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Daily News Snippet

January 12, 2025

Bangladesh Market	
Major Indices	**Last closing**
DSEX Index	5,194.43
% change	0.18%
DS30 Index	1,924.27
% change	0.17%
DSES Index	1,161.94
% change	0.31%
Turnover (BDT mn)	3,240.38
Turnover (USD mn)	26.56
% change	5.55%
Source: Dhaka Stock Exchange	

International Market	
Major Indices	**Last closing**
Dow Jones Industrial Average	41,938.45
% change	-1.63%
S&P 500	5,827.04
% change	-1.54%
Nikkei 225	39,190.40
% change	-1.05%
FTSE 100	8,248.49
% change	-0.03%
Source: Bloomberg	

Exchange rate		
Major Currencies	**Low (BDT)**	**High (BDT)**
USD	122.00	122.00
EUR	124.98	125.01
GBP	148.89	149.00
INR	1.41	1.42
Source: BB		

Money market		
Date	**Call Money Rate Range (%)**	**Weighted Average**
9-Jan-25	9.50-11.00	10.01
8-Jan-25	9.50-11.00	10.01
Source: BB		

Commodities		
Major Commodities	**Price**	**% Change**
Brent Crude (Oil), USD/bbl.	79.76	3.69%
Gold Spot, USD/t oz.	2,689.63	0.73%
Cotton, USD/lb.	67.01	-2.18%
Source: Bloomberg		

Market Summary

Bangladesh Market

- The leading bourse of the country, DSEX gained 0.18%% in the last trading day, closing at 5,194.43 points.
- The daily turnover increased 5.55%% in the last trading day.

Global Market

- Majority of the leading global indices posted negative returns as Dow Jones posted 1.63% loss, S&P 500 posted 1.54% loss and FTSE 100 posted 0.03% loss.
- One of the leading Asian market indices, NIKKEI posted 1.05% loss yesterday.

Key macro indicators

- While the USD rate remained stable, all major currencies depreciated against BDT yesterday.
- The average overnight rate remained stable in the last trading day.
- The current weighted average overnight rate stood at 10.01% with a high rate of 11.00% and low rate of 9.50%.
- The oil price increased 3.69% in the last trading day.

Bangladesh Macro Update

Economy's health: Low pulse, high pressure

- The economy's pulse is currently beating low while the pressures from inflation and expectations are running high.
- The first quarter of the current fiscal year ended with sharply weaker growth, increased underutilisation of labour, and deeply entrenched inflation.
- The subsequent rise in exports and remittances and stable foreign exchange reserves inspire hope for an imminent recovery towards a new normal.
- Bangladesh's economic growth has been on a downward slope for at least half a decade now.
- Recently released data pertaining to the July – September 2024 quarter show growth dipping to 1.81% from 6.1% in the same quarter a year ago.

News Source:

https://www.tbsnews.net/analysis/economys-health-low-pulse-high-pressure-1039586

Govt spending thrice in more than 11 years

- The government is forced to spend public funds almost three times higher than the actual estimation of the maritime safety project of the Department of Shipping (DoS) as it is delayed for eight years.
- As the DoS failed, insiders said on Saturday, the government extended the execution deadline five times and thus revised the scheme for five times too.
- Repeated delays will not only take 11 years and a half for completion, the failure has also swelled cost by 151.56% to BDT 9.326 billion from that of original estimation of BDT 3.71 billion, officials concerned told the FE.
- The state-run entity in January 2014 undertook the 'Establishment of Global Maritime Distress and Safety System & Integrated Maritime Navigation System (EGIMNS) Project' at BDT 3.71 billion for completion in December 2016.
- The then Executive Committee of the National Economic Council (ECNEC), chaired by deposed premier Sheikh Hasina, approved the project.

News Source:

https://today.thefinancialexpress.com.bd/last-page/govt-spending-thrice-in-more-than-11-years-1736616903

External balance improves in July-Nov riding on remittance, exports

- The interim government is set to hike the interest rates for savings certificates effective from 1 January, with increases of at least one percentage point.
- Due to a significant growth in remittance inflows and exports, the deficit in the country's balance of payments, known as external balance, decreased by approximately 49.5% during the July-November period of the current fiscal year.
- According to central bank data, the deficit in the overall balance of payments for the first five months of FY25 stands at USD 2.47 billion, decreasing by approximately USD 2.43 billion year-on-year.

- Professor Mustafizur Rahman, a distinguished fellow at the Centre for Policy Dialogue (CPD), termed the decrease in the deficit of overall balance of payments positive for the country's economy.
- Exports and remittances have been the primary driving forces behind this achievement, as we have not seen significant growth in other components such as foreign loans or grants, according to Mustafizur Rahman.
- Despite the slower growth in foreign loans, the economist highlighted a positive aspect of the reduced deficit.

News Source:

https://www.tbsnews.net/economy/external-balance-improves-july-nov-riding-remittance-exports-1039201

Sectoral Update

Banks, NBFIs, and Insurance

Banks brace for stricter NPL rules, fear loss, eroding capital base

- From April this year, the health of Bangladesh's banking sector is about to get worse. Much worse, particularly with the rise in nonperforming loans (NPLs). Bankers and experts are saying so.
- All types of loans will be classified as non-performing after three months of being overdue – instead of the current six months – effective from April 2025, as the central bank aligns the rule with international best practices under Basel III.
- As part of this initiative, the Bangladesh Bank collected detailed information from all banks in the last week of December to assess the potential impacts of implementing stricter NPL rules, according to top bankers who confirmed the matter to The Business Standard.
- Bankers and credit rating agencies fear that some banks' NPL ratios could rise to 30–40% under the new regulations, which will be reflected at the end of June.
- While bankers agree that the updated classification rules are necessary for the sector's long-term health, they warn of the immediate financial burdens these changes will place on both banks and businesses.

News Source:

https://www.tbsnews.net/economy/banking/banks-brace-stricter-npl-rules-fear-loss-eroding-capital-base-1039841

Apparel and Textiles

Unpaid wage issues, provocation rock RMG industry

- Over a thousand of incidents like work abstention, road blockade, attacks and vandalism have roiled Bangladesh's potential readymade garment industry since August uprising to December last year, according to a report.
- The report has recorded some 1108 such incidents during the period across major industrial belts while a total of 158 labour unrest reported in November.
- The highest 98 incidents in Tongi- Gazipur belt followed by 33 in Ashulia and Savar and 20 in Dhaka metropolitan city over issues of due wage payments.

- It is also noted that a total of 142 readymade garment (RMG) factories were shut until December 26, last year, out of which some 67 factories were closed permanently while the rest 77 closed temporarily.
- The report has cited labour unrest because of shortage of raw materials, termination of workers and irregular wage payments and a short of work orders as major reasons for factory closure.

News Source:

https://today.thefinancialexpress.com.bd/first-page/unpaid-wage-issues-provocation-rock-rmg-industry-1736616141

Energy

Policy shift likely to deter foreign investment in pvt power plants

- In a major policy shift, the government would not issue any state sovereign guarantee in favour of privately-owned power plants, discouraging foreign direct investment (FDI) in power generation, according to sources.
- As part of the move, the government has decided not to ink implementation agreements (IAs) with the future power plant sponsors.
- The government will then not shoulder any responsibility to pay the power plant owners in case the state-run Bangladesh Power Development Board (BPDB) fails to clear the dues.
- We don't require inking such IAs as we have moved out of the independent power producer (IPP) model, according to Energy and Power Adviser Muhammad Fouzul Kabir Khan.
- He made it clear that the government would not ink IAs with the privately-owned power producers as a strategy to reduce the payment burden.

News Source:

https://today.thefinancialexpress.com.bd/last-page/policy-shift-likely-to-deter-foreign-investment-in-pvt-power-plants-1736616860

BPC to save Tk 760cr in fuel oil import premiums

- The Bangladesh Petroleum Corporation (BPC) will save approximately BDT 760 crore in premiums for fuel oil imports during the first six months of 2025.
- This saving stems from reductions in supplier transportation costs achieved through relaxed tender conditions and strong negotiations.
- While fuel prices for consumers will not decrease, the savings are expected to alleviate some of the financial strain caused by rising expenses, according to BPC officials.
- The corporation has targeted the import of 25.65 lakh tonnes of fuel oil from January to June 2025.
- The revised premiums are expected to reduce costs by USD 2 to USD 3.98 per unit compared to the rates from the previous six months.

News Source:

https://www.tbsnews.net/bangladesh/energy/bpc-save-tk760cr-fuel-oil-import-premiums-1039221

Capital Market

Junk stocks lead weekly gains

- Junk stocks unexpectedly topped the gainers' list on the Dhaka Stock Exchange (DSE) last week, indicating that market manipulators remain active despite strict regulatory actions aimed at curbing such activities.
- Despite their reputations for weak fundamentals and irregular compliance, investors showed significant interest in these stocks, pushing their prices upward, according to market insiders.
- Analysts suggest that speculative trading and short-term profit motives may have fueled the rally, as no major changes in fundamentals were observed in most of these companies.
- Market observers warn that while the surge in junk stocks may offer quick returns for some, the inherent risks make them an unpredictable choice for long-term investments.
- The benchmark index DSEX of the Dhaka Stock Exchange (DSE) edged down by 0.10%, closing at 5,194 points, while the blue-chip index DS30 slipped by 0.35% to end at 1,924 points.

News Source:

https://www.tbsnews.net/economy/stocks/junk-stocks-lead-weekly-gains-1040616

Market intermediaries face scrutiny amid low impact and eroding investor confidence

- The role of numerous market intermediaries in the country has come under fresh scrutiny, with concerns raised about their low turnover rates and nominal contribution to market growth.
- Some intermediaries have also been blamed for eroding investor confidence, particularly through alleged embezzlement of clients' funds.
- Secretary of the Financial Institutions Division (FID) Nazma Mobarek questioned the necessity of such a large number of market operators in Bangladesh, especially when compared to neighbouring countries.
- She pointed out that despite India's larger market size, the number of merchant banks and stock brokers there is notably smaller than in Bangladesh.
- In Bangladesh, the main market intermediaries include stock brokers, merchant banks, and asset management companies (AMCs).

News Source:

https://today.thefinancialexpress.com.bd/stock-corporate/market-intermediaries-face-scrutiny-amid-low-impact-and-eroding-investor-confidence-1736615366

DSE outlines major reforms, including tax rebate, exposure limits

- The Dhaka Stock Exchange (DSE) will pursue a series of plans with the government authorities to develop the capital market, including a market-friendly tax policy and stock investment exposure limits for banks and financial institutions.
- DSE Chairman Mominul Islam further said that they have also charted various measures to ensure accountability and transparency in the market while protecting the interests of investors.

- Rampant irregularities and malpractices over the last 15 years have severely undermined investor confidence in the market.
- While it may not be possible to regain trust within the next three months, the DSE board will actively work toward this goal through the implementation of these plans.
- Most of the IPOs in the past 10 years have been weak and those who cannot afford loans from banks have raised capital from the market.

News Source:

https://www.tbsnews.net/economy/stocks/dse-outlines-major-reforms-including-tax-rebate-exposure-limits-1039141