

# Capital Market Development in Bangladesh\*

July, 2020



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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 July 2020, Dhaka Stock Exchange (DSE) exhibited upward trend in terms of both index and turnover compared to the end of June 2020. On the other hand, Chittagong Stock Exchange (CSE) exhibited upward trend in terms of index and downward trend in terms of turnover compared to the end of June 2020. Total turnover value of traded shares of DSE and CSE were BDT 60.01 billion and BDT 3.50 billion at the end of July 2020 which were 25.55 percent higher and 63.30 percent lower than that of the June 2020.* Broad index of DSE and all share price index of CSE stood at 4214.43 points and 11957.06 points respectively at the end of July 2020.

**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
<b>Jul-19</b>	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
<b>Aug-19</b>	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
<b>Sep-19</b>	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
<b>Oct-19</b>	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
<b>Nov-19</b>	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
<b>Dec-19</b>	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
<b>Jan-20</b>	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
<b>Feb-20</b>	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
<b>Mar-20</b>	589	331	1297.44	733.08	3122.35	2445.72	66.46	4.84	4008.29	11328.00	10.58	10.56	5.50	4.77
<b>Jun-20<sup>@</sup></b>	589	331	1297.44	735.90	3119.67	2447.57	47.80	9.53	3989.09	11332.59	10.78	10.68	4.43	4.73
<b>Jul-20</b>	590	332	1300.96	743.24	3257.33	2572.76	60.01	3.50	4214.43	11957.06	11.37	11.40	4.29	4.56

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

Note: BDT= Bangladeshi Currency (Taka)

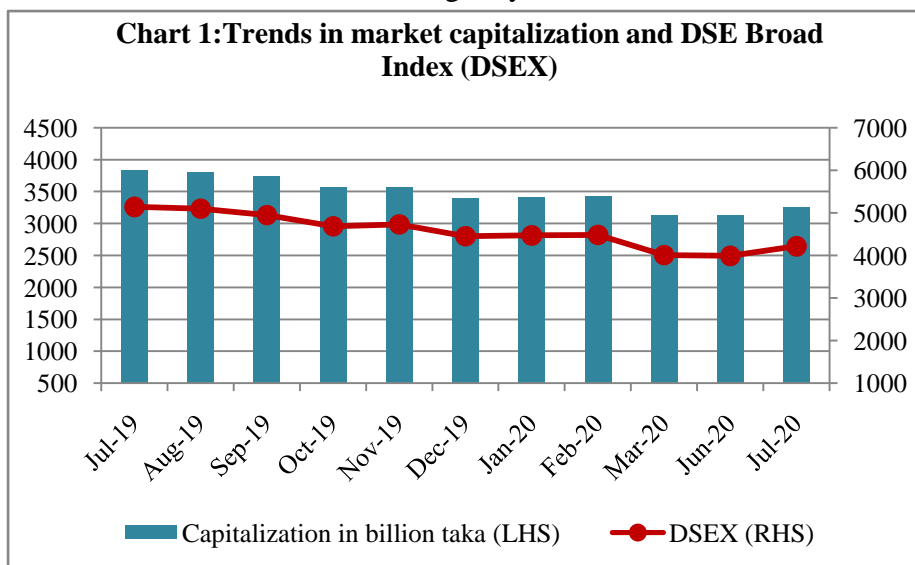
@ No transactions were made in April, May, 2020 due to ordinary holiday for Covid-19

## Dhaka Stock Exchange (DSE)

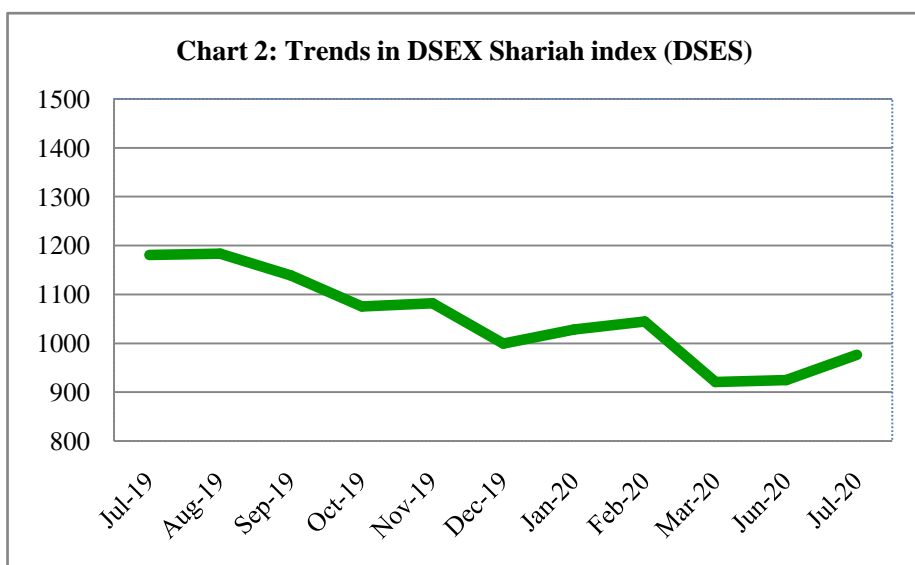
The total number of listed securities stood at 590 at the end of July 2020. Among listed companies, there were 322 companies\*, 37 mutual funds, 221 government bonds, 8 debentures, and 2 corporate bonds. The number of companies consists of 30 banks, 23 financial Institutions, 47 insurance companies and 222 other companies.

Total turnover value of traded shares was BDT 60.01 billion during July 2020 which was 25.55 percent higher than that of June 2020 and 32.92 percent lower than that of the same month of the last year respectively (see the table).

DSE Broad Index (DSEX) stood at 4214.43 points at the end of July 2020, which was 5.65 percent higher than 3989.09 points at the end of June 2020 and 17.99 percent lower than 5138.79 points at the end of July 2019 (Chart-1).



The market capitalization of DSE stood at BDT 3257.33 billion at the end of July 2020 which was 4.41 percent higher than BDT 3119.67 billion at the end of June 2020 as well as 15.06 percent lower than BDT 3834.78 billion at the end of July 2019 (Chart-1). The ratio of market capitalization to GDP (at current market price) stood at 12.81 percent\*\* at the end of July 2020 which was 12.27 percent at the end of June 2020.

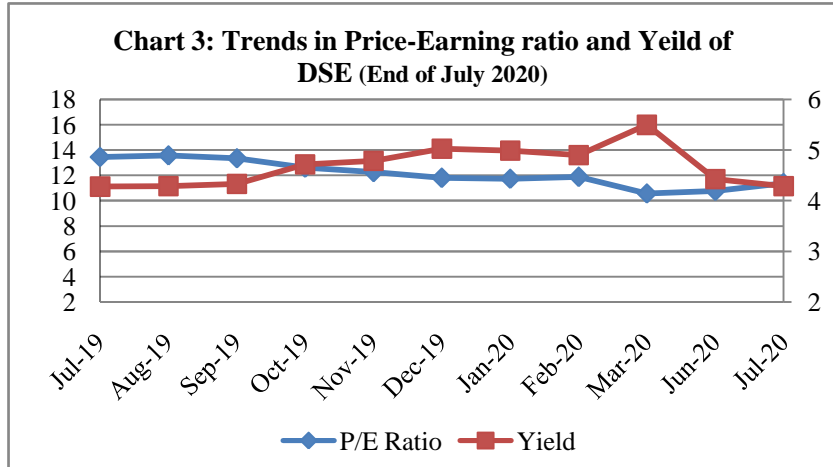


Sharia'h Compliant index named DSES went up to 976.50 points at the end of July 2020 which was 925.08 points at the end of June 2020 and 1181.20 points at the end of July 2019 (Chart 2).

\* 322 listed companies = 30 banks + 23 financial Institutions + 47 insurance companies + 222 other companies

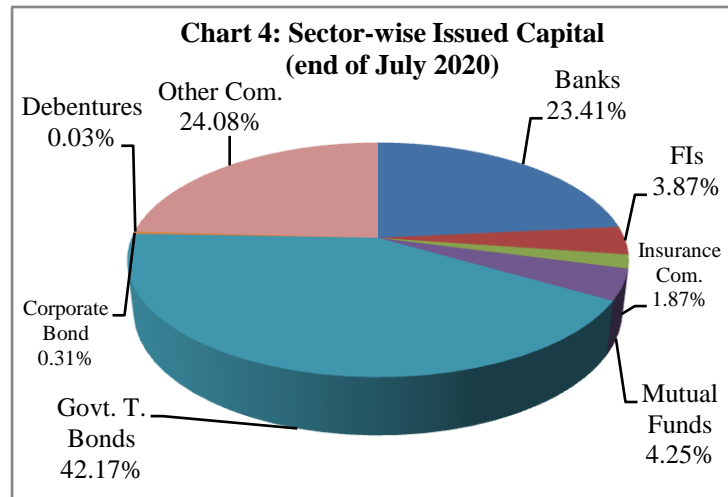
\*\*The ratio of market capitalization to GDP = (market capitalization/GDP FY19 at current market price) x 100 = (3257.33/25424.83) x 100 = 12.81

The price-earning (P/E) ratio increased to 11.37 at the end of July 2020 which was 10.78 at the end of the June 2020. The ratio was 13.46 at the end of the July 2019. On the other hand, the yield of all share decreased to 4.29 at the end of July 2020 which was 4.43 at the end of June 2020 and 4.28 at July 2019. Trends of price-earnings ratio and yield are shown in the Chart 3.

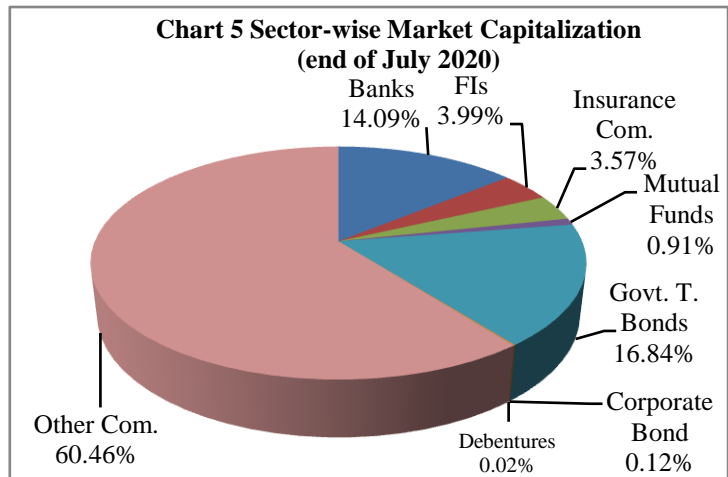


**Sector wise Issued capital and market capitalization of DSE**

The total amount of issued capital was BDT 1300.96 billion at the end of July 2020 which was BDT 1297.44 billion at the end of June 2020 and BDT 1272.07 billion at the end of July 2019. At the end of July 2020 among different sectors, Bangladesh Govt. Treasury Bonds (BGTBs) dominate the bourse in terms of issued capital. This sector issued around 42.17 percent of the capital followed by other companies (24.08 percent) and banking sector (23.41 percent). At the same time the share of Mutual Funds, Financial institutions (FIs), Insurance companies, Corporate bonds and Debentures were 4.25 percent, 3.87 percent, 1.87 percent, 0.31 percent and 0.03 percent respectively (Chart 4).



The contribution of Banks to the total market capitalization was 14.09



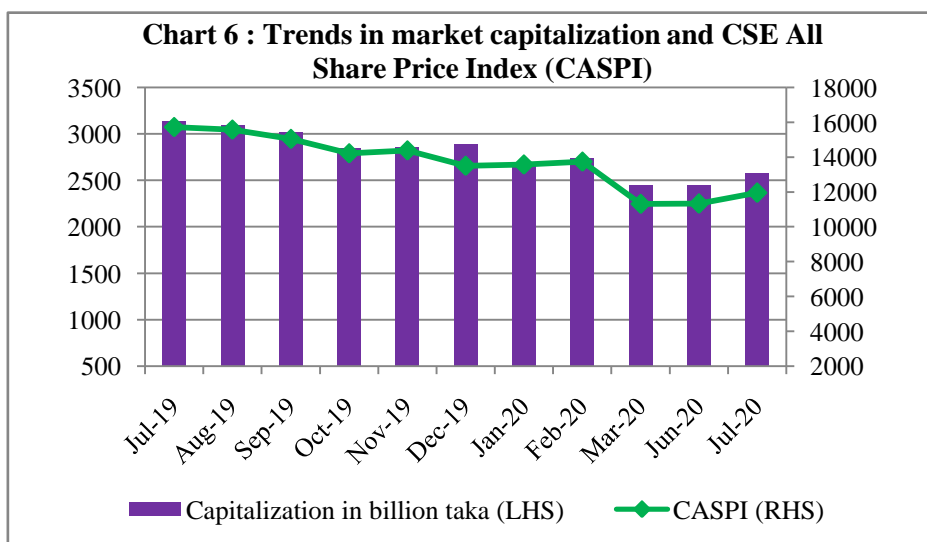
percent but Bangladesh Govt. Treasury Bonds (BGTBs) recorded as the highest contributor (16.84%) in market capitalization followed by Financial Institutions (3.99%), Insurance Companies (3.57%), Mutual Fund (0.91%), Corporate Bonds (0.12%) and Debentures (0.02%).

At the end of July 2020, the contribution of other listed companies (manufacturing, service and others) captured the highest portion (60.46 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 332 at the end of July 2020. Total turnover value of traded shares was BDT 3.50 billion during July 2020 which was 63.30 percent lower than that of June 2020 as well as 26.95 percent lower than that of the same month of the previous year. The market capitalization of CSE stood at BDT 2572.76 billion at the end of July 2020 which was 5.12 percent higher than that of the end of June 2020 and 17.85 percent lower than that of the end of July 2019.

All Share Price Index of CSE stood at 11957.06 points at the end of July 2020, which was 5.51 percent higher than 11332.59 points at the end of June 2020 and 23.96 percent lower than 15725.46 points at the end of July 2019 respectively (Chart-6).



The Shariah Compliant index 'CSES' went up to 777.28 points at the end of July 2020 which was 733.28 points at the end of June 2020 and 1026.42 points at the end of July 2019.

The total amount of issued capital rose to BDT 743.24 billion at the end of July 2020 which was BDT 735.90 billion at the end of June 2020 and BDT 714.28 billion at the end of July 2019. Price Earnings (P/E) ratio in CSE increased to 11.40 at the end of July 2020 which was 10.68 at the end of June 2020. The ratio was 15.15 at the end of July 2019. In Chittagong Stock Exchange, the yield slightly decreased to 4.56 at the end of July 2020 which was 4.73 at the end of June 2020 and 3.44 at the end of July 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, 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 but such loan will not be included in the ADR (advance-deposit ratio) calculation of the concerned banks and the lending will be of continuous and revolving in nature. Recently BB has allowed the listed banks to disburse cash dividend for 2019 only individual investors (local and foreign) within September 30 through a circular considering the interest of general investors.

To push upward the ailing capital market BB has issued a guideline regarding equity exposure which already taken or to be taken by banks involved in the private sector infrastructure projects or project related companies. Now, subject to fulfillment of some conditions, Special Purpose Vehicle, Alternative Investment Fund or any fund similar to said fund approved by Bangladesh Securities and Exchange Commission (BSEC) can be used by private sector in power and energy, tourism and digital infrastructure projects or project related companies which has already adopted by banks in order to create market liquidity, increase the quality of investment and reduce risk of the equity exposure of banks.

An expansionary monetary policy has recently been released by BB for the fiscal year 2020-21 aiming to speed up recovery of the pandemic-hit economy. With these positive policy supports and coming back to normalcy in the economic activities, it is expected that the two stock exchanges in Bangladesh are likely to rebound in the coming months.