

Capital Market Developments in Bangladesh*

April-June, 2018



**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 Rupok Chad Das, Assistant Director, Research Department, Bangladesh Bank (e-mail: rupok.chad@bb.org.bd).*

Report Preparation Committee

Chief Coordinator

Dr. Md. Akhtaruzzaman, Economic Adviser

Coordinator

Md. Abdul Awwal Sarker, General Manager

Team Members

Md. Golzare Nabi, Deputy General Manager

Md. Mokhlesur Rahman, Joint Director

Rupok Chad Das, Assistant Director

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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 quarterly analysis on capital market developments gives some insights to understand overall activities of capital market in Bangladesh. During April-June 2018, Dhaka Stock Exchange (DSE) exhibited slightly downward trend in terms of index and turnover compared to the previous quarter but Chittagong Stock Exchange (CSE) showed an upward trend in terms of turnover even though not in terms of indices. Broad index of DSE and all share price index of CSE stood at 5405.46 points and 16558.51 points respectively at the end of June 2018.

Dhaka Stock Exchange (DSE)

The total number of listed securities stood at 572 at the end of June 2018. Among listed companies, there were 305 companies, 37 mutual funds, 221 government bonds, 8 debentures, and 1 corporate bond respectively. The number of companies consists of 30 banks, 23 financial Institutions, 47 insurance companies and 205 other companies.

During the period April-June 2018, a total number of 4.35 billion shares were traded as against 6.5 billion shares during January-March 2018 and 11.13 billion shares during the same period of the previous year. It was 33.05 percent and 60.92 percent lower than that of preceding quarter and that of the same period of the previous year respectively. During the period under report, the total turnover value of traded shares was Tk. 93.60 billion which was 61.75 percent and 75.20 percent lower than that of the preceding quarter and the same quarter of the previous year respectively (Annex-1).

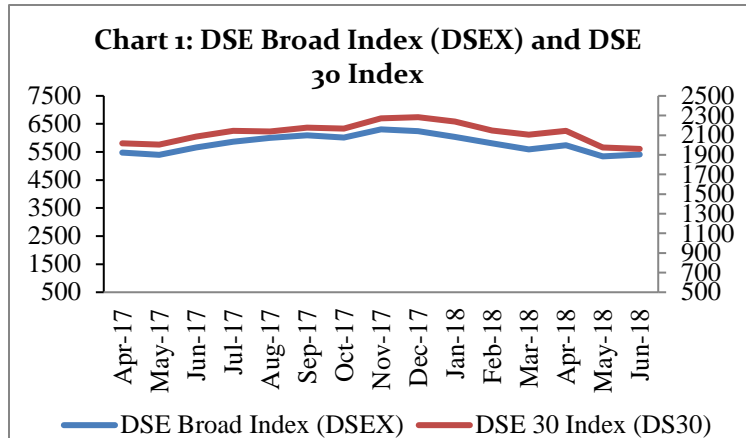
Table 1: Sector wise Performance of DSE during April-June 2018

(Tk./volume in billions)

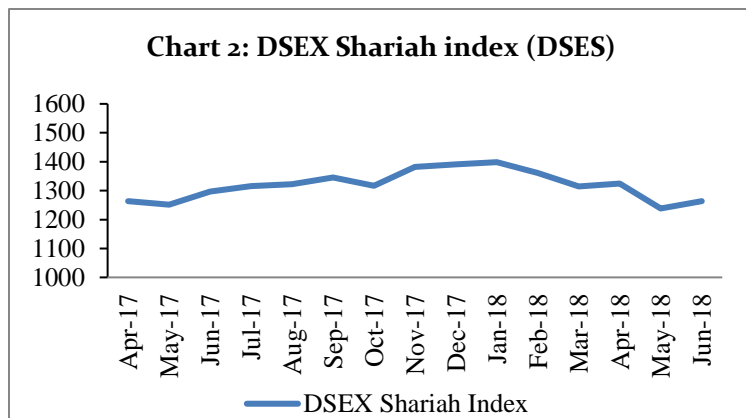
	No. of listed Securities	Issued capital	Market Capitalization	Total turnover	Turnover volume	P/E Ratio	Yield
Banks	30	277.83	566.93	37.69	1.55	8.76	3.15
FIs	23	47.04	210.15	10.20	0.38	14.66	2.51
Insurance Com	47	23.05	85.59	10.52	0.22	11.00	2.84
Mutual Funds	37	54.91	40.81	3.62	0.43		
Govt. T. Bonds	221	548.59	548.59	0.00	0.00		
Corporate Bond	1	3.00	2.89	0.03	0.00		
Debentures	8	0.35	0.58	0.00	0.00		
Other com.	205	264.88	2356.74	31.53	1.77		
Grand Total	572	1219.67	3812.29	93.59	4.35	14.97	3.63

Source: Dhaka Stock Exchange (DSE)

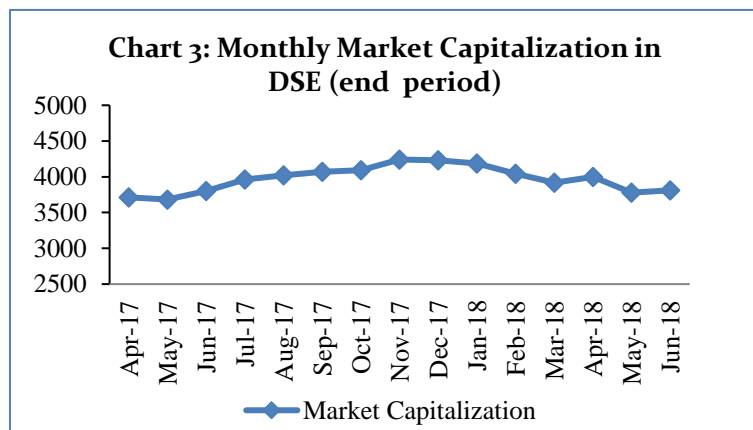
All Share Price Index of DSE (DSEX) stood at 5405.46 points at the end of June 2018, which was 3.43 percent lower than 5597.44 points at the end of March 2018 as well as 4.43 percent lower than 5656.05 points at the end of June 2017 (Chart-1). DSE₃₀ index stood at 1959.95 points at the end of June 2018, which was 6.94 percent and 5.94 percent lower than 2106.02 and 2083.80 points at the end of March 2018 and June 2017 respectively.



Sharia'h Compliant index named DSES went down to 1263.65 points at the end of June 2018 which was 1314.65 points at the end of March 2018 and 1296.74 points at the end of June 2017 (Chart 2).



The market capitalization of DSE stood at Tk. 3812.29 billion at the end of June 2018, which was 2.68 percent lower than that of the previous quarter but 0.30 percent higher than that of the same period of the previous year (Chart-3). The ratio of market capitalization to GDP stood at 17.19 percent at the end of June 2018, which registered the peak at 43.52 during the month of December 2010.



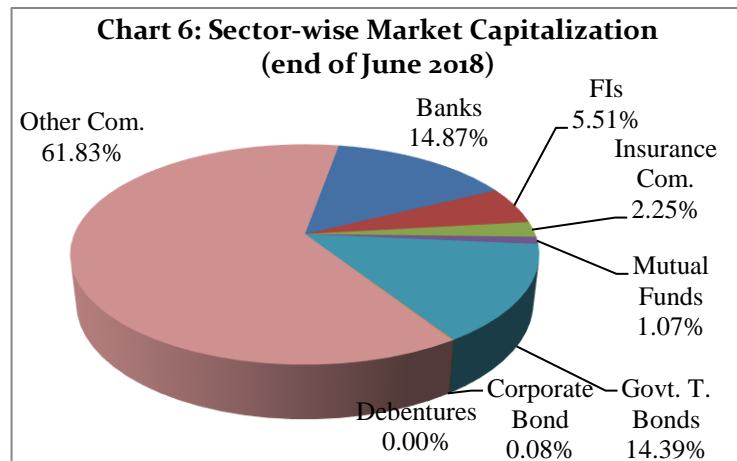
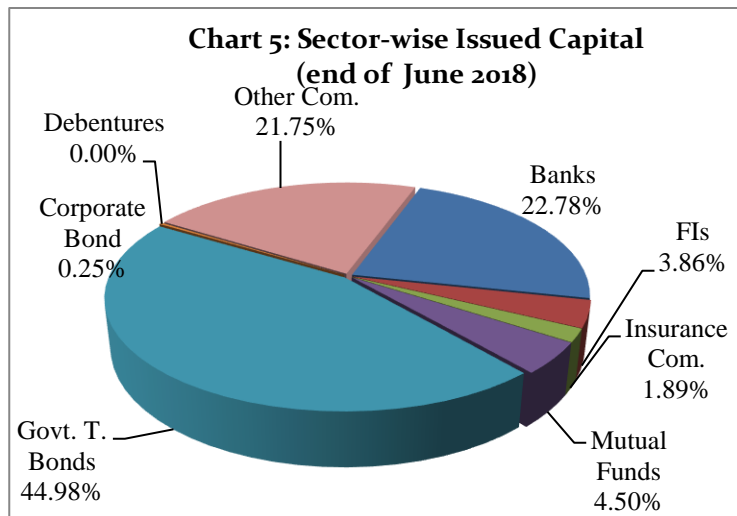
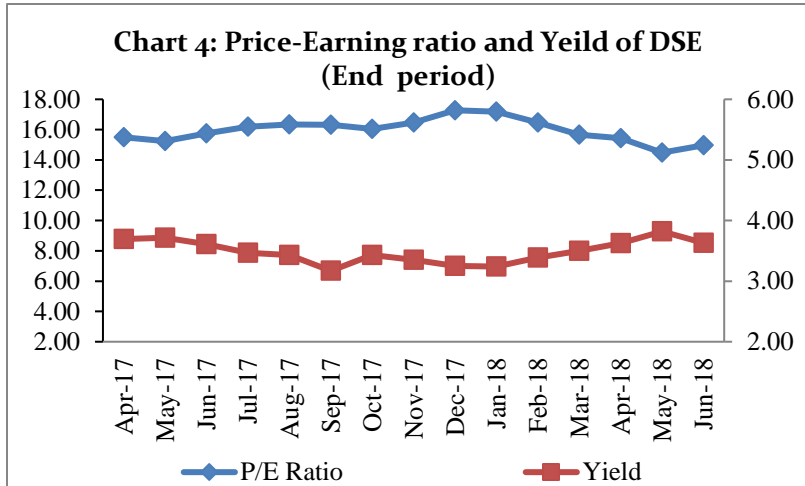
The price-earning (P/E) ratio slightly decreased to 14.97 during the period under report which was 15.67 at the end of the preceding quarter. The ratio was 15.74 at the end of the same quarter of the preceding year. In contrast, the yield of all share increased to 3.63 at

the end of June 2018 which was 3.50 at the end of March 2018 and 3.61 at the end of June 2017. Trend of Price-Earnings ratio and yield are shown in the Chart 4.

Sector wise Issued capital and market capitalization of DSE

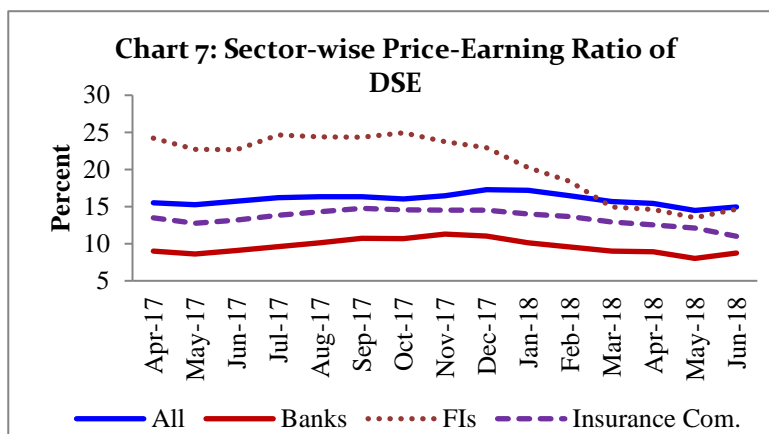
The total amount of issued capital increased to Tk. 1219.67 billion at the end of June 2018 which was Tk. 1197.44 billion and Tk. 1165.51 billion at the end of March 2018 and June 2017 respectively. At the end of June 2018 among different sectors, Bangladesh Govt. Treasury Bonds (BGTBs) dominate the bourse in terms of issued capital. This sector issued around 44.98 percent of the capital followed by banking sectors (22.78 percent) and other companies (21.75 percent). At the same time the shares of Mutual Fund, Financial institutions (FIs), Insurance companies and corporate bonds were 4.50 percent, 3.86 percent, 1.89 percent, and 0.25 percent respectively (Chart 5).

The contribution of Banks to the total market capitalization was 14.87 percent. The contribution of Govt. Treasury Bonds (BGTBs), Financial Institutions (FIs), Insurance Companies, Mutual Fund and Corporate Bonds was approximately 14.39 percent, 5.51 percent, 2.25 percent, 1.07 percent and 0.08 percent respectively. During the same period, except financial sector the contribution of other



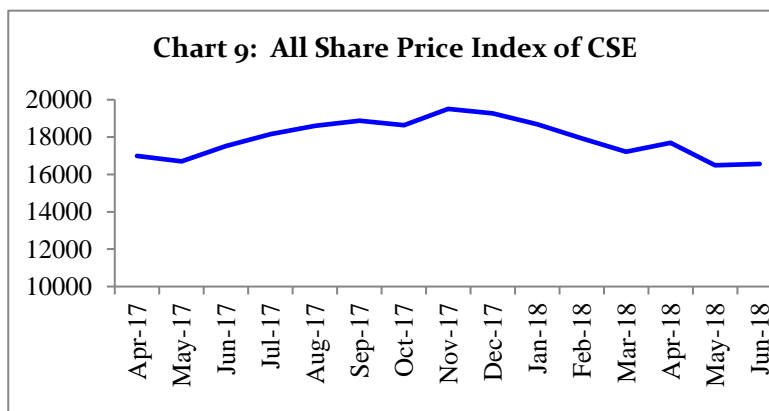
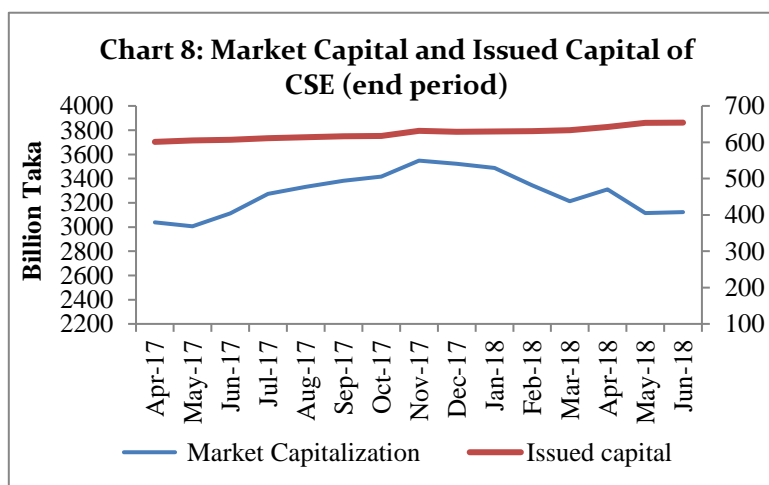
listed companies (manufacturing, service and others) captured the highest portion (61.83 percent) among all listed securities in DSE (chart 6).

Price-earnings (P/E) ratio of all securities of DSE registered 14.97 percent at the end of June 2018. Within the financial sector companies the P/E ratios for banking sector historically performs the best. P/E ratios for banks, FIs and Insurances companies are 8.76, 14.66 and 11.00 percent respectively (chart 7).



Chittagong Stock Exchange (CSE)

The total number of listed securities in Chittagong Stock Exchange (CSE) stood at 312 at the end of June 2018. During the period April-June 2018, a total number of 607.80 million shares were traded as against 466.75 million shares during April-June 2017 and 921.33 million shares during the same period of the previous year. It was 30.22 percent higher but 34.03 percent lower than that of preceding quarter and the same period of the previous year respectively.



During April-June 2018, the total turnover value of traded shares was Tk. 21.50 billion

which was 29.03 percent higher than that of the preceding quarter but 29.93 percent lower than that of the same quarter of the previous year. The market capitalization of CSE stood at Tk. 3123.52 billion at the end of the period under report, which was 2.97 percent

lower and 0.33 percent higher than that of the preceding quarter and the same period of the preceding year respectively (Chart-8).

All Share Price Index of CSE stood at 16558.51 points at the end of June 2018, which was 3.81 percent and 5.47 percent lower than 17215.11 points and 17516.71 points at the end of March 2018 and June 2017 respectively. The CSE 30 index stood at 15092.77 points at the end of June 2018, which is 4.93 percent and 3.13 percent lower than 15875.16 and 15580.37 points at the end of March 2018 and June 2017 respectively. The Shariah Compliant index 'CSES' went down to 1120.37 points at the end of June 2018 which was 1166.32 points at the end of March 2018 and 1178.39 points at the end of June 2017.

The total amount of issued capital rose to Tk. 654.06 billion at the end of June 2018 which was Tk. 633.10 billion and Tk. 606.57 billion at the end of March 2018 and June 2017 respectively. During April-June 2018, Price Earnings (P/E) ratio in CSE decreased to 14.94 from 18.52 at the end of the preceding quarter. The ratio was lower compared to the same period of the preceding year. In Chittagong Stock Exchange, the yield slightly increased to 3.37 at the end of June 2018 which was 3.18 at the end of March 2018 and 2.86 at the end of June 2017.

A comparative picture of the two stock exchanges (Table-2) is given below:

Table 2: Summary of Capital Market Developments in Bangladesh

End period	Number of listed Securities		Issued capital (Billion Taka)		Market Capitalization (Billion Taka)		Total Turnover (Billion Taka)		Indices	
	DSE	CSE	DSE	CSE	DSE	CSE	DSE	CSE	DSE	CSE
Mar-16	560	300	1,111.64	551.35	3,030.37	2,368.35	279.89	19.52	4,357.54	13,407.24
Jun-16	559	298	1,127.41	566.08	3,185.75	2,496.85	237.85	16.20	4,507.58	13,802.59
Sep-16	559	299	1,131.39	565.57	3,281.91	2,582.65	248.92	21.21	4,695.19	14,429.44
Dec-16	560	300	1,145.30	574.10	3,412.44	2,683.04	424.90	26.15	5,036.05	15,477.66
Mar-17	562	302	1,152.55	590.06	3,798.31	3,118.87	754.07	45.73	5,719.61	17,738.30
Jun-17	563	303	1,165.51	606.57	3,801.00	3,113.25	377.32	30.68	5,656.05	17,516.71
Sep-17	564	304	1,178.05	616.7	4,072.08	3,382.72	604.63	41.76	6,092.84	18,881.60
Dec-17	569	308	1,194.16	628.92	4,228.95	3,522.97	433.58	29.33	6,244.52	19,264.04
Mar-18	570	310	1,137.48	633.10	3,917.19	3,213.31	244.67	16.66	5,597.44	17,215.11
Jun-18	572	312	1,219.67	654.06	3,812.29	3,123.52	93.59	21.50	5,405.46	16,558.51

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

Regional Markets

Of the selected regional stock markets from 6 countries (Bangladesh, India, Indonesia, Sri Lanka, Pakistan and Thailand), main indices of the stock markets of Thailand and India showed an upward trend at the end of June 2018. It is observed that, Thailand has the highest market capitalization (percent of GDP) among the selected countries (114.18 percent) followed by 77.41 percent in India, 44.84 percent in Indonesia, 25.41 percent in Pakistan, 20.29 percent in Sri Lanka and 14.38 percent in Bangladesh at the end of June

2018. However, Pakistan has highest Interest rate of 10 Year Government Bond (8.50 percent) while it was 7.41 percent in Bangladesh at the end of June 2018 (Table 3).

Table 3: Regional markets as on June 2018

Country	Index		Interest Rate 10-Yr-G-Bond % a year	M. Cap to GDP ratio* %	Yield	P/E ratio
	In Name	% change over previous month				
Thailand	SET	5.19	2.61	114.18	1.86	16.57
India	BSE	0.29 (BSE 30)	7.83(BSE 30)	77.41	1.28 (BSE 100)	22.41 (BSE 100)
Indonesia	ISE	-0.72(JC)	7.23 (JC)	44.84	-	-
Pakistan	Pakistan SE	-3.16 (KSE 100)	8.50 (KSE 100)	25.41	-	-
Sri Lanka	Colombo SE	-	-	20.29	1.25	10.39
Bangladesh	DSEX	-1.14	7.41	14.38	3.59	15.11

Source: Monthly Review of Dhaka Stock Exchange, June 2018.Vol33. No 06

*Data as on April,2018

Conclusion

Mobilization of funds keeps the wheel of an economy running and works as a financial trigger for smoothing the take-off conditions towards a better functioning of a sustainable economy. A strong capital market plays that catalytic role in economic development through channeling long term funds from savers to entrepreneurs. To keep pace with the ongoing development as well as to make this development inclusive and sustainable, a well regulated and vibrant capital market is of enormous importance for a country like Bangladesh. Historically, in our country, banks have been playing major role of financing in long term capital intensive projects that should have been financed through capital market. This demand can be met through issuance of a variety of financial instruments like bonds, debentures and derivative instruments. To upgrade the status of the country from least developed to a developing one; capital market needs massive reforms and improvement to attract funds both from home and abroad.

The regulatory body of capital market, Bangladesh Security and Exchange Commission (BSEC) may undertake some necessary pragmatic steps with appropriate regulatory support to create eagerness of the fund owners to make investments in capital markets. To this end, BSEC may ensure good corporate governance, motivate good companies for floating shares/bonds and sukuk providing with more attractive incentives. The foreign participants may also be attracted to participate in our domestic markets.