

Capital Market Development in Bangladesh*

October, 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 October 2020, both Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) exhibited downward trend in terms of both index and turnover compared to the end of September 2020. Total turnover value of traded shares of DSE and CSE were BDT 170.40 billion and BDT 5.41 billion respectively at the end of October 2020 which were 23.44 percent and 24.70 percent lower respectively than that of the September 2020. Broad index of DSE and all share price index of CSE stood lower at 4846.10 points and 13824.13 points respectively at the end of October 2020 than that of September 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
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
Mar-20	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
Jun-20[@]	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
Jul-20	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
Aug-20	591	333	1306.01	744.83	3698.34	2997.00	186.18	5.94	4879.15	13908.14	13.06	12.68	3.69	3.87
Sep-20	592	334	1311.98	748.25	3996.42	3300.77	222.58	7.19	4963.29	14167.23	13.51	13.97	3.61	3.36
Oct-20	593	335	1315.83	750.21	3934.43	3227.92	170.40	5.41	4846.10	13824.13	13.21	12.89	3.70	3.43

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

Note: BDT= Bangladeshi Currency (Taka)

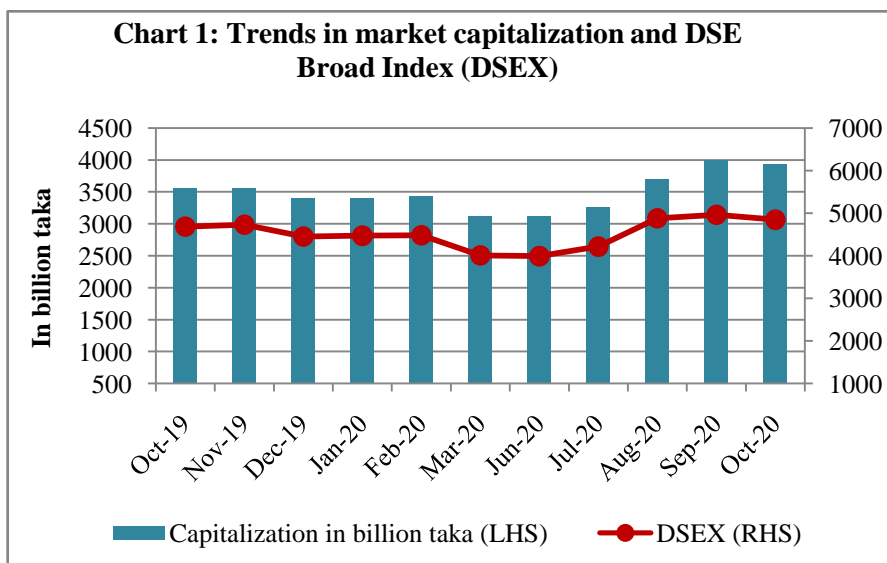
@ No transactions were made in April, May, 2020 due to ordinary holiday for Covid-19

Dhaka Stock Exchange (DSE)

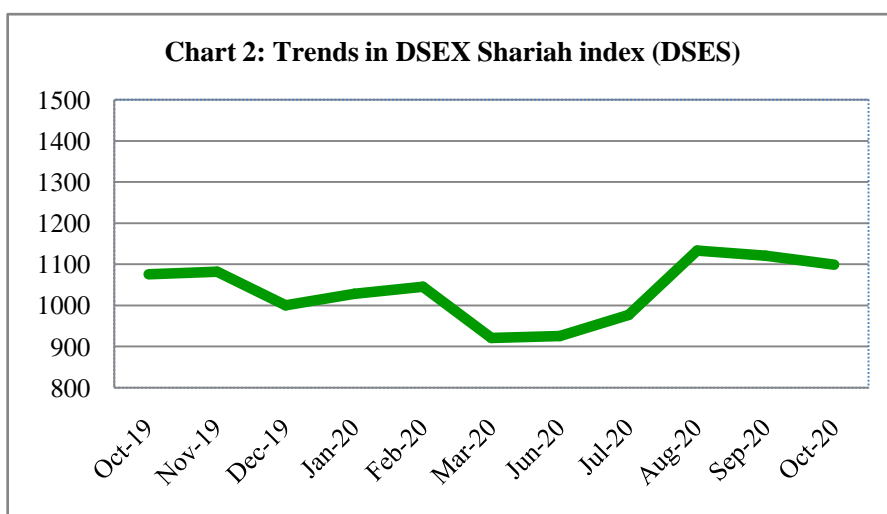
The total number of listed securities stood at 593 at the end of October 2020. Among listed companies, there were 325 companies*, 37 mutual funds, 221 government bonds, 8 debentures, and 2 corporate bonds. The number of companies consists of 30 banks, 23 financial Institutions, 48 insurance companies and 224 other companies.

Total turnover value of traded shares was BDT 170.40 billion during October 2020 which was 23.44 percent lower than that of September 2020 and 142.72 percent higher than that of the same month of the last year respectively (see the table).

DSE Broad Index (DSEX) stood at 4846.10 points at the end of October 2020, which was 2.36 percent lower than 4963.29 points at the end of September 2020 and 3.49 percent higher than 4682.90 points at the end of October 2019 (Chart-1).



The market capitalization of DSE stood at BDT 3934.43 billion at the end of October 2020 which was 1.55 percent lower than BDT 3996.42 billion at the end of September 2020 and 10.54 percent higher than that of BDT 3559.38 billion at the end of October 2019 (Chart-1). The ratio of market capitalization to GDP (at current market price) stood at 14.07 percent** at the end of October 2020 which was 14.29 percent at the end of September 2020.

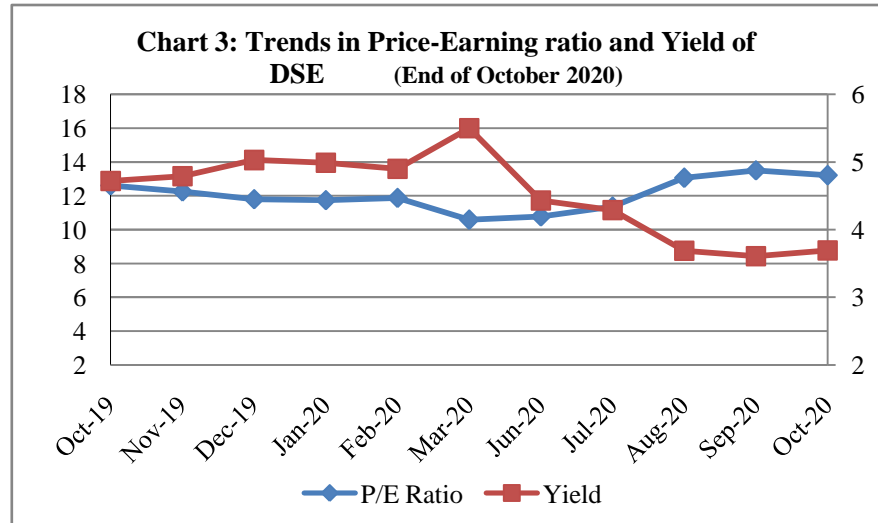


Sharia'h Compliant index named DSES went down to 1098.80 points at the end of October 2020 which was 1120.39 points at the end of September 2020 and 1075.48 points at the end of October 2019 (Chart 2).

* 325 listed companies = 30 banks + 23 financial Institutions + 48 insurance companies + 224 other companies

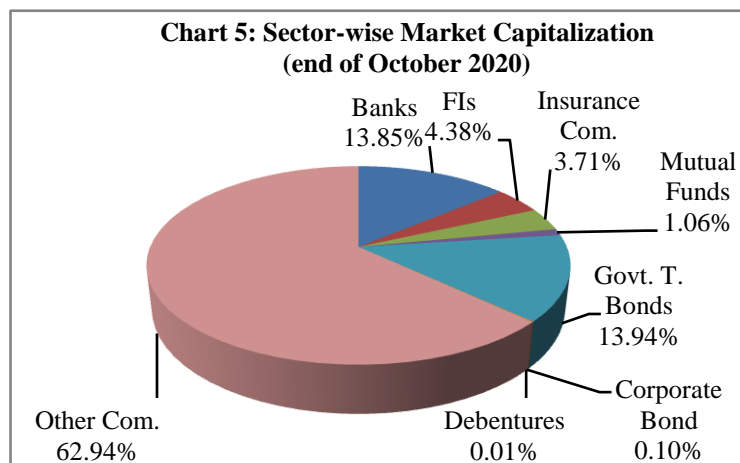
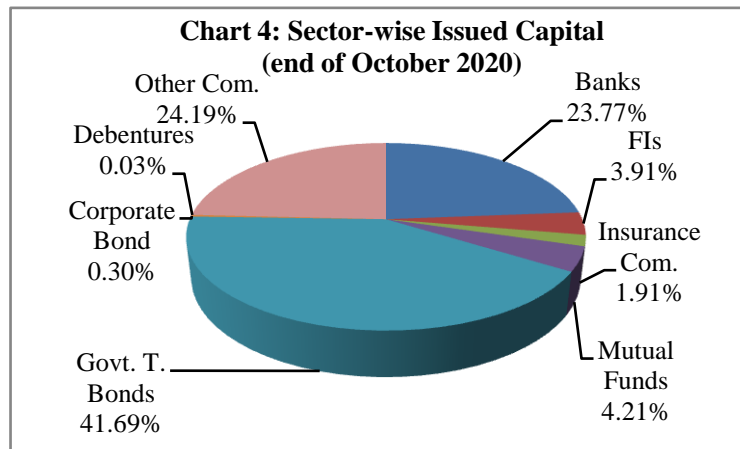
**The ratio of market capitalization to GDP = (market capitalization/GDP FY20^P at current market price) x 100= (3934 43/27963 78) x100 = 14.07

The price-earning (P/E) ratio decreased to 13.21 at the end of October 2020 which was 13.51 at the end of the September 2020. The ratio was 12.61 at the end of the October 2019. On the other hand, the yield of all share increased to 3.70 at the end of October 2020 which was 3.61 at the end of September 2020 and 4.72 at the end of October 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 1315.83 billion at the end of October 2020 which was BDT 1311.98 billion at the end of September 2020 and BDT 1279.45 billion at the end of October 2019. At the end of October 2020 among different sectors, Bangladesh Govt. Treasury Bonds (BGTBs) dominate the bourse in terms of issued capital. This sector issued around 41.69 percent of the capital followed by other companies (24.19 percent) and banking sector (23.77 percent). At the same time the share of Mutual Funds, Financial institutions (FIs), Insurance companies, Corporate bonds and Debentures were 4.21 percent, 3.91 percent, 1.91 percent, 0.30 percent and 0.03 percent respectively (Chart 4).



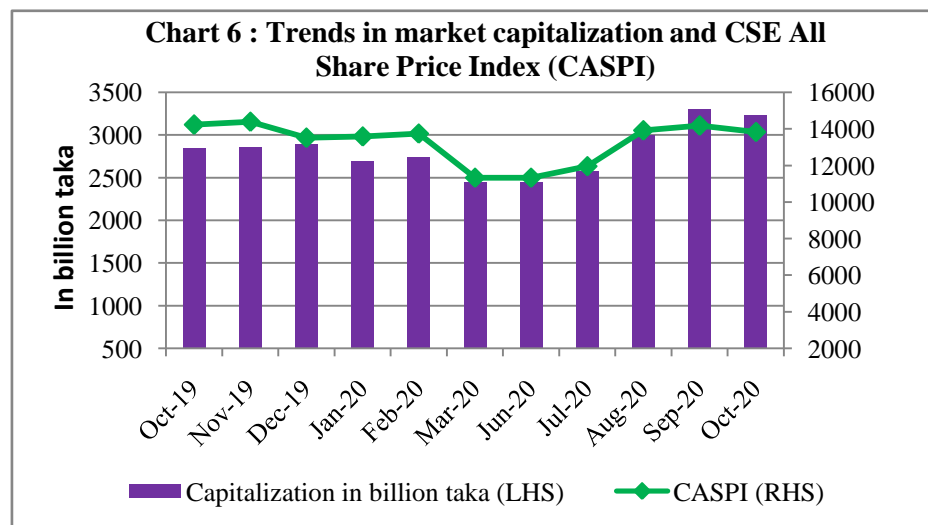
At the end of October 2020, the contribution of other listed companies (manufacturing, service and others) captured the highest portion 62.94 percent among all listed securities in DSE. Banks' share was recorded as 13.85 percent in market capitalization followed by Bangladesh Govt.

Treasury Bonds BGTBs 13.94 percent, Financial Institutions 4.38 percent, Insurance Companies 3.71 percent, Mutual Fund 1.06 percent, Corporate Bonds 0.10 percent and Debentures 0.01 percent (Chart 5).

Chittagong Stock Exchange (CSE)

The total number of listed securities in Chittagong Stock Exchange (CSE) stood at 335 at the end of October 2020. Total turnover value of traded shares was BDT 5.41 billion during October 2020 which was 24.70 percent lower than that of September 2020 and 29.08 percent higher than that of the same month of the previous year. The market capitalization of CSE stood at BDT 3227.92 billion at the end of October 2020 which was 2.21 percent lower and 13.46 percent higher than that of the end of September 2020 and the end of October 2019 respectively.

All Share Price Index of CSE stood at 13824.13 points at the end of October 2020, which was 2.42 percent lower than 14167.23 points at the end of September 2020 and 2.80 percent lower than 14221.78 points at the end of October 2019 respectively (Chart-6).



The Shariah Compliant index 'CSES' went down to 888.06 points at the end of October 2020 which was 912.64 points at the end of September 2020 and 920.16 points at the end of October 2019.

The total amount of issued capital slightly rose to BDT 750.21 billion at the end of October 2020 which was BDT 748.25 billion at the end of September 2020 and BDT 716.79 billion at the end of October 2019. Price Earnings (P/E) ratio in CSE decreased to 12.89 at the end of October 2020 which was 13.97 at the end of September 2020. The ratio was 16.45 at the end of October 2019. In Chittagong Stock Exchange, the yield increased to 3.43 at the end of October 2020 compared to the end of September 2020 which was 3.36 and the yield was 3.88 at the end of October 2019.

Conclusion

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 been announced by BB for the fiscal year 2020-21 aiming to speed up recovery of the pandemic-hit economy. To overcome the challenges posed by the Covid-19 pandemic, the BSEC has brought a number of changes in its regulatory policy aimed at developing the capital market and restoring investor confidence. With these positive policy supports, currently we have been seeing some recovery in the stock market which gives us hope for a vibrant capital market soon.