

# Capital Market Developments in Bangladesh\*

January-March, 2018



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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 January-March 2018, both stock exchanges exhibited slightly downward trend in terms of index and turnover compared to the previous quarter. Broad index of DSE and all share price index of CSE went down by 10.36 percent and 10.65 percent respectively at the end of March 2018.

## Dhaka Stock Exchange (DSE)

The total number of listed securities stood at 570 at the end of March 2018. Among listed companies, there were 303 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 203 other companies.

During the period January-March 2018, a total number of 6.5 billion shares were traded as against 12.15 billion shares during October-December 2017 and 22.92 billion shares during the same period of the previous year. It was 46.54 percent and 71.66 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. 244.67 billion which was 43.57 percent and 67.55 percent lower than that of the preceding quarter and the same quarter of the previous year respectively (Annex-1).

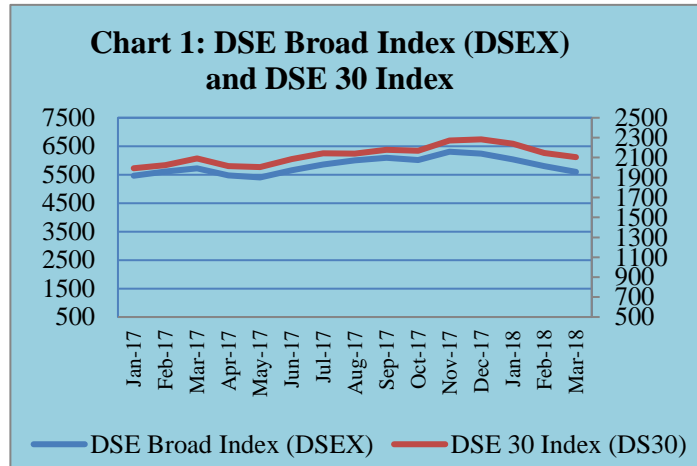
**Table 1: Sector wise Performance of DSE during January-March 2018**

(Tk./volume in billions)

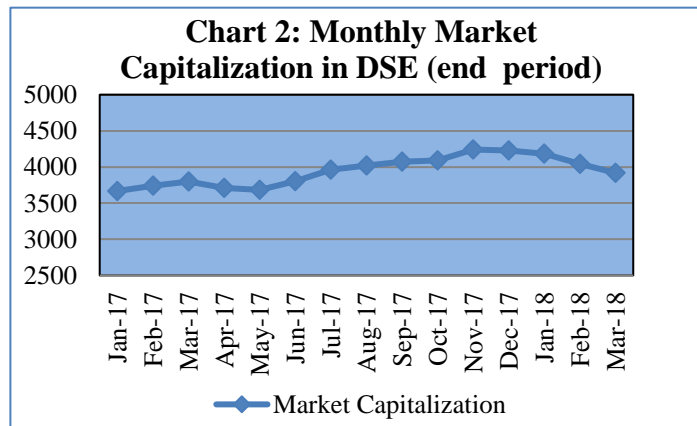
	No. of listed Securities	Issued capital	Market Capitalization	Total turnover	Turnover volume	P/E Ratio	Yield
Banks	30	258.67	609.54	41.68	1.64	8.98	4.47
FIs	23	46.13	200.35	14.78	0.46	14.94	2.72
Insurance Com	47	22.68	89.33	5.83	0.15	12.92	2.67
Mutual Funds	37	54.02	41.81	3.47	0.41		
Govt. T. Bonds	221	548.59	548.59	0.00	0.00		
Corporate Bond	1	3.00	2.94	0.02	0.00		
Debentures	8	0.35	0.58	0.00	0.00		
Other com.	203	263.99	2424.04	178.88	3.84		
Grand Total	570	1197.44	3917.19	244.67	6.50	15.67	3.50

Source: Dhaka Stock Exchange (DSE)

All Share Price Index of DSE (DSEX) stood at 5597 points at the end of March 2018, which was 10.36 percent lower than 6244.52 points at the end of December 2017 as well as 2.14 percent lower than 5719.61 points at the end of March 2017 (Chart-1). DSE30 index stood at 2106.02 points at the end of March 2018, which was 7.76 percent lower and 0.73 percent higher than 2283.23 and 2090.76 points at the end of December 2017 and March 2017 respectively. Shariah Compliant index named DSES went down to 1314.65 points at the end of March 2018 which was 1390.67 points at the end of December 2017 and 1303.72 points at the end of March 2017.

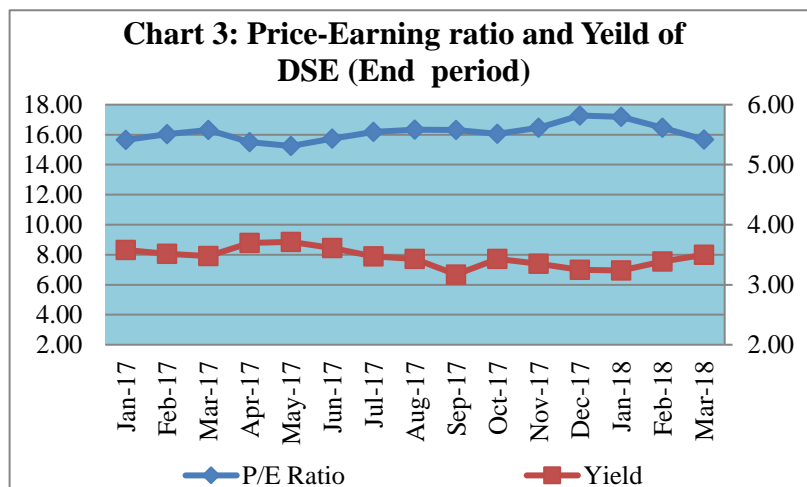


The market capitalization of DSE stood at Tk. 3917.19 billion at the end of March 2018, which was 7.37 percent lower than that of the previous quarter and 3.13 percent higher than that of the same period of the previous year (Chart-2). The ratio of market capitalization to GDP stood



at 19.83 percent at the end of March 2018, which registered the peak at 43.52 during the month of December 2010.

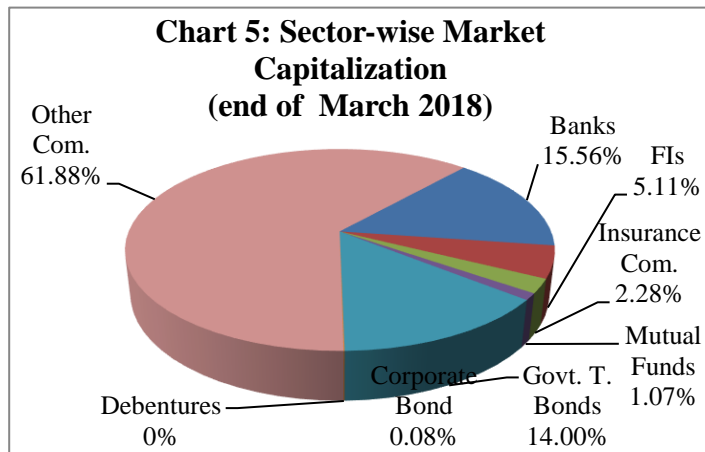
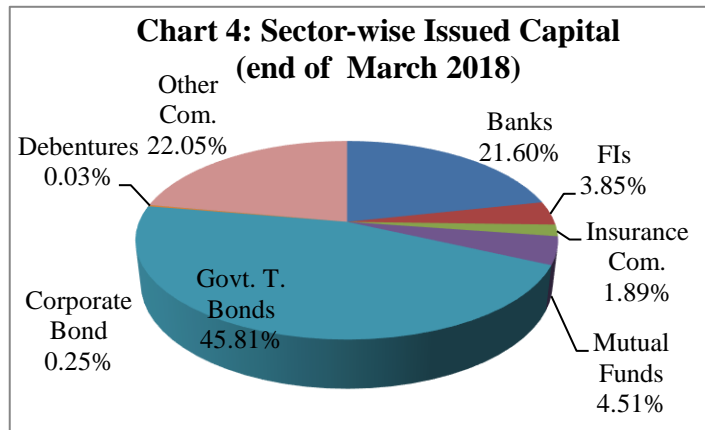
The price-earning (P/E) ratio slightly decreased to 15.67 during the period under report which was 17.28 at the end of the preceding quarter. The ratio was 16.32 at the end of the same quarter of the preceding year. In contrast, the yield of all share stood at 3.50 at the end of March 2018 which was 3.25 at the end of



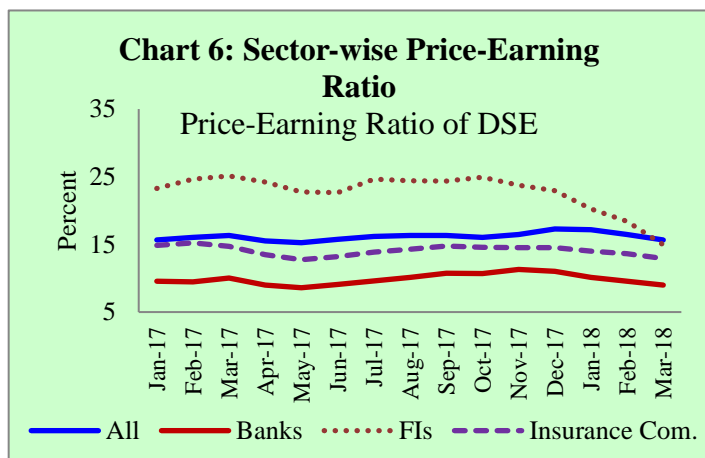
December 2017 and 3.48 at the end of March 2017. Although the yield shows an upward trend in comparison then that of previous quarter, the price-earnings ratio doesn't (Chart 3).

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

The total amount of issued capital increased to Tk. 1197.44 billion at the end of March 2018 which was Tk. 1194.16 billion and Tk. 1152.55 billion at the end of December 2017 and March 2017 respectively. At the end of March 2018 among different sectors, Bangladesh Govt. Treasury Bonds (BGTBs) dominate the bourse in terms of issued capital. This sector issued around 45.81 percent of the capital followed by other companies (22.05 percent) and banking sectors (21.60 percent). At the same time the shares of Mutual Fund, Financial institutions (FIs), Insurance companies and corporate bonds were 4.51 percent, 3.85 percent, 1.89 percent, and 0.25 percent respectively (Chart 4).



The contribution of Banks to the total market capitalization was 15.56 percent. The contribution of Govt. Treasury Bonds (BGTBs), Financial Institutions (FIs), Insurance Companies, Mutual Fund and Corporate Bonds was approximately 14.00 percent, 5.11 percent, 2.28 percent, 1.07 percent and 0.08 percent respectively. During the same period, except financial sector



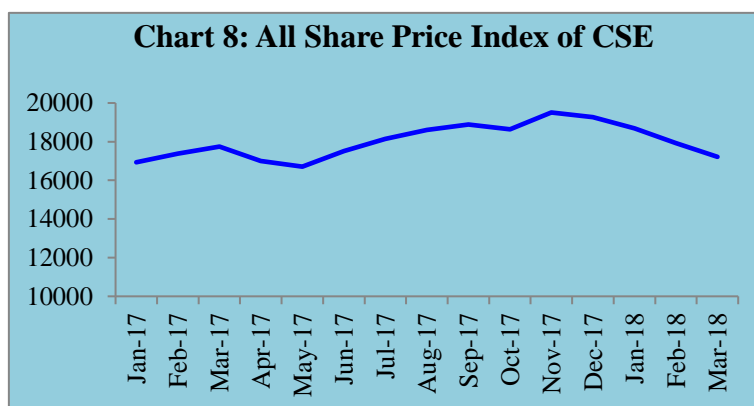
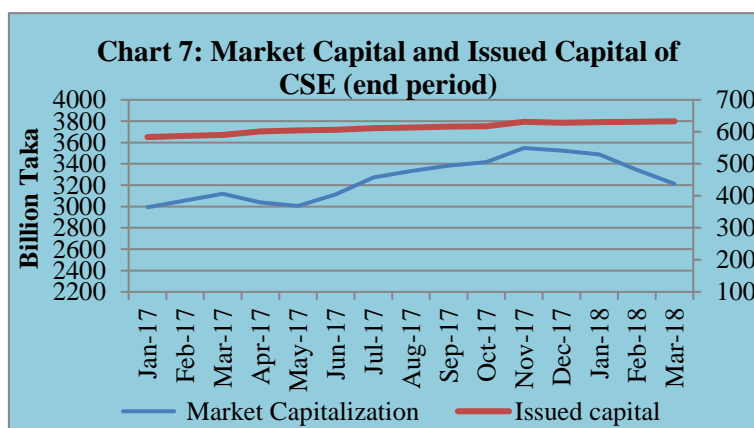
the contribution of other listed companies (manufacturing, service and others) captured the highest portion (61.88 percent) among all listed securities in DSE (chart 5).

Price-earnings (P/E) ratio of all securities of DSE registered 15.67 percent at the end of March 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 8.98, 14.94 and 12.92 percent respectively (chart 6).

### Chittagong Stock Exchange (CSE)

The total number of listed securities in Chittagong Stock Exchange (CSE) stood at 310 at the end of March 2018. During the period January-March 2018, a total number of 466.75 million shares were traded as against 936.16 million shares during October-December 2017 and 1620.50 million shares during the same period of the previous year. It was 50.14 percent and 71.20 percent lower than that of preceding quarter and the same period of the previous year respectively.

During January-March 2018, the total turnover value of traded shares was Tk. 16.66 billion which was 44.34 percent and 63.56 percent lower than that of the preceding quarter and the same quarter of the previous year respectively. The market capitalization of CSE stood at Tk. 3213.31 billion at the end of the period under report, which was 8.79 percent lower and 3.03 percent higher than the same of period of the preceding quarter and the same period of the preceding year respectively (Chart-7).



All Share Price Index of CSE stood at 17215.11 points at the end of March 2018, which was 10.65 percent and 2.95 percent lower than 19268.04 points and 17738.30 points at the end of December 2017 and March 2017

respectively. The CSE 30 index stood at 15875.16 points at the end of March 2018, which is

7.89 percent lower and 1.87 percent higher than 17235.59 and 15583.37 points at the end of December 2017 and March 2017 respectively. The Shariah Compliant index 'CSES' went down to 1166.32 points at the end of March 2018 which was 1251.61 points at the end of December 2017 and 1188.15 points at the end of March 2017.

The total amount of issued capital rose to Tk. 633.10 billion at the end of March 2018 which was Tk. 628.92 billion and Tk. 590.06 billion at the end of December 2017 and March 2017 respectively. During January-March 2018, Price Earnings (P/E) ratio in CSE increased to 18.52 from 17.03 at the end of the preceding quarter. The ratio was higher compared to the same period of the preceding year. In Chittagong Stock Exchange, the yield slightly increased to 3.18 at the end of March 2018 which was 2.87 at the end of December 2017 and 2.82 at the end of March 2017.

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

**Table 2: Summary of Capital Market Developments in Bangladesh**

(Billion Taka)

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
Dec-15	559	299	1,105.92	544.68	3,159.76	2,487.49	243.39	17.47	4,629.64	14,089.63
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

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 Bangladesh, India, Indonesia showed an upward trend at the end of March 2018. It is observed that, Thailand has the highest market capitalization (% of GDP) among the selected countries (135.63 percent) followed by 92.80 percent in India, 54.30 percent in Indonesia, 29.29 percent in Pakistan, 23.57 percent in Sri Lanka and 17.44 percent in Bangladesh at the end of February 2018. However, Pakistan has highest Interest rate of 10 Year Government Bond (8.80 percent) while it was 7.35 percent in Bangladesh at the end of March 2018 (Table 3).

**Table 3: Regional markets as on March 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	-0.58	2.42	135.63	2.06	18.17
India	BSE	2.96 (BSE 30)	7.33 (BSE 30)	92.80	1.29 (BSE 100)	22.78 (BSE 100)
Indonesia	ISE	6.20(JC)	6.79 (JC)	54.30	-	-
Pakistan	Pakistan SE	-3.67 (KSE 100)	8.80 (KSE 100)	29.29	-	-
Sri Lanka	Colombo SE	-	-	23.57	1.35	11.19
Bangladesh	DSEX	3.71	7.35	17.44	3.47	15.84

Source: Monthly Review of Dhaka Stock Exchange

\* End of February 2018

## Conclusion

Capital market plays an important role in economic development by 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 our country. Historically, banks have been playing the catalytic role of financing in long term capital intensive projects that should have been financed through capital market. Only a strong capital market can support this demand with a huge variety of different short and long term bonds and instruments.

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