

Capital Market Development in Bangladesh*

September, 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 September 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 August 2020. Total turnover value of traded shares of DSE and CSE were BDT 222.58 billion and BDT 7.19 billion respectively at the end of September 2020 which were 19.55 percent and 20.96 percent higher respectively than that of the August 2020.* Broad index of DSE and all share price index of CSE stood higher at 4963.29 points and 14167.23 points respectively at the end of September 2020 than that of August 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
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
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

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

Note: BDT= Bangladeshi Currency (Taka)

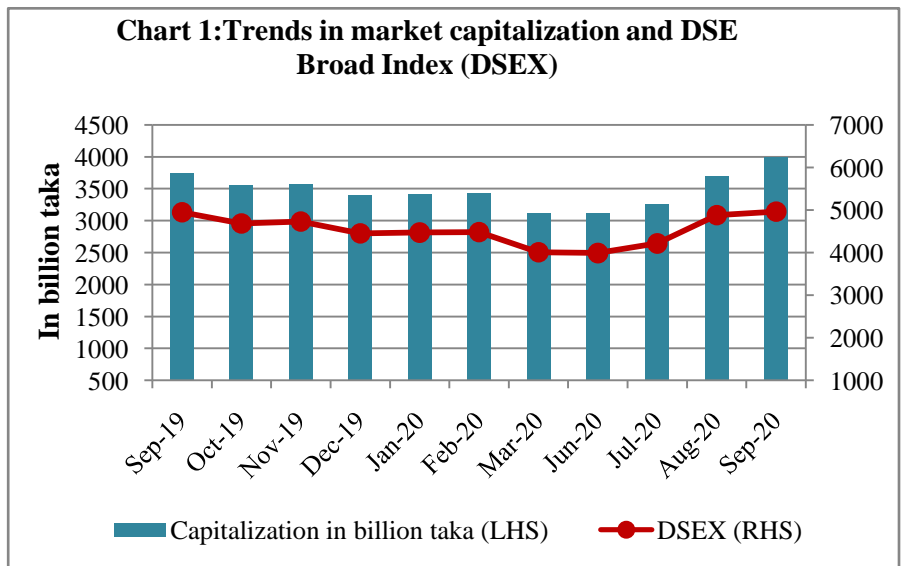
@ No transactions were made in April, May, 2020 due to ordinary holiday for Covid-19

Dhaka Stock Exchange (DSE)

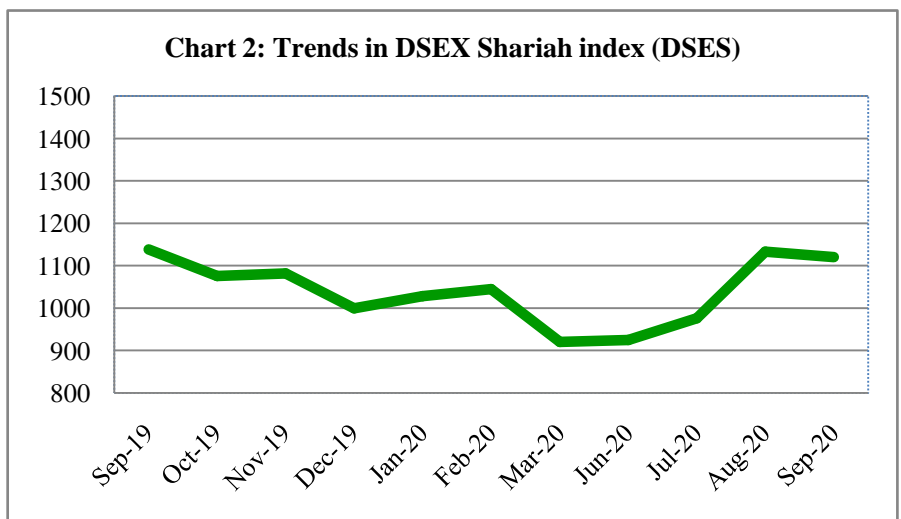
The total number of listed securities stood at 592 at the end of September 2020. Among listed companies, there were 324 companies*, 37 mutual funds, 221 government bonds, 8 debentures, and 2 corporate bonds. The number of companies consists of 30 banks, 23 financial Institutions, 48 insurance companies and 223 other companies.

Total turnover value of traded shares was BDT 222.58 billion during September 2020 which was 19.55 percent higher than that of August 2020 and 162.00 percent higher than that of the same month of the last year respectively (see the table).

DSE Broad Index (DSEX) stood at 4963.29 points at the end of September 2020, which was 1.72 percent higher than 4879.15 points at the end of August 2020 and 0.32 percent higher than 4947.64 points at the end of September 2019 (Chart-1).



The market capitalization of DSE stood at BDT 3996.42 billion at the end of September 2020 which was 8.06 percent higher than BDT 3698.34 billion at the end of August 2020 and 6.90 percent higher than that of BDT 3738.54 billion at the end of September 2019 (Chart-1). The ratio of market capitalization to GDP (at current market price) stood at 14.29 percent** at the end of September 2020 which was 13.23 percent at the end of August 2020.

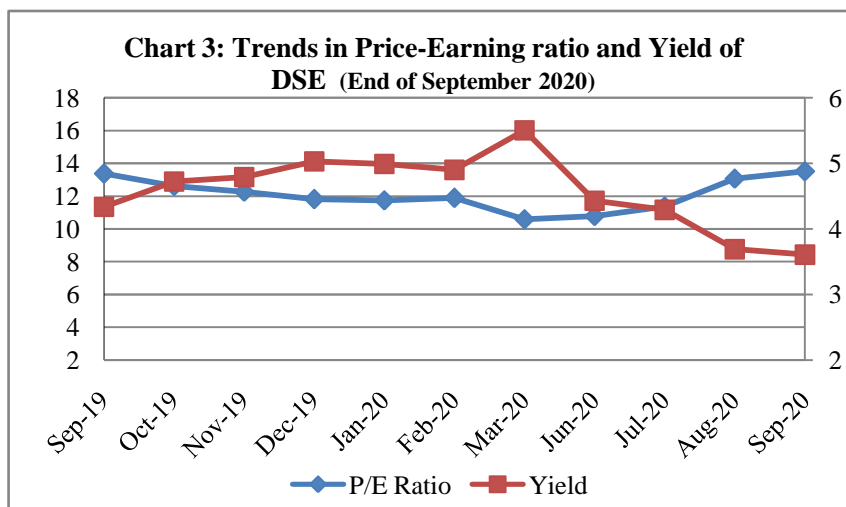


Sharia'h Compliant index named DSES went down to 1120.39 points at the end of September 2020 which was 1132.85 points at the end of August 2020 and 1138.70 points at the end of September 2019 (Chart 2).

* 324 listed companies = 30 banks + 23 financial Institutions + 48 insurance companies + 223 other companies

**The ratio of market capitalization to GDP = (market capitalization/GDP FY20^p at current market price) x 100 = (3996.42/27963.78) x 100 = 14.29

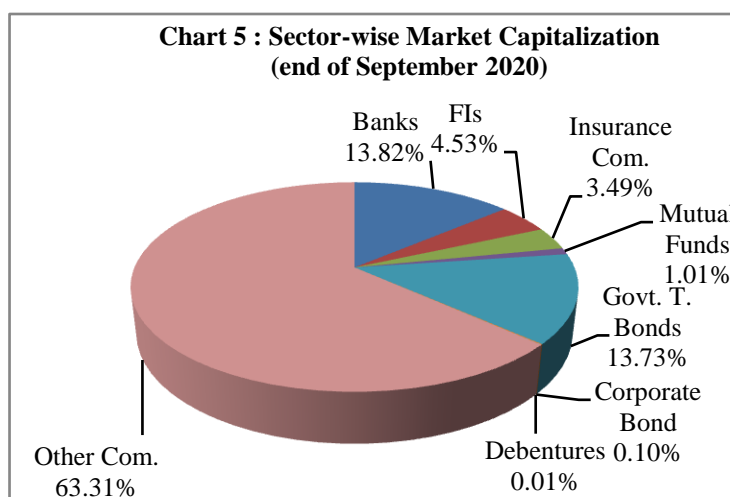
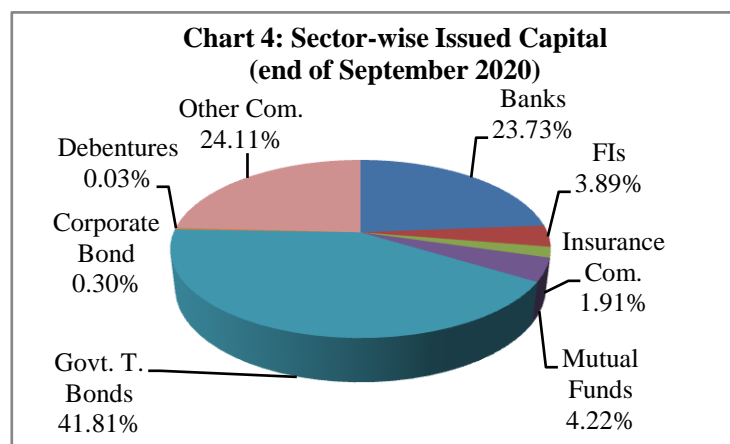
The price-earning (P/E) ratio increased to 13.51 at the end of September 2020 which was 13.06 at the end of the August 2020. The ratio was 13.36 at the end of the September 2019. On the other hand, the yield of all share decreased to 3.61 at the end of September 2020 which was 3.69 at the end of August 2020 and 4.34 at the end of September 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 1311.98 billion at the end of September 2020 which was BDT 1306.01 billion at the end of August 2020 and BDT 1279.17 billion at the end of September 2019. At the end of September 2020 among different sectors, Bangladesh Govt. Treasury Bonds (BGTBs) dominate the bourse in terms of issued capital. This sector issued around 41.81 percent of the capital followed by other companies (24.11 percent) and banking sector (23.73 percent). At the same time the share of Mutual Funds, Financial institutions (FIs), Insurance companies, Corporate bonds and Debentures were 4.22 percent, 3.89 percent, 1.91 percent, 0.30 percent and 0.03 percent respectively (Chart 4).



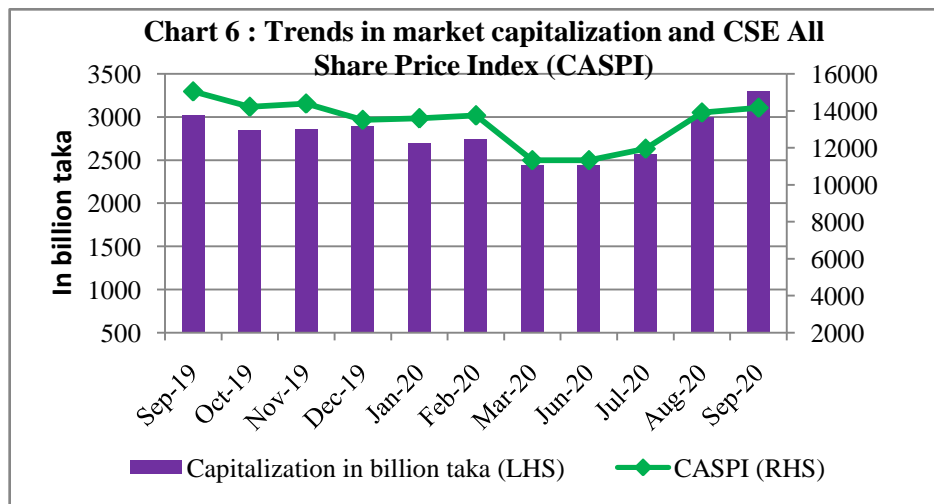
Banks' share was recorded as 13.82% in market capitalization followed by Bangladesh Govt. Treasury Bonds BGTBs 13.73%, Financial Institutions 4.53%, Insurance Companies 3.49%, Mutual Fund 1.01%, Corporate Bonds 0.10% and Debentures 0.01%. At the end of September 2020, the contribution of other

listed companies (manufacturing, service and others) captured the highest portion 63.31 % 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 334 at the end of September 2020. Total turnover value of traded shares was BDT 7.19 billion during September 2020 which was 20.96 percent higher than that of August 2020 as well as 31.33 percent higher than that of the same month of the previous year. The market capitalization of CSE stood at BDT 3300.77 billion at the end of September 2020 which was 10.14 percent and 9.31 percent higher than that of the end of August 2020 and the end of September 2019 respectively.

All Share Price Index of CSE stood at 14167.23 points at the end of September 2020, which was 1.86 percent higher than 13908.14 points at the end of August 2020 and 5.85 percent lower than 15046.73 points at the end of September 2019 respectively (Chart-6).



The Shariah Compliant index 'CSES' went up to 912.64 points at the end of September 2020 which was 902.97 points at the end of August 2020 and 981.21 points at the end of September 2019.

The total amount of issued capital slightly rose to BDT 748.25 billion at the end of September 2020 which was BDT 744.83 billion at the end of August 2020 and BDT 715.43 billion at the end of September 2019. Price Earnings (P/E) ratio in CSE increased to 13.97 at the end of September 2020 which was 12.68 at the end of August 2020. The ratio was 14.89 at the end of September 2019. In Chittagong Stock Exchange, the yield decreased to 3.36 at the end of September 2020 compared to the end of August 2020 which was 3.87 and the yield was 3.29 at the end of September 2019.

Conclusion

Capital market is a part of financial market which acts as an intermediary institution to adjust a gap between surplus units and deficit units of an economy. 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 instructed 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 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.