

Capital Market Development in Bangladesh*

February, 2020



Research Department Bangladesh Bank

**Prepared by Special Studies Division, Research Department, Bangladesh Bank (Central Bank of Bangladesh). Comments on any aspect on the report are highly welcomed and can be sent to Nazmun Nahar Mily, Deputy General Manager, Research Department, Bangladesh Bank (e-mail: nazmun.mily@bb.org.bd), Md. Mokhlesur Rahman, Joint Director, Research Department, Bangladesh Bank (e-mail: mokhlesur.rahman2@bb.org.bd)*

Report Preparation Committee

Chief Coordinator

Asish Kumar Dasgupta
Executive Director (Research)

Coordinator

Luthfe Ara Begum
General Manager (Research)

Team Members

Nazmun Nahar Mily
Deputy General Manager (Research)

Md. Mokhlesur Rahman
Joint Director (Research)

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Capital market in Bangladesh consists of two full-fledged automated stock exchanges- the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE). Bangladesh Securities and Exchange Commission (BSEC), as the watchdog regulates the stock exchanges of the country. The analysis on capital market development gives some insights to understand overall activities of capital market in Bangladesh. *At the end of February 2020, both Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) exhibited upward trend in terms of both index and turnover compared to the end of January 2020. Total turnover value of traded shares of DSE and CSE were BDT 124.28 billion and BDT 6.20 billion at the end of February 2020 which were 53.96 percent and 51.44 percent higher respectively than that of the preceding month.* Broad index of DSE and all share price index of CSE stood at 4480.23 points and 13742.96 points respectively at the end of February 2020. These improvement originated mainly due to a fund supportive measure for capital market taken by Bangladesh Bank (BB) on 10 February 2020. Bangladesh Bank has instructed all scheduled banks to create a special fund worth TK.2.0 billion each of five-year tenure, only for investment in the capital market with a view to prop up the capital market as well as increase the investors' confidence.

Table : Monthly Important Indicators of DSE and CSE

(BDT in billions)

End Month	Enlisted issues (Incl. Mutual Funds/Deb.)		Issued capital and Debentures (Billion Taka)		Market Capitalization (Billion Taka)		Turnover during the month (Billion Taka)		Indices		Price/Earning Ratio		Yield	
	DSE	CSE	DSE	CSE	DSE	CSE	DSE	CSE	DSE Broad Index (DSEX)	CSE All Share Price Index (CASPI)	DSE	CSE	DSE	CSE
Feb-19	580	322	1246.35	682.14	4150.74	3432.01	137.79	4.82	5711.83	17473.48	16.19	18.09	3.34	3.04
Mar-19	581	323	1247.55	683.98	4119.65	3402.77	93.92	3.48	5491.91	16803.16	16.14	17.21	3.35	3.07
Apr-19	582	324	1255.92	692.83	3839.85	3123.36	69.82	4.63	5202.85	15912.87	14.00	14.18	4.24	3.44
May-19	584	325	1261.49	702.83	3941.64	3227.77	77.16	4.55	5377.75	16375.76	13.97	20.59	4.18	3.23
Jun-19	584	326	1268.57	712.89	3998.16	3293.30	76.50	8.92	5421.62	16634.21	14.25	19.04	4.02	3.17
Jul-19	585	327	1272.07	714.28	3834.78	3131.69	89.47	4.79	5138.79	15725.46	13.46	15.15	4.28	3.44
Aug-19	586	328	1277.42	714.29	3808.46	3094.94	73.98	4.80	5095.78	15580.60	13.59	13.92	4.29	3.50
Sep-19	586	328	1279.17	715.43	3738.54	3019.73	84.95	5.47	4947.64	15046.73	13.36	14.89	4.34	3.29
Oct-19	586	328	1279.45	716.79	3559.38	2844.96	70.20	4.19	4682.90	14221.78	12.61	16.45	4.72	3.88
Nov-19	586	328	1280.03	722.63	3567.04	2858.60	74.11	5.17	4731.44	14392.43	12.26	16.53	4.79	4.09
Dec-19	587	329	1294.81	730.18	3395.51	2888.88	67.03	3.96	4452.93	13505.70	11.80	16.27	5.03	4.40
Jan-20	589	331	1297.42	732.66	3408.93	2698.45	80.72	4.10	4469.66	13586.40	11.74	11.65	4.99	4.33
Feb-20	589	331	1297.44	732.66	3429.83	2741.11	124.28	6.20	4480.23	13742.96	11.88	15.71	4.90	4.36

Source: Dhaka Stock Exchange (DSE) & Chittagong Stock Exchange (CSE)

Note: BDT= Bangladeshi Currency (Taka)

Dhaka Stock Exchange (DSE)

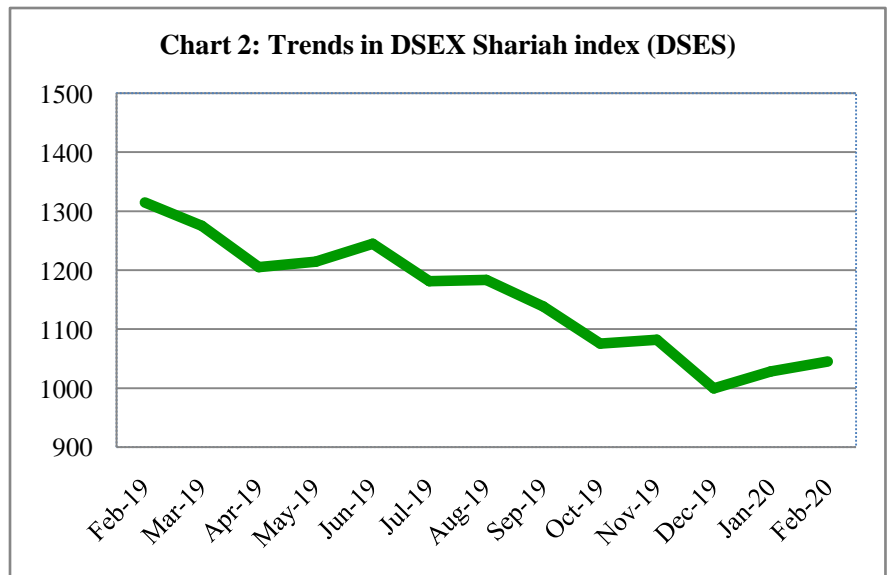
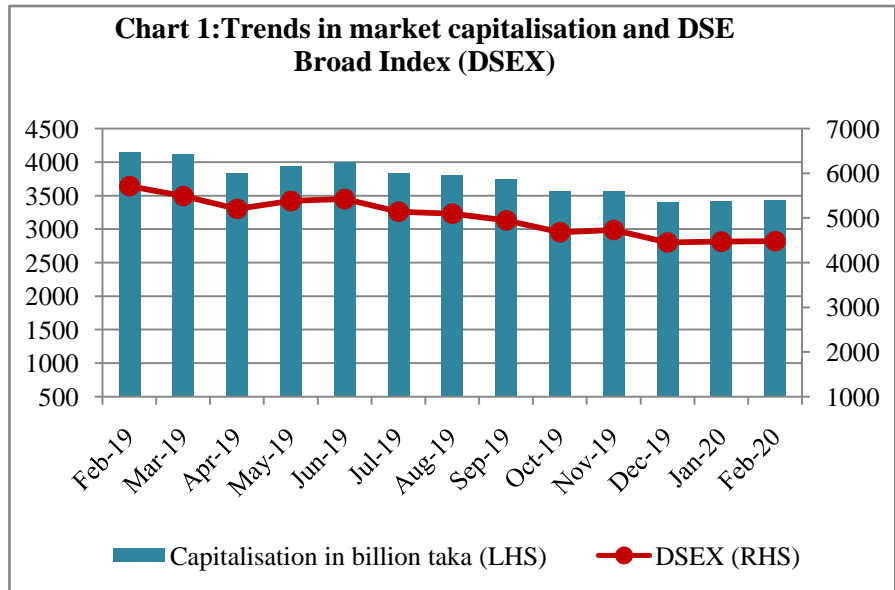
The total number of listed securities stood at 589 at the end of February 2020. Among listed companies, there were 321 companies,* 37 mutual funds, 221 government bonds, 8 debentures, and 2 corporate bonds. The number of companies consists of 30 banks, 23 financial Institutions, 47 insurance companies and 221 other companies.

Total turnover value of traded shares was BDT 124.28 billion during February 2020 which was 53.96 percent higher than that of the preceding month and 9.81 percent lower than that of the same month of the last year respectively (see the table).

DSE Broad Index (DSEX) stood at 4480.23 points at the end of February 2020, which was 0.24 percent higher than 4469.66 points at the end of January 2020 and 21.56 percent lower than 5711.83 points at the end of February 2019 (Chart-1).

The market capitalization of DSE stood at BDT 3429.83 billion at the end of February 2020 which was 0.61 percent higher than BDT 3408.93 billion at the end of January 2020 as well as 17.37 percent lower than BDT 4150.74 billion at the end of February 2019 (Chart-1). The ratio of market capitalization to GDP (at current market price) stood at 13.49 percent** at the end of February 2020 which was 13.41 percent at the end of January 2020.

Sharia'h Compliant index named DSES went up to 1044.91 points at the end of February 2020 which was 1028.29 points at the end of January 2020 and 1314.64 points at the end of February 2019 (Chart 2).



* 321 listed companies = 30 banks + 23 financial Institutions + 47 insurance companies + 221 other companies

**The ratio of market capitalization to GDP = (market capitalization/ GDP FY19 at current market price) x 100= (3429.83/25424.83) x100 = 13.49

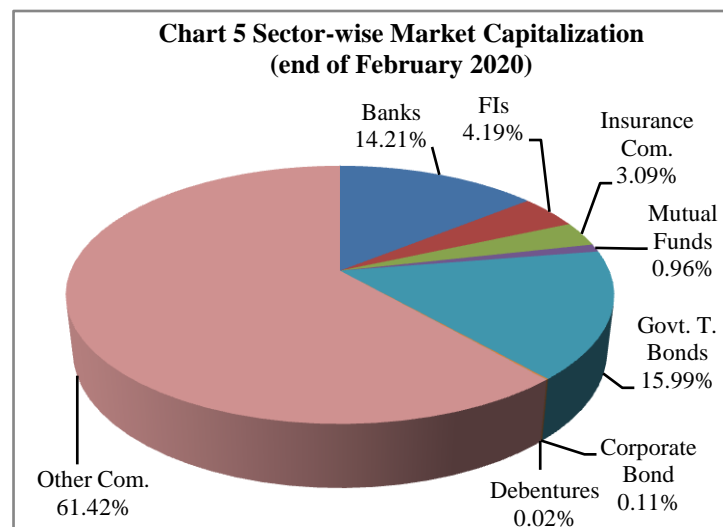
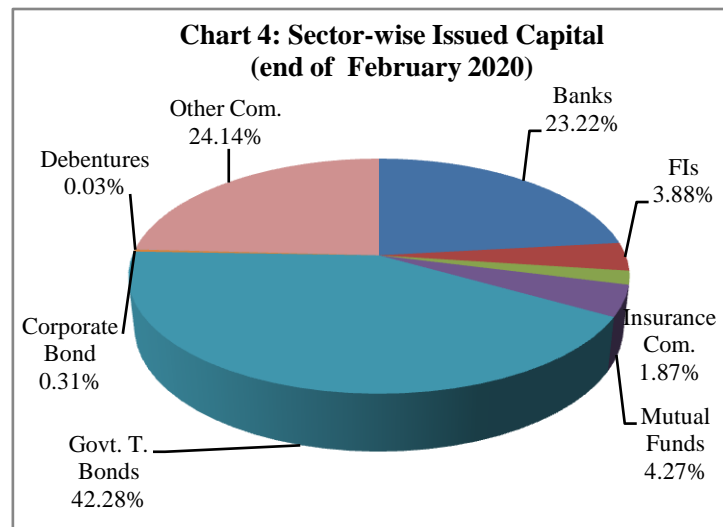
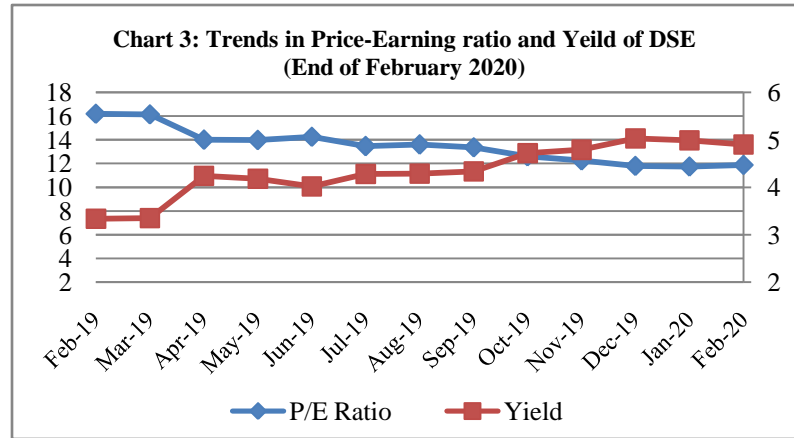
The price-earning (P/E) ratio increased to 11.88 at the end of February 2020 which was 11.74 at the end of the January 2020. The ratio was 16.19 at the end of the February 2019. In the same way, the yield of all share decreased to 4.90 at the end of February 2020 which was 4.99 at the end of January 2020 and 3.34 at the end of February 2019.

Trends of price-earnings ratio and yield are shown in the Chart 3.

Sector wise Issued capital and market capitalization of DSE

The total amount of issued capital increased to BDT 1297.44 billion at the end of February 2020 which was BDT 1297.42 billion and BDT 1246.35 billion at the end of January 2020 and February 2019 respectively. At the end of February 2020 among different sectors, Bangladesh Govt. Treasury Bonds (BGTBs) dominate the bourse in terms of issued capital. This sector issued around 42.28 percent of the capital followed by other companies (24.14 percent) and banking sector (23.22 percent). At the same time the share of Mutual Funds, Financial institutions (FIs), Insurance companies, Corporate bonds and Debentures were 4.27 percent, 3.88 percent, 1.87 percent, 0.31 percent and 0.03 percent respectively (Chart 4).

The contribution of Banks to the total market capitalization was 14.21 percent but Bangladesh Govt. Treasury Bonds (BGTBs) recorded as the highest contributor (15.99%) in market capitalization followed by Financial Institutions (4.19%), Insurance Companies (3.09%), Mutual Fund (0.96%), Corporate Bonds

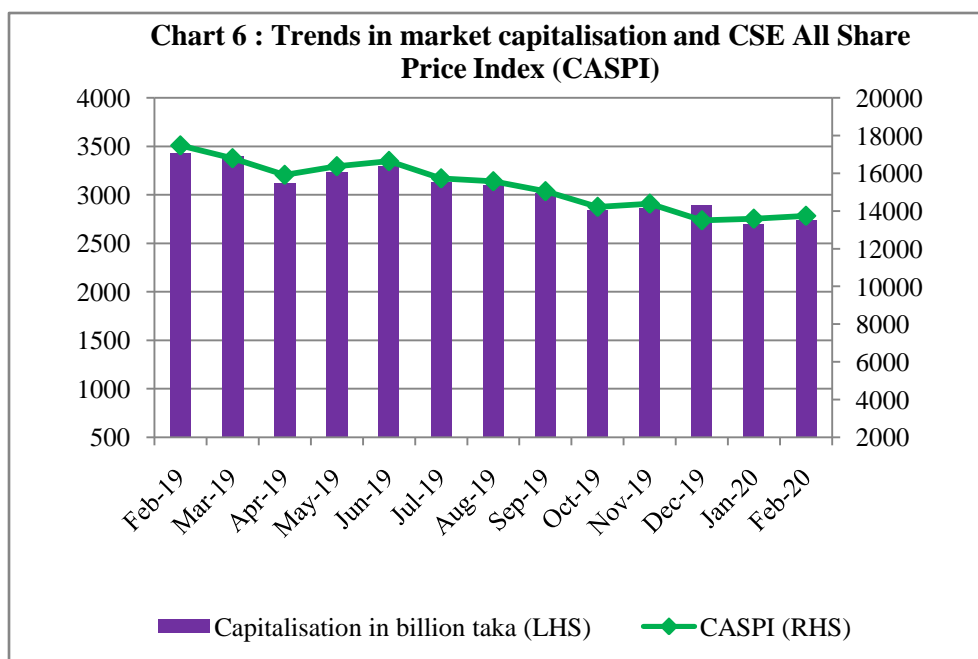


(0.11%) and Debentures (0.02%). At the end of February 2020, the contribution of other listed companies (manufacturing, service and others) captured the highest portion (61.42 percent) among all listed securities in DSE (chart 5).

Chittagong Stock Exchange (CSE)

The total number of listed securities in Chittagong Stock Exchange (CSE) stood at 331 at the end of February 2020. Total turnover value of traded shares was BDT 6.20 billion during February 2020 which was 51.44 percent higher than that of the preceding month as well as 28.82 percent higher than that of the same month of the previous year. The market capitalization of CSE stood at BDT 2741.11 billion at the end of February 2020 which was 1.58 percent higher than that of the end of January 2020 and 20.13 percent lower than that of the end of February 2019.

All Share Price Index of CSE stood higher at 13742.96 points at the end of February 2020, which was 1.15 percent higher than 13586.40 points at the end of January 2020 and 21.35 percent lower than 17473.48 points at the end of February 2019 respectively (Chart-6).



The Shariah Compliant index 'CSES' went up to 901.17 points at the end of February 2020 which was 882.72 points at the end of January 2020 and 1157.70 points at the end of February 2019.

The total amount of issued capital rose to BDT 732.66 billion at the end of February 2020 which was same at the end of January 2020 and BDT 682.14 billion at the end of February 2019. Price Earnings (P/E) ratio in CSE increased to 15.71 at the end of February 2020 which was 11.65 at the end of January 2020. The ratio was 18.09 at the end of February 2019. In Chittagong Stock Exchange, the yield slightly increased to 4.36 at the end of February 2020 which was 4.33 at the end of January 2020 and 3.04 at the end of February 2019.

Conclusion

To upgrade the status of the country from lower middle income to middle income, capital market needs to play an active role to attract funds both from home and abroad. In line with this, recently Bangladesh Bank (BB) has taken a fund supportive measure to boost up capital market. Bangladesh Bank has instructed all scheduled banks to create a special fund worth TK.2.0 billion each of five-year tenure, only for investment in the capital market which will be help to prop up the investors' confidence. Under the fresh arrangement, the banks may form the special fund with their own resources or with fund received from the BB through repo or refinance mechanism. Banks will be eligible to get repo (repurchase agreement) facilities against treasury bills (T-bills) and treasury bonds at 5.0 percent interest rate instead of the existing 6.0 percent. Besides, this special fund will be allowed to invest in equity shares, mutual funds, bonds or debentures but such loan will not be included in the ADR (advance-deposit ratio) calculation of the banks concerned and the lending will be of continuous and revolving in nature. It's really a long-term comprehensive plan to support sustainable development of the country's capital market.