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Daily News Snippet

August 22, 2024

Bangladesh Market	
Major Indices	**Last closing**
DSEX Index	5,606.96
% change	-1.90%
DS30 Index	2,047.63
% change	-2.18%
DSES Index	1,201.41
% change	-2.30%
Turnover (BDT mn)	5,368.38
Turnover (USD mn)	44.74
% change	3.51%
Source: Dhaka Stock Exchange	

International Market	
Major Indices	**Last closing**
Dow Jones Industrial Average	40,890.49
% change	0.14%
S&P 500	5,620.85
% change	0.42%
Nikkei 225	37,951.80
% change	-0.29%
FTSE 100	8,283.43
% change	0.12%
Source: Bloomberg	

Exchange rate		
Major Currencies	**Low (BDT)**	**High (BDT)**
USD	119.70	120.00
EUR	132.69	133.03
GBP	155.47	155.93
INR	1.43	1.43
Source: BB		

Money market		
Date	**Call Money Rate Range (%)**	**Weighted Average**
21-Aug-24	8.50 - 10.00	8.77
20-Aug-24	8.50 - 10.00	8.79
Source: BB		

Commodities		
Major Commodities	**Price**	**% Change**
Brent Crude (Oil), USD/bbl.	76.03	-0.03%
Gold Spot, USD/t oz.	2,500.62	-0.48%
Cotton, USD/lb.	70.23	-0.17%
Source: Bloomberg		

Market Summary

Bangladesh Market

- The leading bourse of the country, DSEX lost 1.90% in the last trading day, closing at 5,606.96 points.
- The daily turnover increased 3.51% in the last trading day.

Global Market

- Majority of the leading global indices posted positive returns as Dow Jones posted 0.14% gain, S&P 500 posted 0.42% gain and FTSE 100 posted 0.12% gain.
- One of the leading Asian market indices, NIKKEI posted 0.29% loss.

Key macro indicators

- All the major currencies rose against BDT yesterday.
- The average overnight rate is falling in the past week.
- The current weighted average overnight rate stood at 8.77% with a high rate of 10.00% and low rate of 8.50%.
- The oil price decreased 0.03% in the last trading day.

Bangladesh Macro Update

Whitepaper on state of economy to be published

- A "whitepaper" unveiling the state of economy in six priority areas, including public finance, inflation, and food management, will be published following a decision of the interim government's advisory council.
- To be published in next ninety days, the whitepaper will portray an overall picture of the country's economy and reflect on government's strategic actions on economic matters, implementation of SDGs, and transition from the least-developed country (LDC) status.
- Eminent economist and public-policy analyst Dr Debapriya Bhattacharya, who is also a Distinguished Fellow at the Centre for Policy Dialogue (CPD), will head the committee assigned to prepare the whitepaper.
- The committee will conduct necessary consultations and exchange of views with the stakeholders concerned to prepare the authoritative document on Bangladesh's latest-available economic situation and the dos for a remedy.
- It will contain the current state of domestic resources, public expenditure (public investment, annual development programme, subsidies and debts), financing of budget deficit, and state of production, public procurement, and public food distribution.

News Source:

https://today.thefinancialexpress.com.bd/first-page/whitepaper-on-state-of-economy-to-be-published-1724262977

Govt debt swells over Tk 16.97t

- Government debt had accumulated to BDT 16.97 trillion until March 2024 in an increase by BDT 840 billion or 5.0% year on year, as Bangladesh grapples to meet its fiscal deficits.
- The sharp rise in government debts signals growing financial strains on the economy, potentially affecting inflation rates that hike public spending on essential services, according to analysts.
- Bangladesh's government debt has been on a steady upward trajectory, driven by the need to meet its budget-deficit financing.
- However, the recent acceleration in debt buildup comes amid global economic headwinds, volatile currency market and less-than-expected growth in resource mobilisation which have compounded domestic challenges such as slow economic growth and high inflation.
- Of the BDT 840-billion increase in government debt, a significant portion has come from domestic borrowing- 58% of total debt- driven by the need to fund budget deficits amid lower revenue collection, according to finance division.

News Source:

https://today.thefinancialexpress.com.bd/first-page/govt-debt-swells-over-tk-1697t-1724263073

Govt seeks $1b budget support from WB

- Muhammad Fouzul Kabir Khan, adviser to the power, energy and mineral resources ministry, yesterday sought USD 1 billion from the World Bank as budgetary support.
- At present, the ministry owes USD 2.2 billion to suppliers in import costs of power and energy.

- Kabir mentioned that the interim government was formed with many pressing mandates.
- On our first day at office, we have suspended activities under the much-criticised Quick Enhancement of Electricity and Energy Supply Act 2010 and abolished the government's power to set energy prices without any public hearing, he added.
- He added that initiatives have been taken to amend or abolish such acts after examination.

News Source:

https://www.thedailystar.net/business/news/govt-seeks-1b-budget-support-wb-3683411

Tycoons under hunt for suspected huge tax-dodging

- Five big shots are currently under scanner to dig out alleged tax evasion by the individuals and their associate businesses as the revenue intelligence cracks down following the regime change.
- Central Intelligence Cell (CIC) of the National Board of Revenue (NBR) has moved to look into tax files of Summit Group founder-chairman Aziz Khan, Orion Group chief Mohammad Obaidul Karim, Beximco Group's co-founder and vice-chairman Salman F Rahman, Nasa Group chairperson Nazrul Islam Mazumder, Banshundhara Group founder Ahmed Akbar Sobhan.
- The CIC will work on their individual tax files to find any mismatch against their actual wealth and paid taxes.
- The intelligence unit will issue letters to all banks and non-banking financial institutions this week to furnish bank-account details, credit card and other financials of those five big businesses.
- Banks and NBFIs are bound to provide the account information to the taxmen as per law.

News Source:

https://today.thefinancialexpress.com.bd/last-page/tycoons-under-hunt-for-suspected-huge-tax-dodging-1724263255

Sectoral Update

Banks, NBFIs and Insurance

Cenbank's bond game: Profit for some, inflation for all

- Bangladesh Bank's former governor Abdur Rouf Talukder and deputy governor Kazi Sayedur Rahman unlocked a lucrative opportunity for banks: invest in treasury bills and bonds, borrow against them, and earn up to 4% in profit margins with minimal effort.
- Bankers and analysts warn that this monetary policy translates to printing money, fuelling inflationary pressures in the economy- directly contradicting its goal of curbing inflation.
- As a result of this strategy, the central bank extended a record BDT 32.21 lakh crore in loans to commercial banks during the 2023-24 fiscal year, a figure that exceeds the combined total of the previous seven fiscal years.
- A significant portion of these borrowed funds was invested by commercial banks in government treasury bills and bonds, capitalising on easy, guaranteed returns ranging from 1.6% to 4% depending on the tenure, according to treasury officials of several banks.

- Among 36 listed local banks, 17 showed profit growth from both lending and government securities, with some achieving over 100% growth from investments in treasury bills and bonds.

News Source:

https://www.tbsnews.net/economy/cenbanks-bond-game-profit-some-inflation-all-922481

Taka weakens further

- Bangladesh's taka weakened further after the central bank allowed more flexibility in the purchase and sale of foreign currencies, reflecting a shortfall of the US dollar in the market.
- Banks yesterday traded each dollar for as much as BDT 120 in interbank transactions whereas just a couple of days ago it was BDT 118, according to Bangladesh Bank (BB).
- The taka lost value after the BB widened the band of the crawling peg, a predefined range for exchange rate fluctuations, from 1% to 2.5% on August 18 to increase the inflow of foreign currencies.
- The central bank introduced the crawling peg in early May this year, moving away from administered rates of US dollars, in a bid to gradually allow demand and supply to determine the exchange rate.
- At that time, the central bank declared BDT 117 as the crawling peg mid-rate by allowing an over 6.3% depreciation of the taka, which has significantly lost value in the last two and a half years amid falling foreign exchange reserves.

News Source:

https://www.thedailystar.net/business/news/taka-weakens-further-3683396

Apparel and Textile

BGMEA, BKMEA presidents likely to resign

- Bangladesh Garment Manufacturers and Exporters Association (BGMEA) President SM Mannan Kochi and Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) President Salim Osman have decided to step down from their positions, according to sources.
- Kochi and Salim had a good relationship with Sheikh Hasina.
- In light of this, general members have asked them to resign from their positions, and both have decided to comply with this demand.
- BGMEA Senior Vice President Khandaker Rafiqul Islam is likely to be elected as the new president, while BKMEA Executive President Mohammad Hatem is likely to succeed Salim.

News Source:

https://www.tbsnews.net/economy/bgmea-bkmea-presidents-likely-resign-922446

Capital Market

DSE index loses 346 points in 5 days, market cap falls by Tk29,000cr

- The benchmark index of the Dhaka Stock Exchange (DSE) witnessed a massive downfall on 21 August, extending its losing streak to five consecutive sessions as investors awaited developments under the new chief of the stock market regulator.

- The key index of the Dhaka bourse, DSEX, plummeted by 108 points and settled at 5,607 points as against 5,715 points in the previous trading session.
- The blue-chip index, DS30, also ended 45 points lower at 2,047.
- The new leadership within the stock market regulator has yet to settle in, while the ongoing board reformation of certain companies and measures against specific influential figures have triggered fresh concerns across the trading floor, according to market insiders.
- Cautious investors opted to trim their exposure to capital market investments due to dwindling confidence amidst current market volatility, causing the broad index to extend its losing streak for five consecutive sessions.

News Source:

https://www.tbsnews.net/economy/stocks/dse-index-loses-346-points-5-days-market-cap-falls-tk29000cr-922326

Current placement system in stock market a big fraud

- Abu Ahmed, a former professor at Dhaka University, has criticised the current placement system in the stock market, describing it as a major fraud.
- Previously, if an Initial Public Offering (IPO) was not fully subscribed, the underwriter would take the remaining shares.
- There had been a sudden shift to placements, where shares were allocated without full payment.
- This is a big fraud, he added.
- The former DU professor also pointed to placement share trading before listing as another significant source of corruption, accusing regulators of failing to address the issue.

News Source:

https://www.tbsnews.net/economy/stocks/current-placement-system-stock-market-big-fraud-922356