesh Market	
Major Indices	**Last closing**
DSEX Index	5,584.65
% change	0.27%
DS30 Index	1,995.31
% change	0.07%
DSES Index	1,227.51
% change	0.47%
Turnover (BDT mn)	8,357.25
Turnover (USD mn)	75.97
% change	25.97%
Source: Dhaka Stock Exchange	

International Market	
Major Indices	**Last closing**
Dow Jones Industrial Average	37,903.29
% change	0.23%
S&P 500	5,018.39
% change	-0.34%
Nikkei 225	8,121.24
% change	-0.28%
FTSE 100	38,274.05
% change	-0.34%
Source: Bloomberg	

Exchange rate		
Major Currencies	**Low (BDT)**	**High (BDT)**
USD	110.00	110.00
EUR	117.91	117.95
GBP	138.17	138.22
INR	1.32	1.32
Source: BB		

Money market		
Date	**Call Money Rate Range (%)**	**Weighted Average**
30-Apr-24	8.00 - 9.50	8.73
29-Apr-24	8.00 - 9.50	8.71
Source: BB		

Commodities		
Major Commodities	**Price**	**% Change**
Brent Crude (Oil), USD/bbl.	83.44	-5.03%
Gold Spot, USD/t oz.	2,319.56	1.46%
Cotton, USD/lb.	76.51	-2.45%
Source: Bloomberg		

Market Summary

Bangladesh Market

- The leading bourse of the country, DSEX gained 0.27% in the last trading day, closing at 5,584.65 points.
- The daily turnover increased 25.97% in the last trading day.

Global Market

- Majority of the leading global indices posted negative returns as Dow Jones posted 0.23% gain, S&P 500 posted 0.34% loss, and FTSE 100 posted 0.34% loss.
- One of the leading Asian market indices, NIKKEI 225 posted 0.28% loss.

Key macro indicators

- All the major currencies rose against BDT yesterday.
- The average overnight rate is rising in the past week.
- The current weighted average overnight rate stood at 8.73% with a high rate of 9.50% and low rate of 8.00%.
- The oil price decreased 5.03% in the last trading day.

Bangladesh Macro Update

More exchange rate flexibility needed

- Bangladesh's macroeconomic performance has significantly improved since the country entered the IMF's USD 4.7 billion loan programme in January last year, but the bleeding of foreign currency reserves continues, putting the taka under pressure, the global lender said yesterday.
- It is important that the next stage of the reform agenda is to allow greater flexibility in the exchange rate, which would help address the problem in external account, According to Krishna Srinivasan, director of the Asia and Pacific department of the International Monetary Fund.
- Srinivasan further said that Bangladesh should allow greater flexibility in its exchange rate to address issues in its external account, particularly the deficit in the financial account.
- According to the IMF assessment, the reason behind the deficit in the financial account is that the exchange rate is not market-based.

News Source:

https://www.thedailystar.net/business/economy/news/more-exchange-rate-flexibility-needed-3599486

Exports may shrink up to 14% after LDC graduation

- Exports from Bangladesh may decline by 5.5% to as much as 14%, especially considering reduced earnings from the EU, after the nation loses its preferential trade benefits following its graduation from a least developed country (LDC) in 2026, according to the Asian Development Bank.
- With over 70% of the country's merchandise exports currently benefitting from LDC-specific trade preferences, the impact of Bangladesh's impending LDC graduation on its export sector, particularly the dominant garments industry, is a significant concern.
- Post-graduation, Bangladesh may lose these preferences and be subject to less favourable trade conditions or Most Favored Nation (MFN) tariff rates depending on the trade policies of donor countries.
- LDC graduation will also restrict Bangladesh's policy space in bolstering the export sector through subsidies, the ADB said.

News Source:

https://www.thedailystar.net/business/economy/news/exports-may-shrink-14-after-ldc-graduation-3599356

Reforms can generate BDT 15 lakh crore additionally by 2035

- Reforming tax policy and administration will help the government generate an additional revenue of BDT 15 lakh crore by 2035.
- It can provide much-needed relief to a country struggling to expand its spending capacity, according to a new study.
- The study -- Bangladesh's Domestic Resource Mobilisation: Imperatives and a Roadmap -- suggested phasing out tax exemptions.
- Ahsan H Mansur, executive director of the PRI, presented the findings of the study at a programme at the Hotel Amari Dhaka yesterday.

News Source:

https://www.thedailystar.net/business/economy/news/reforms-can-generate-BDT-15-lakh-crore-additionally-2035-3599351

Container handling rises in Ctg port

- A higher volume of container and cargo was handled at the Chattogram port in the first nine months of the current fiscal year compared to the same period of the previous year.
- Although business leaders termed it a good trend for the country's foreign trade, they added that the country's overall foreign trade was yet to meet the expectations of a rebound.
- The port experienced a growth of over 8.27% in container handling in the July-March period of fiscal year 2023-24.
- Overall cargo handling, meaning both containerised and bulk cargo, increased by 4.38% in this period.

News Source:

https://www.thedailystar.net/business/economy/news/container-handling-rises-ctg-port-3599376

Govt formulates maiden logistics policy

- Bangladesh has formulated its maiden logistics policy to achieve sustainable economic growth by increasing domestic and international trade and investment capacity through the construction of a world-class technology-based, time and cost efficient, and environmentally friendly logistics system.
- The Prime Minister's Office published a gazette on the National Logistic Policy on April 28.
- The policy aims to ensure a reduction in delays and costs by achieving efficiency in overall logistics services, including production, storage, transportation, shipping and release, and distribution of products, within competitive cut-off times based on regional and international standards.
- The policy has targeted to develop a well-coordinated cargo transport system through interconnections among waterways, railways, roadways and airways aiming at reducing time and cost in cargo transport and preventing misuse.

News Source:

https://www.thedailystar.net/business/economy/news/govt-formulates-maiden-logistics-policy-3599361

Sectoral Update

Banks, NBFIs, and Insurance

Stressed loans in banks to remain elevated: Moody’s

- The stressed loans in the banking sector of Bangladesh will remain elevated even after the central bank tightened the rules for classification of non-performing loans (NPLs), said Moody's Investors Service.
- Last month, the Bangladesh Bank tightened its definition of overdue installments for fixed-term loans, reversing a relaxation of classification and provisioning rules since April 2019.
- Fixed-term loans are currently classified as overdue six months after their expiry date and are subsequently classified as non-performing when overdue for a further three months, implying 270 days past due.
- Cottage, micro and small credits are classified as NPLs when past due/overdue for six months.

News Source:

https://www.thedailystar.net/business/news/stressed-loans-banks-remain-elevated-moodys-3599396

Defaulting by top 3 borrowers could hit bank sector hard

- Resilience in Bangladesh's banking sector could be significantly affected if top three borrowers default on their loans, as outlined in a financial stability assessment report by the Bangladesh Bank.
- The report, covering the July-September quarter of 2023, indicated that such a default would have the most substantial impact on the sector's resilience, followed by a 3% increase in non-performing loans.
- For both shock scenarios, Capital to Risk-weighted Assets Ratio of the banking sector would fall below the minimum regulatory requirement of 10%, it said.
- If the top three borrowers of each bank defaulted, nineteen banks would fail to maintain the minimum required CRAR, the report said.

News Source:

https://www.newagebd.net/post/banking/233926/defaulting-by-top-3-borrowers-could-hit-bank-sector-hard

Power & Energy

Surge in power demand outstrips supply amid heatwave

- In a time of unprecedented electricity generation amid a record-breaking summer heatwave, the relentless surge in demand has outstripped available supply, making uninterrupted power provision next to impossible.
- On days of severe shortages, the deficit can soar to a staggering 3,100 megawatts, with daily shortfalls fluctuating between 1,000 and 2,000 megawatts, which amounts to 13% of the maximum demand.
- However, the distribution of load-shedding or blackouts of electricity supply is not equal across all areas.
- Since the heatwave began, the demand for power has fluctuated between 15,000 MW and 17,000 MW, while production has ranged from 13,000 MW to 16,500 MW, according to data analysis from the Bangladesh Power Development Board-PDB, and the Power Grid Company of Bangladesh, or PGCB.

News Source:

https://thefinancialexpress.com.bd/national/surge-in-power-demand-outstrips-supply-amid-heatwave

Apparel and Textile

Cotton farming not catching on for lack of govt support: experts

- The expansion of cotton farming in Bangladesh has remained stagnant over the years due to a lack of sufficient farmland, manpower and government support, particularly in terms of innovation and investment.
- As such, the country is still heavily reliant on imported cotton for its garment industry despite being the world's second-largest supplier of apparel items after China, according to various experts.
- Cotton production in Bangladesh currently meets just 4% of the 85 lakh bales (each bale weighs about 218 kilogrammes) required by the country's 450 spinning mills annually.
- Bangladesh imported cotton worth about USD 464.2 crore in fiscal 2021-22 while the country's garments exports fetched USD 4,260 crore that same year, as per official figures.

News Source:

https://www.thedailystar.net/business/news/cotton-farming-not-catching-lack-govt-support-experts-3599276

Global apparel industry moving towards sustainability: Brands, experts

- The global apparel industry is moving towards sustainability to make it more environmentally friendly through traceability and circularity, which is also guided by a number of legislative initiatives, said brand representatives and experts at a programme today.
- They, however, said there are some challenges to increasing awareness among consumers and expanding circularity initiatives – passing costs to customers, understanding and capabilities of implementing a circular model, and the price of recycled textile materials.
- Most brands and importer countries have also set targets to make their supply chains traceable, the speakers said at the discussion organised by the Cotton Council International (CCI) at the International Convention City Bashundhara in Dhaka.
- Addressing the discussion, Amit Gautam, chief executive officer and founder of Textile Genesis, said the fashion industry is undergoing a structural shift from unregulated to more than 30 regulations across the value chain, from sourcing to retail.
- He mentioned three factors driving the move towards a sustainable and traceable fashion industry: increasing regulatory compliance, responsible sourcing targets, and authenticating product claims to mitigate supply chain and reputational risks.

News Source:

https://www.tbsnews.net/economy/rmg/global-apparel-industry-moving-towards-sustainability-brands-experts-839521

Capital Market

Dhaka stocks gain

- Dhaka stocks advanced on Tuesday after a fall in the previous session, as buyers dominated the session with hope for the market to rebound after the recent corrections, market operators said.
- DSEX, the key index of the Dhaka Stock Exchange, increased by 14.96 points, or 0.26%, to close at 5,584.64 points on the day after losing 46.15 points in the previous trading session.
- As the investors increased their activity in the market, the turnover on Tuesday surpassed the BDT 800-crore mark after nearly two months.
- On the sectoral front, pharmaceutical issues exerted the highest turnover, followed by textile and bank stocks.

News Source:

https://www.newagebd.net/post/stocks/233902/dhaka-stocks-plunge-after-gaining-for-one-day

Stock gains to stay tax-free for individual investors: BSEC chief

- Shibli Rubayat Ul Islam, chairman of the Bangladesh Securities and Exchange Commission (BSEC), has reassured investors that their profits or capital gains will remain untaxed.
- "I had talks with National Board of Revenue [NBR] officials and they informed me that the capital gains tax would not be imposed on individual investors," he said on Tuesday (30 April) in reaction to media reports regarding the government's plan to levy taxes on capital gains from stock market investments made by individuals.

- Implementing the International Monetary Fund's recommendation for imposing a tax on capital gains from listed securities for individual investors, among other suggestions, would not be feasible in the current context of Bangladesh, he told representatives of the Capital Market Journalists Forum at his office Tuesday.
- Also, individual investors and mutual funds do not have to pay tax on their capital gains from listed securities.

News Source:

https://www.tbsnews.net/economy/stocks/stock-investors-capital-gains-wont-be-taxed-bsec-chairman-840211

Summit Power's profits climb 49%

- Summit Power Ltd (SPL) recorded a profit of BDT 441.64 crore in the July-March period of the ongoing financial year (FY) 2023-24, up a substantial 49% year-on-year despite witnessing a decline in revenue.
- The private power generator giant had booked a profit of BDT 296 crore in the same period of FY23, according to its unaudited financial statement.
- The company's raw material purchases accounted for 77% of total revenue in the period in FY24 compared to 88% in the same period in FY23.
- As a result, the power producer profited despite a 35% decline in revenue to BDT 3,029.51 crore in FY24.

News Source:

https://www.thedailystar.net/business/news/summit-powers-profits-climb-49-3599386