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Daily News Snippet

September 08, 2024

Bangladesh Market	
Major Indices	**Last closing**
DSEX Index	5,728.65
% change	-0.18%
DS30 Index	2,114.36
% change	0.05%
DSES Index	1,228.81
% change	0.08%
Turnover (BDT mn)	6,749.09
Turnover (USD mn)	56.24
% change	13.72%
Source: Dhaka Stock Exchange	

International Market	
Major Indices	**Last closing**
Dow Jones Industrial Average	40,345.41
% change	-1.01%
S&P 500	5,408.42
% change	-1.73%
Nikkei 225	36,391.47
% change	-0.72%
FTSE 100	8,181.47
% change	-0.73%
Source: Bloomberg	

Exchange rate		
Major Currencies	**Low (BDT)**	**High (BDT)**
USD	120.00	120.00
EUR	132.98	133.00
GBP	157.70	157.79
INR	1.43	1.43
Source: BB		

Money market		
Date	**Call Money Rate Range (%)**	**Weighted Average**
05-Sep-24	8.50 - 10.50	9.07
04-Sep-24	8.80 - 10.50	9.03
Source: BB		

Commodities		
Major Commodities	**Price**	**% Change**
Brent Crude (Oil), USD/bbl.	71.06	-2.24%
Gold Spot, USD/t oz.	2,516.36	0.00%
Cotton, USD/lb.	67.88	-2.25%
Source: Bloomberg		

Market Summary

Bangladesh Market

- The leading bourse of the country, DSEX lost 0.18% in the last trading day, closing at 5,728.65 points.
- The daily turnover increased 13.72% in the last trading day.

Global Market

- Majority of the leading global indices posted negative returns as Dow Jones posted 1.01% loss, S&P 500 posted 1.73% loss and FTSE 100 posted 0.73% loss.
- One of the leading Asian market indices, NIKKEI posted 0.72% loss yesterday.

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 9.07% with a high rate of 10.50% and low rate of 8.50%.
- The oil price decreased 2.24% in the last trading day.

Bangladesh Macro Update

Dhaka seeks $6b from WB, ADB, Jica, IMF

- Bangladesh has officially requested USD 6 billion in budget support from four international lenders to settle the government's outstanding import bills, stabilise forex reserves, and rejuvenate the economy.
- Finance ministry officials anticipate securing the loans by December.
- We have requested USD 1 billion each from the World Bank, Asian Development Bank (ADB), and Japan International Cooperation Agency (Jica), along with an additional USD 3 billion from the International Monetary Fund (IMF), according to Finance Secretary Md Khairuzzaman Mozumder.
- Due to a dollar shortage, the government is struggling to pay import bills for essential products such as electricity, fuel, and fertilisers, as well as outstanding bills for various government agencies.

News Source:

https://www.tbsnews.net/economy/dhaka-seeks-6b-wb-adb-jica-imf-934731

Govt's initiative to scrap legal provision remains incomplete

- The interim government's initiative to scrap the provision for whitening black money remained incomplete as such provision is still applicable in case of purchasing apartment and land.
- The provision has been offering a blanket facility for years to whiten money through investing in apartments and lands.
- No authorities can raise a question on the source of the declared money.
- Senior Research Fellow of the Centre for Policy Dialogue (CPD) Towfiqul Islam Khan said that the provision for apartments allows black money holders to enjoy a nominal tax rate, up to 2.65% only, as per market value.

News Source:

https://today.thefinancialexpress.com.bd/last-page/govts-initiative-to-scrap-legal-provision-remains-incomplete-1725728637

Ctg port still grappling with container backlog

- Despite slight improvements, container congestion continues to disrupt operations at Chattogram Port, with an unusually high number of containers crowding its yard and private inland container depots (ICDs), following the recent political upheavals and devastating floods.
- Port officials said that the congestion is delaying the handling of import and export cargo.
- Although vessel waiting times at the port have improved, dropping from nine days to four-five days at the outer anchorage, pressure on the port's yards and depots remains high.
- At least 5,000 TEUs (Twenty-foot Equivalent Units) of import containers need to be cleared to restore normal operations of the port, according to the officials.
- Likewise, the depots must reduce their load by 5,000 TEUs of export containers.

News Source:

https://www.tbsnews.net/economy/ctg-port-still-grappling-container-backlog-936026

Measures underway to crack down on financial graft godfathers: Salehuddin

- The government is taking strict measures to launch a crackdown on the godfathers of corrupt individuals in the financial sector, including money launderers, according to Finance and Commerce Adviser Salehuddin Ahmed.
- Already bank accounts of many of them have been seized which is a primary initiative.
- Afterward, there will be investigations and if found guilty, they will be prosecuted, he added.
- When asked about the high prices of essential commodities in the market, Salehuddin said that it is not that the prices have not decreased at all.
- Prices will gradually decrease as some initiatives have already been taken, for example, potato and onion import duty has been reduced.

News Source:

https://www.tbsnews.net/economy/strict-measures-underway-nab-godfathers-financial-sectors-corrupts-salehuddin-935721

Sectoral Update

Banks, NBFIs and Insurance

10 banks face Tk31,549cr provision shortfall as defaults mount

- The provision shortfall among banks has worsened due to surging default loans with 10 banks reporting a combined deficit of BDT 31,549 crore as of June this year, according to Bangladesh Bank.
- The banks are National Bank, BASIC Bank, Agrani Bank, Rupali Bank, Bangladesh Commerce Bank, Dhaka Bank, Standard Bank, Bangladesh Development Bank, IFIC Bank, and Southeast Bank.
- Among them, four are state-owned banks and six are private.
- A senior central bank official told that the provision shortfall in the banking sector could be higher as provision deferral facilities were granted to several state-owned and private banks.
- Deferral facilities were granted for varying periods, including up to five years, making it hard to assess the current outstanding amount of deferred provisions, though it remains substantial.

News Source:

https://www.tbsnews.net/economy/banking/10-banks-face-tk31549cr-provision-shortfall-defaults-mount-934806

Cash withdrawal limit lifted

- The Bangladesh Bank (BB) announced on Saturday that the restriction on cash withdrawals from banks would be lifted starting from Sunday.
- In a directive issued to banks on the day, the central bank stated that the previous cash withdrawal limit of BDT 500,000 per account would no longer apply.
- In the week before, the limit had been BDT 400,000.

- Initially, the BB imposed restrictions on cash withdrawals not exceeding BDT 100,000 per account due to challenges banks faced in transferring cash between locations.
- The central bank had also previously instructed banks to monitor cheque transactions and block any suspicious fund transfers.

News Source:

https://today.thefinancialexpress.com.bd/first-page/cash-withdrawal-limit-lifted-1725729574

LC margin lifted for all imports except luxury goods

- The Bangladesh Bank has lifted the letter of credit (LC) margin on all types of imports, except for luxury items and domestically produced goods, with the aim of accelerating the country's industrial and trade activities.
- Businesses can now import capital machinery, consumer goods, and industrial raw materials without needing to provide a cash margin based on their relationship with their banks.
- The central bank in a circular stated that as the country's foreign currency exchange rate and transactions are gradually stabilising, the LC margin has been withdrawn with the aim of boosting business, industry, and trade activities.
- However, a 100% margin is required for the import of goods such as motor vehicles, cosmetics, electrical and electronic items, home and office furniture, decorative items, gold and jewellery, fruits and flowers, precious metals and pearls, non-cereal foods, ready-made garments, processed foods and beverages, leather products, alcoholic beverages, jute products, tobacco, tobacco products, or their substitutes.
- Faisal said that the government should impose a 100% LC margin on imports of domestically produced products..

News Source:

https://www.tbsnews.net/economy/cenbank-removes-lc-margin-all-goods-import-except-luxury-products-934446

Interest rate spread rises to highest level since 2003

- The spread between interest rates on deposits and loans rose to 6.03%, the highest in two decades, indicating that banks are making money at the expense of depositors and borrowers.
- The spread, which fell to 2.93% in June 2023, began increasing as the interest rate started moving upwards since July last year, when the Bangladesh Bank lifted the 9% cap on lending and introduced the Six-months Moving Average Rate of Treasury bills (SMART).
- The Bangladesh Bank later in May this year scrapped the SMART so that the interest rate becomes fully market-driven.
- The extent of the spike in the interest rate on advances or loans was higher than the increase in the rate of deposits.

News Source:

https://www.thedailystar.net/business/economy/news/interest-rate-spread-rises-highest-level-2003-3697111

Apparel and Textile

Apparel factories reopen as security tightened

- The labour situation in the ready-made garment sector of the country improved on Saturday with security enhanced in many factories.
- However, some 50 factories kept operations suspended as workers left after joining their workplaces.
- All garment factories, including those which were closed for the last couple of days amid labour unrest, opened, except around a dozen of units, according to sources.
- More industrial police were deployed in factory areas in different industrial belts, including Ashulia and Gazipur, and the army has been patrolling to maintain law and order.
- Bangladesh Garment Manufacturers and Exporters Association (BGMEA) reported that out of its 2,152 export-oriented active units some 43 in Savar, Ashulia and Dhamrai and one in Gazipur were closed on Saturday.

News Source:

https://today.thefinancialexpress.com.bd/first-page/apparel-factories-reopen-as-security-tightened-1725729469

Engineering

Steel demand halves, scrap prices tumble amid political turmoil

- The country's steel industry is grappling with a significant downturn, marked by a near 50% drop in demand over the past two months due primarily to the slowdown of construction projects amid political instability that erupted before and after the fall of the Sheikh Hasina government.
- As public and private construction works have slowed, its ripple effects are being felt across the steel industry and related sectors, raising concerns about the future of one of the country's largest industries.
- Industry insiders said that political uncertainty has made developers hesitant to start new projects, resulting in a sharp decline in demand for steel, particularly for rebar (rods).
- This drop in demand has led steel manufacturers to cut production by nearly 50%, significantly reducing the need for scrap metal, which is the primary raw material in steel production.
- Consequently, scrap metal prices have fallen by 16% in the local market over the past two months.

News Source:

https://www.tbsnews.net/economy/industry/steel-demand-halves-scrap-prices-tumble-amid-political-turmoil-935331

Pharmaceuticals

Yawning gap between mill-gate and retail medicine prices

- Factory-gate prices of essential drugs in Bangladesh remained stable for long, though inflated by many accounts, while end-consumers face steep increases at pharmacy counters as regulators look on.

- This growing gap between manufacturing-gate prices and market realities has raised serious concerns about the accuracy of the data generated in the Producer Price Index (PPI), a key indicator of mill-gate prices prepared by the Bangladesh Bureau of Statistics (BBS).
- The PPI, also a measure of inflation for the manufacturers, tracks factory or mill-gate prices for pharmaceutical products and other major manufactured goods in the country, too.
- The national statistical office or BBS conducts monthly survey to measure the PPI for the goods under 143 genres.
- While the latest PPI shows that over the past 14 months ending May 2024, the PPI for pharmaceuticals has remained unchanged, retail prices have soared as high as 140% in first few months of 2024 alone, fuelling debates over data transparency.

News Source:

https://today.thefinancialexpress.com.bd/first-page/yawning-gap-between-mill-gate-and-retail-medicine-prices-1725729432

Energy

LNG import cost set to skyrocket in two years

- Bangladesh's struggle to foot liquefied natural gas (LNG) import bills is set to skyrocket in two years, as the country allegedly signed purchase deals at higher costs than the contemporary market rates.
- Officials said that state-run Petrobangla inked four long-term LNG import deals in only a one-year period, from June 2023 to June 2024, to meet the demands until 2041.
- The latest such agreement involving higher costs was signed with Summit Oil & Shipping Company Ltd (SOSCL) in June 2024, maintaining 'top confidentiality', only a couple of months before the fall of Sheikh Hasina's government.
- Along with a 1.5 million tonne per annum (MTPA) LNG supply deal, the local energy giant was also awarded a deal to build a 4.5 MTPA-capacity floating storage and regasification unit (FSRU), at a time when the company's existing FSRU was struggling to resume operation following an accident in late May.
- Unlike the previous occasions, this time no formal deal-signing ceremony was held, according to the officials.

News Source:

https://today.thefinancialexpress.com.bd/last-page/lng-import-cost-set-to-skyrocket-in-two-years-1725728812

Capital Market

Stocks continue losing streak for four days

- Stocks continued their downward trend for the fourth consecutive session on 5 September, with investor confidence diminishing due to ongoing economic uncertainty.
- On the day, the benchmark index DSEX of the Dhaka Stock Exchange (DSE) dropped more than 10 points to close at 5,728, while the blue-chip index DS30 ended 1 point higher at 2,114.

- Over the last four sessions, the DSEX has lost 100 points, and the market capitalisation has decreased by BDT 9,300 crore, ending at BDT 6.92 lakh crore.
- he turnover, a crucial market indicator, rose by 14% to BDT 675 crore.
- The Chittagong Stock Exchange (CSE) also closed in the red, with its general index CSCX falling by 32 points to 9,875, and the all-share price index CASPI dropping 59 points to 16,378.

News Source:

https://www.tbsnews.net/economy/stocks/stocks-continue-losing-streak-four-days-934711

How Shibli-commission acted as magic lamp for Sonali Paper

- The Shibli Rubayat-Ul Islam-led Securities and Exchange Commission leveraged its special authority in 2020 to facilitate Sonali Paper and Board Mills, granting at least 18 exemptions from regulations, including the requirement of a minimum paid-up capital of BDT 30 crore.
- BSEC also exempted its condition of having positive net current assets for the past three financial years.
- In June 2021, its share price was around BDT 200, but within six months, it soared to BDT 955 without any substantial new information.
- After issuing rights shares, the price even reached BDT 920.
- However, it gradually nosedived and closed at BDT 157.30 on Thursday.
- After languishing in the over-the-counter (OTC) market for around 11 years, the paper-based manufacturer, a concern of Younus Group of Industries, returned to the main market of the Dhaka Stock Exchange (DSE) in 2020, ignoring its negative review of the company's fundamentals.

News Source:

https://www.tbsnews.net/economy/stocks/how-shibli-commission-acted-magic-lamp-sonali-paper-935956