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Daily News Snippet

September 15, 2024

Bangladesh Market	
Major Indices	**Last closing**
DSEX Index	5,726.52
% change	0.22%
DS30 Index	2,100.75
% change	-0.33%
DSES Index	1,245.68
% change	0.38%
Turnover (BDT mn)	7,333.95
Turnover (USD mn)	61.12
% change	17.31%
Source: Dhaka Stock Exchange	

International Market	
Major Indices	**Last closing**
Dow Jones Industrial Average	41,393.78
% change	0.72%
S&P 500	5,626.02
% change	0.54%
Nikkei 225	36,581.76
% change	-0.68%
FTSE 100	8,273.09
% change	0.39%
Source: Bloomberg	

Exchange rate		
Major Currencies	**Low (BDT)**	**High (BDT)**
USD	120.00	120.00
EUR	132.13	132.16
GBP	156.52	156.60
INR	1.43	1.43
Source: BB		

Money market		
Date	**Call Money Rate Range (%)**	**Weighted Average**
12-Sep-24	8.75 - 10.50	9.04
11-Sep-24	8.50 - 10.50	9.01
Source: BB		

Commodities		
Major Commodities	**Price**	**% Change**
Brent Crude (Oil), USD/bbl.	71.61	-0.50%
Gold Spot, USD/t oz.	2,576.50	0.69%
Cotton, USD/lb.	69.82	-0.80%
Source: Bloomberg		

Market Summary

Bangladesh Market

- The leading bourse of the country, DSEX gained 0.22% in the last trading day, closing at 5,726.52 points.
- The daily turnover increased 17.31% in the last trading day.

Global Market

- Majority of the leading global indices posted positive returns as Dow Jones posted 0.72% gain, S&P 500 posted 0.54% gain and FTSE 100 posted 0.39% gain.
- One of the leading Asian market indices, NIKKEI posted 0.68% loss yesterday.

Key macro indicators

- All the major currencies fell against BDT yesterday.
- The average overnight rate is rising in the past week.
- The current weighted average overnight rate stood at 9.04% with a high rate of 10.50% and low rate of 8.75%.
- The oil price decreased 0.50% in the last trading day.

Global Macro Update

US Fed expected to announce its first interest rate cut since 2020

- The Federal Reserve is gearing up to announce its first interest rate cut for more than four years on Wednesday, with policymakers expected to debate how big a move to make less than two months before the US presidential election.
- Senior officials at the US central bank including Fed chair Jerome Powell indicated that a rate cut is coming this month, as inflation eases toward the bank's long-term target of 2%, and the labour market continues to cool.
- The Fed, which has a dual mandate from Congress to act independently to ensure both stable prices and maximum sustainable employment, has repeatedly stressed it will make its decision on rate cuts based solely on the economic data.
- However, a rate cut of any size would be the Fed's first since March 2020, when it slashed rates to near-zero in order to support the US economy through the Covid-19 pandemic.
- The Fed started hiking rates in 2022 in response to a surge in inflation, fueled largely by a post-pandemic supply crunch and the war in Ukraine.

News Source:

https://www.thedailystar.net/business/news/us-fed-expected-announce-its-first-interest-rate-cut-2020-3703436

Bangladesh Macro Update

IMF to assess Bangladesh's need for fresh loan

- An International Monetary Fund (IMF) delegation due to arrive later this month will assess Bangladesh's potential financial needs as the country sought a fresh USD 3 billion loan from the multilateral lender.
- The delegation is likely to arrive in Dhaka on September 24 and stay till September 30, according to a finance ministry official.
- Addressing the nation on Wednesday, Professor Muhammad Yunus, chief adviser to the interim government, said that budgetary support has been sought from development partners to enhance the country's foreign currency reserves.
- The IMF has an ongoing USD 4.7 billion loan programme for Bangladesh, which was approved in January last year.
- Over the past two years, Bangladesh's foreign currency reserves have been dwindling, having barely enough to cover import payments of a couple of months, which is the IMF's minimum benchmark.

News Source:

https://www.thedailystar.net/business/economy/news/imf-assess-bangladeshs-need-fresh-loan-3703266

Reforms in revenue sector needed to attract more FDI: Salehuddin

- Finance Adviser Salehuddin Ahmed has called for reforms in Bangladesh's revenue sector, warning that without proper changes, the country may not attract foreign direct investment (FDI) at the expected level.

- The immediate challenges before us are reforms in the revenue sector and banking, and political reforms will follow, he added.
- About revenue target set at BDT 4.8 lakh crore for FY25 and the target will remain unchanged as the country needed to reduce dependence on foreign funds and increase its internal revenue generation.
- Despite certain advantages, Bangladesh has not attracted the expected amount of FDI, with investors citing several reasons, including the country's complex tax structure.
- In a recent meeting with the National Board of Revenue (NBR) chairman, leaders from the Foreign Investors Chamber of Commerce and Industry (FICCI) expressed their concerns.

News Source:

https://www.tbsnews.net/economy/reforms-revenue-sector-needed-attract-more-fdi-salehuddin-941571

Import LCs drop by 13% in July-August FY25 due to political instability, lack of investment

- In the first two months of FY25, both import-related letter of credit (LC) openings and settlements declined by around 13% due to various reasons, including political instability and stagnant investment.
- Import LCs worth USD 10.03 billion were opened during July-August, a drop of nearly USD 1.5 billion compared to the same period last fiscal year, according to data from the central bank.
- A deputy managing director of a private bank said that banks have seen a reduced demand for LCs mainly due to the recent unrest in the country.
- Additionally, a 5-day internet blockage and bank closures during the month disrupted imports.
- Transport of both import and export goods was also affected.

News Source:

https://www.tbsnews.net/economy/import-lcs-drop-13-july-august-fy25-due-political-instability-lack-investment-940321

Foreign funds to NGOs hit eight-year low in FY24

- Foreign funding for non-governmental organisations (NGOs) dropped by 11.6% year-on-year in fiscal 2023-24, reaching the lowest level in the past eight years.
- Foreign grants have been declining for three consecutive years, with USD 655 million received in the last fiscal year, according to data from the NGO Affairs Bureau.
- Sector experts attribute this decline to the redirection of donor funds toward humanitarian crises in Ukraine and Palestine, which has diverted resources away from Bangladesh.
- This reduction in funding has impacted the ability of NGOs to execute their development projects, particularly in health and education.
- Local NGOs are facing significant challenges due to reduced funding, with a notable portion of donations being allocated to the Rohingya community since August 2017.

News Source:

https://www.tbsnews.net/economy/foreign-funds-ngos-hit-eight-year-low-fy24-940306

3 new custom procedure codes on cards to curb export data discrepancy

- The government has decided to create three new custom procedure codes to find out the actual export data, avoiding the risk of multiple entries in the export of the same product.
- Thus, sample export, CMT (cut, make and trims) export and local export will be calculated separately.
- Additionally, to make it easier for the Bangladesh Bank or the respective lien bank to monitor the repatriation of export earnings from abroad, the export number will be considered a mandatory field for the bill of export.
- In other words, without the inclusion of the export number, the bill of export will not be included in ASYCUDA, a computerised customs management system that covers most foreign trade procedures.
- The government made the decision at a recent workshop on "Compilation, Preservation, and Processing of Import-Export Data in the ASYCUDA World Database."

News Source:

https://www.tbsnews.net/economy/3-new-custom-procedure-codes-cards-curb-export-data-discrepancy-941666

India withdraws MEP, slashes duty to 20pc

- Costs of onion import from India are likely to decrease as the neighbouring country has withdrawn the minimum export price (MEP) as well as slashed the duty by half for the purpose.
- The Indian government on Friday withdrew the MEP of USD 550 a tonne, which was imposed on May 2024.
- The export duty of 40% was also deducted to 20%.
- The decision to slash the export duty by half would help ease import costs to some extent, according to Hamidur Rahman, an onion trader in Dhaka.
- Import cost was minimum USD 770 a tonne from India amid the MEP and duties.

News Source:

https://today.thefinancialexpress.com.bd/first-page/india-withdraws-mep-slashes-duty-to-20pc-1726335117

Sectoral Update

Banks, NBFIs and Insurance

Govt offers 2.5% incentive on compensation remittances

- The government has introduced a 2.5% incentive for Bangladeshi expatriates who will legally transfer compensation funds, received for deaths or injuries abroad from employers or insurance companies-back to Bangladesh.
- The Bangladesh Bank's Foreign Exchange Policy Department issued the directive on 12 September, with immediate effect.
- Currently, the government offers a 2.5% incentive only for wage earners' remittances sent by expatriates.
- Expatriates or their families will only be eligible for the 2.5% incentive if compensation funds are legally transferred to Bangladesh.

- These funds must be from a legitimate source and converted into local currency upon arrival.

News Source:

https://www.tbsnews.net/economy/banking/govt-offers-25-incentive-compensation-remittances-940146

How CenBank now undoing Rouf Talukder's reserve mess

- Bangladesh's interbank forex market now shows an average USD 50 million surplus and banks are calling their clients asking whether those businesses need dollars for opening letters of credit for imports, a turnaround that was unheard of for many months.
- Under the direction of Bangladesh Bank Governor Dr Ahsan H Mansur, banks are clearing overdue payments, resulting in improved market conditions.
- This progress comes despite a reduction in foreign currency trade credit limits imposed by foreign banks on local banks.
- Bankers are optimistic about the interim government's recent decision to seek USD 6 billion in budget support loans from development partners, believing it will further enhance forex market liquidity and stability.
- Demand for foreign currency has dropped, and second, trade-based money laundering has fallen significantly due to the central bank's stringent monitoring.

News Source:

https://www.tbsnews.net/economy/how-cenbank-now-undoing-rouf-talukders-reserve-mess-941641

Food and Allied

Bottled water companies rake huge profits despite small cost increase

- Despite a minimal increase in production costs, some of the country's leading bottled water manufacturers inflated their profits by up to 420% by raising the price of half-litre bottles, according to the Bangladesh Competition Commission (BCC).
- An investigation by the Commission revealed that these companies colluded to set unreasonably high prices.
- Besides, they dominated the market by increasing profit margins for distributors and retailers.
- As a result, a lawsuit has been filed against seven companies, according to Hafizur Rahman, member of the Commission.
- They are Coca-Cola Bangladesh Beverage, Transcom Beverage, Meghna Beverage, Partex Beverage, Rupshi Foods (City Group), Akij Food & Beverage, and Pran Beverage Limited.

News Source:

https://www.tbsnews.net/economy/bottled-water-companies-rake-huge-profits-despite-small-cost-increase-941646

Apparel and Textile

Labour leaders urge workers to join work today

- Labour leaders on Saturday called upon the readymade garment workers to join their respective workplaces today (Sunday) while factory owners threatened keeping their units shut for an indefinite period if unrest persists.
- Meanwhile, the advisors of the interim government warned of taking 'strict' actions against those responsible for creating unrest in the factories that continued for over two weeks.
- Despite this state of not too congenial atmosphere, majority of the factories located in Savar, Ashulia and Gazipur industrial belts resumed operations on Saturday.
- Still, some 49 factories, including RMG units in Ashulia, remained closed or suspended operations on the day.
- Labour and Employment Advisor Asif Mahmud Shojib Bhuyain also noted that the factories have to keep open, saying the shifting of work orders would affect the overall economy and if that happens, all will have to take the responsibilities

News Source:

https://today.thefinancialexpress.com.bd/first-page/labour-leaders-urge-workers-to-join-work-today-1726334884

Energy

600MW power outage can be cured overnight

- Bangladesh currently reels from load shedding to the tune of around 2,000-3,000 megawatts of electricity daily as the demand far outstrips production, according to market-insiders.
- Despite having the shortfall in electricity generation, state-run Bangladesh Power Development Board (BPDB) has kept six furnace-oil-run power plants, with capacity of around 600 MWs, idle as the interim government has yet to decide on continuation under 'no-electricity, no-payment (NENP)' mechanism.
- Officials think that if such six furnace-oil plants got approval for continuing electricity generation under NENP, they would be able to contribute to reducing at least one-third of the load shedding without any immediate investment from the government.
- Operating these plants poses no financial burden on the government either, he added.

News Source:

https://today.thefinancialexpress.com.bd/first-page/600mw-power-outage-can-be-cured-overnight-1726334684

Huge revenue lost for bending customs law in Adani power import

- Customs-related irregularities have been detected in power import from India's Adani Group as the legal procedure under Bangladesh's customs has been bent to evade huge taxes.
- Bangladesh has been importing costly power from Adani's 1,600MW coal-fired power plants in Jharkhand, India, since April 2022 under duty-free facility without obtaining tax-exemption orders yet, according to officials.

- No official order or gazette has since been issued by the National Board of Revenue (NBR) exempting import duties in this regard.
- Recently, the Customs Intelligence and Investigation Directorate (CIID) has launched a scrutiny to detect customs-related irregularities over the Adani power deal.

News Source:

https://today.thefinancialexpress.com.bd/first-page/huge-revenue-lost-for-bending-customs-law-in-adani-power-import-1726334996

Capital Market

Stocks end in red for two weeks in a row

- Stocks at the Dhaka bourse ended in the red for the second consecutive week as selling pressure persisted across most shares.
- The week, which ended on 12 September, was marked by volatility, with declining investor participation amid regulatory reforms and ongoing worker unrest.
- Market insiders said that the dividend declaration season for the 2023-24 fiscal year began in September.
- However, investors remained cautious about the announcements from listed firms due to unfavourable economic conditions.
- The unrest among workers at various factories further deepened investor concerns, causing many to withhold their funds.

News Source:

https://www.tbsnews.net/economy/stocks/stocks-end-red-two-weeks-row-941566

Stabilisation Fund in the dock for its controversial role

- The new commission of the securities regulator considers redefining the jurisdiction of the Capital Market Stabilisation Fund (CMSF) in a way so that it can perform in the best interest of market investors.
- The Fund has disbursed funds out of investors' unclaimed dividends to market operator Investment Corporation of Bangladesh (ICB) and sponsored a mutual fund.
- The investments are controversial as they do not fall within the purview of the CMSF's operations, according to newly-appointed Chairman of the Bangladesh Securities and Exchange Commission (BSEC) Khondoker Rashed Maqsood.
- The previous commission introduced the CMSF through rules that came into effect in June 2021 to help revitalise the market through liquidity support along with settling investors' claims of undistributed/unsettled dividends.
- The BSEC chief said that the CMSF should have its functions limited to collecting unclaimed/unsettled dividends and rights shares and settling investors' claims.

News Source:

https://today.thefinancialexpress.com.bd/stock-corporate/stabilisation-fund-in-the-dock-for-its-controversial-role-1726325623