

Capital Market Developments in Bangladesh*

January-March, 2019



Research Department Bangladesh Bank

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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 2019, Dhaka Stock Exchange (DSE) exhibited upward trend in terms of turnover and index compared to the previous quarter but Chittagong Stock Exchange (CSE) showed an upward trend in terms of index even though not in terms of turnover. Broad index of DSE and all share price index of CSE stood at 5491.91 points and 16803.16 points respectively at the end of March 2019.

Dhaka Stock Exchange (DSE)

The total number of listed securities stood at 581 at the end of March 2019. Among listed companies, there were 313 companies, 38 mutual funds, 221 government bonds, 8 debentures, and 1 corporate bond. The number of companies consists of 30 banks, 23 financial Institutions, 47 insurance companies and 213 other companies.

During January-March 2019, a total number of 11.28 billion shares were traded as against 8.28 billion shares during October-December 2018 and 6.50 billion shares during the same period of the previous year. It was 36.29 percent higher than that of preceding quarter as well as 73.65 percent higher than that of the same period of the previous year. During the period under report, the total turnover value of traded shares was BDT 455.19 billion which was 37.45 percent and 86.04 percent higher 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 2019

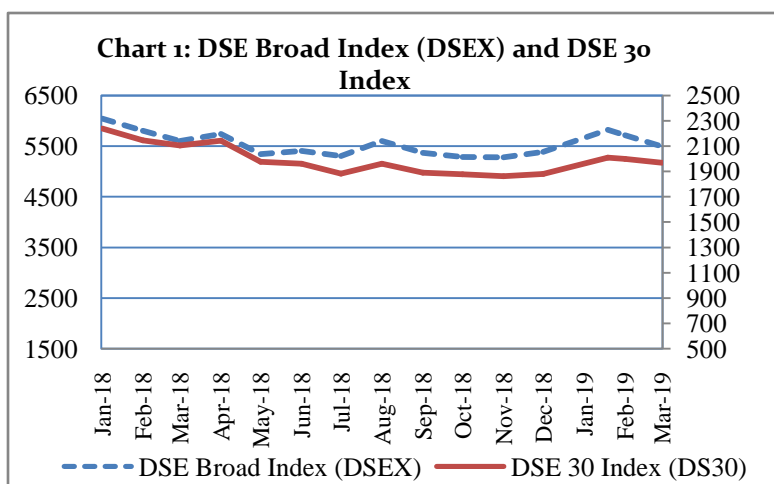
(BDT/volume in billions)

	No. of listed Securities	Issued capital	Market Capitalization	Total turnover	Turnover volume	P/E Ratio	Yield
Banks	30	278.60	14.65	54.49	2.46	9.31	2.82
FIs	23	47.67	189.95	25.86	1.02	15.41	3.20
Insurance Com	47	23.80	103.12	52.24	1.59	13.92	2.37
Mutual Funds	38	56.35	34.88	2.10	0.30		
Govt. T. Bonds	221	548.59	548.59	0.00	0.00		
Corporate Bond	1	3.00	2.90	0.02	0.00		
Debentures	8	0.35	0.58	0.00	0.00		
Other Companies	213	289.19	3224.99	320.49	5.91		
Grand Total	581	1247.55	4119.65	455.19	11.28	16.14	3.35

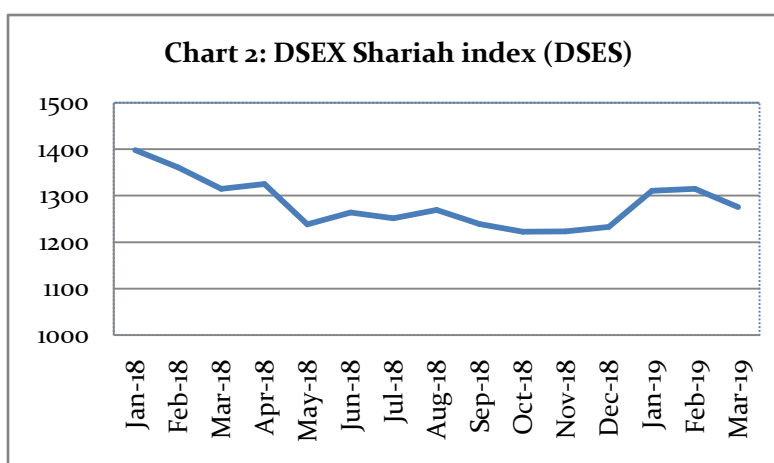
Source: Dhaka Stock Exchange (DSE)

Note: BDT= Bangladeshi Currency (Taka)

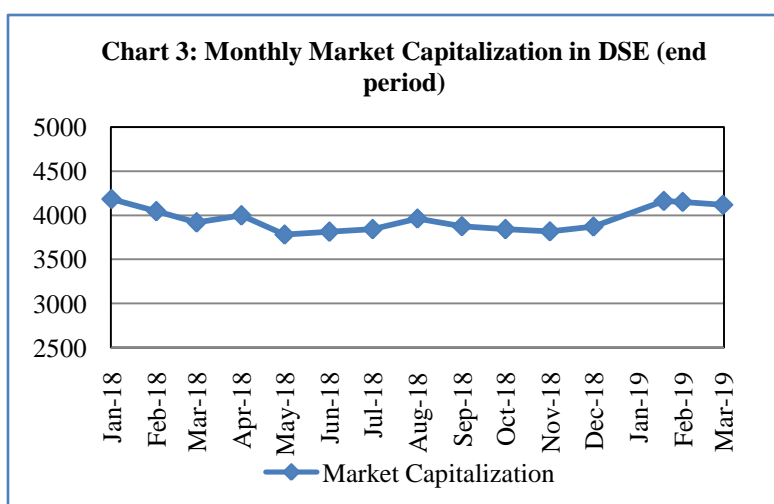
All Share Price Index of DSE (DSEX) stood at 5491.91 points at the end of March 2019, which was 1.97 percent higher than 5385.64 points at the end of December 2018 but 1.89 percent lower than 5597.44 points at the end of March 2018 (Chart-1). DSE30 index stood at 1967.21 points at the end of March 2019 which was 4.60 percent higher than 1880.78 points at the end of December 2018 and 6.59 percent lower than 2106.02 points at the end of March 2018.



Sharia'h Compliant index named DSES went up to 1275.45 points at the end of January-March 2019 quarter which was 1232.82 points at the end of previous quarter and 1314.65 points at the same quarter of the preceding year (Chart 2).

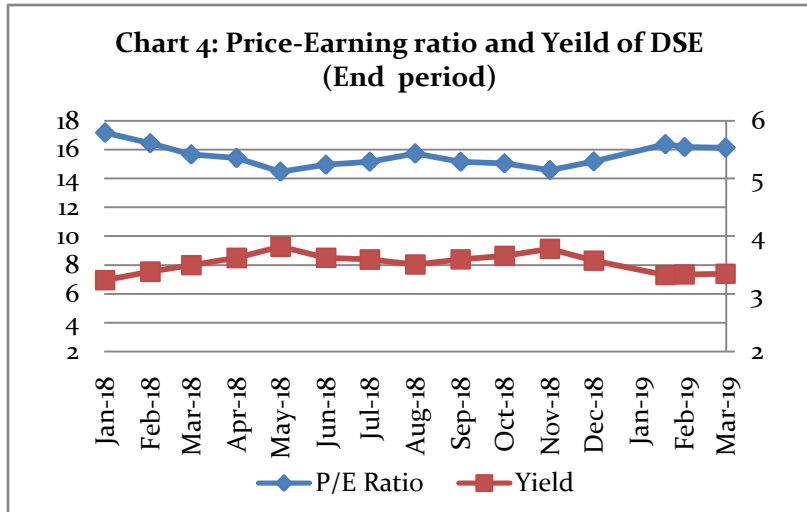


The market capitalization of DSE stood at BDT 4119.65 billion at the end of March 2019 which was 6.37 percent higher than that of the previous quarter as well as 5.17 percent higher than that of the same period of the previous



year (Chart-3). The ratio of market capitalization to GDP stood at 15.01 percent at the end of December 2018, which registered the peak at 43.52 during the month of December 2010.

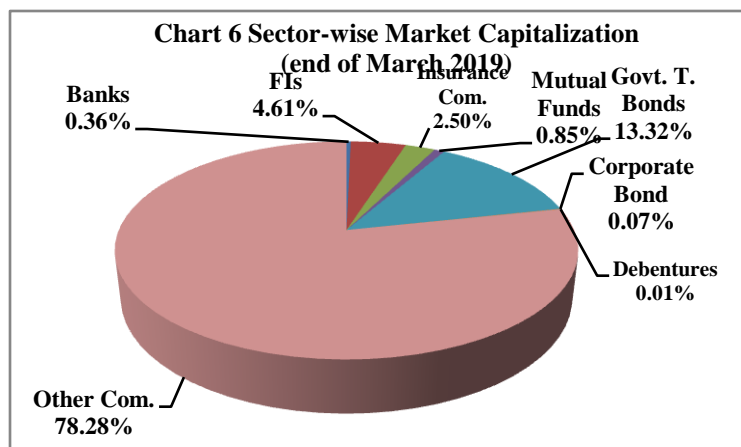
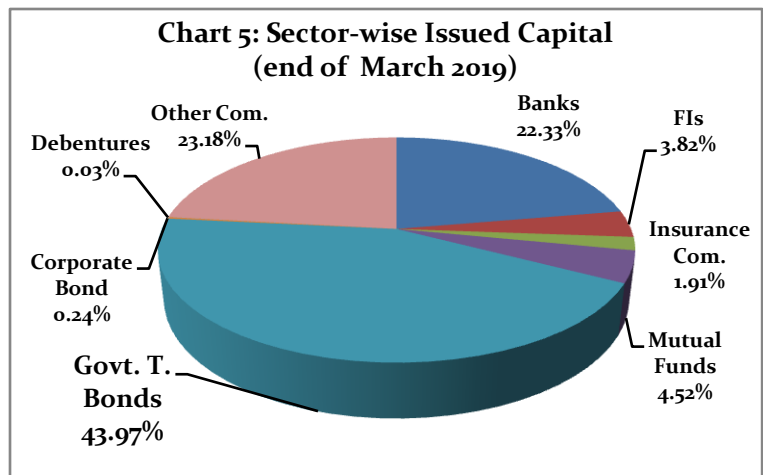
The price-earning (P/E) ratio increased to 16.14 during the period under report which was 15.19 at the end of the preceding quarter. The ratio was 15.67 at the end of the same quarter of the corresponding year. In contrast, the yield of all share decreased to 3.35 at the end of March 2019 which was 3.58 at the end of December 2018



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

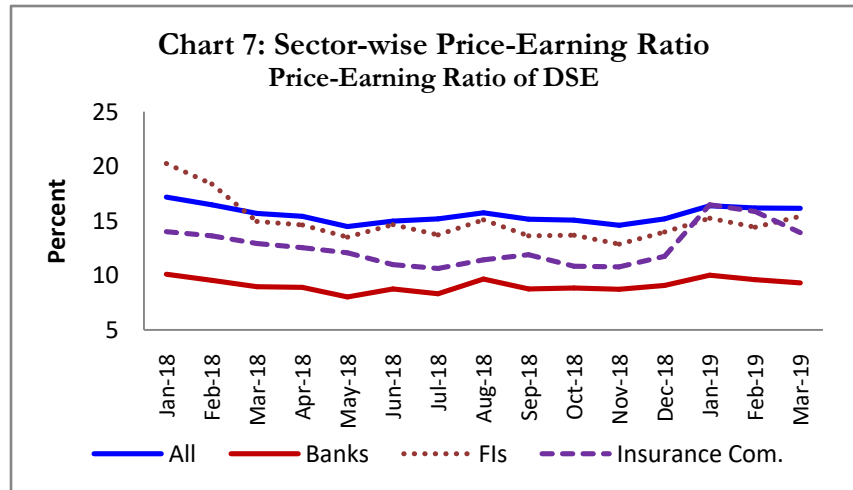
Sector wise Issued capital and market capitalization of DSE

The total amount of issued capital increased to BDT 1247.55 billion at the end of March 2019 which was BDT 1243.01 billion and BDT 1197.44 billion at the end of December 2018 and March 2018 respectively. At the end of March 2019 among different sectors, Bangladesh Govt. Treasury Bonds (BGTBs) dominate the bourse in terms of issued capital. This sector issued around 43.97 percent of the capital followed by other companies (23.18 percent) and banking sectors (22.33 percent). At the same time the shares of Mutual Fund, Financial institutions (FIs), Insurance companies and corporate bonds were 4.52 percent, 3.82 percent, 1.91 percent and 0.24 percent respectively (Chart 5).



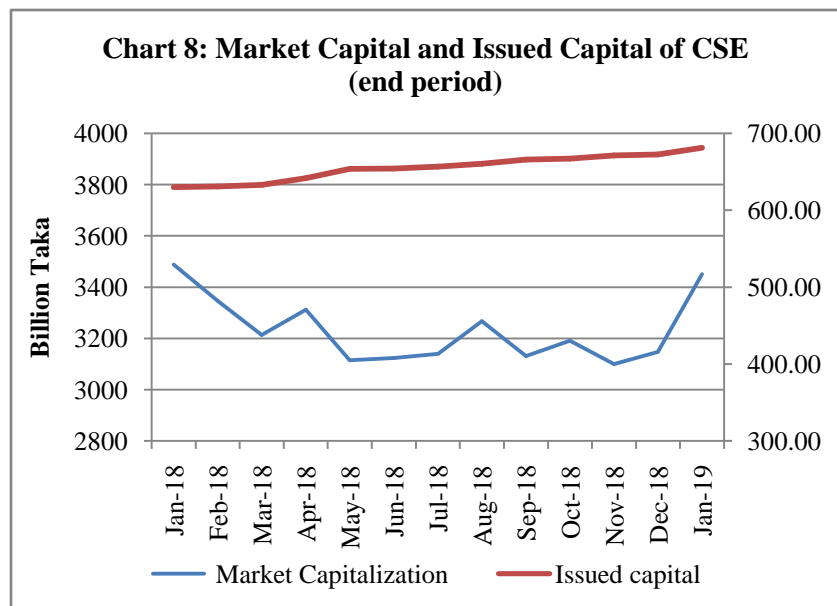
The contribution of Banks to the total market capitalization was 0.36 percent. The contribution of Govt. Treasury Bonds (BGTBs), Financial Institutions (FIs), Insurance Companies, Mutual Fund, Corporate Bonds and Debentures were approximately 13.32 percent, 4.61 percent, 2.50 percent, 0.85 percent and 0.07 percent and 0.01 percent respectively. During the same period, except financial sector the contribution of other listed companies (manufacturing, service and others) captured the highest portion (78.28 percent) among all listed securities in DSE (chart 6).

Price-earnings (P/E) ratio of all securities of DSE registered 16.14 percent at the end of March 2019. 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 9.31, 15.41 and 13.92 percent respectively (chart 7).



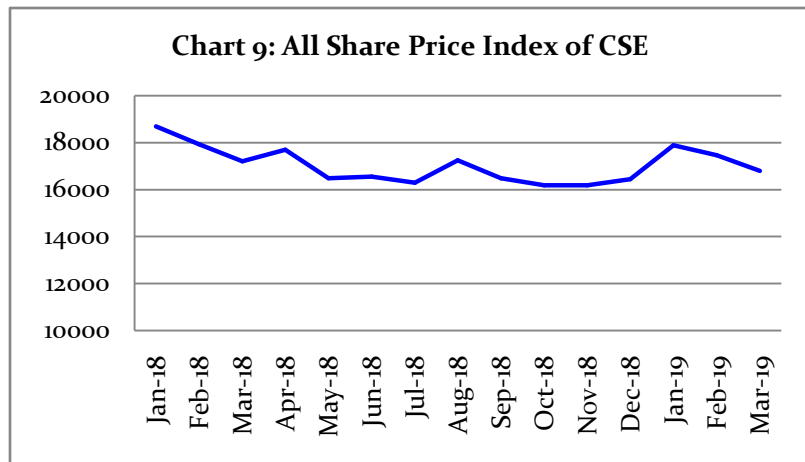
Chittagong Stock Exchange (CSE)

The total number of listed securities in Chittagong Stock Exchange (CSE) stood at 323 at the end of March 2019. During the period January-March 2019, a total number of 628.31 million shares were traded as against 538.72 million shares during October-December 2018 and 466.75 million shares during the same period of the previous year. It was 16.63 percent and 34.61 percent higher than that of preceding quarter and that of the same period of the previous year respectively.



During January-March 2019, the total turnover value of traded shares was BDT 18.51 billion which was 4.97 percent lower than that of the preceding quarter as well as 11.07 percent higher than that of the same quarter of the previous year. The market capitalization of CSE stood at BDT 3402.77 billion at the end of the period under review, which was 8.13 percent and 5.90 percent higher than that of the preceding quarter and the same quarter of the preceding year respectively (Chart-8).

All Share Price Index of CSE stood at 16803.16 points at the end of March 2019, which was 2.15 percent higher but 2.39 percent lower than 16449.51 points and 17215.11 points at the end of December 2018 and March 2018 respectively. The CSE-30 index stood at 14724.32 points at the end of March 2019, which is 1.54



percent higher but 7.25 percent lower than 14500.66 and 15875.16 points at the end of December 2018 and March 2018 respectively. The Shariah Compliant index 'CSES' went up to 1120.21 points at the end of March 2019 which was 1076.78 points at the end of December 2018 and 1166.32 points at the end of March 2018.

The total amount of issued capital rose to BDT 683.98 billion at the end of March 2019 which was BDT 672.33 billion and BDT 633.10 billion at the end of December 2018 and March 2018 respectively. During January-March 2019, Price Earnings (P/E) ratio in CSE increased to 17.21 from 15.89 at the end of the period under report but that ratio was lower compared to the same period of the preceding year. In Chittagong Stock Exchange, the yield slightly decreased to 3.07 at the end of March 2019 which was 3.21 at the end of December 2018 and 3.18 at the end of March 2018.

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
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	616.70	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	1,197.44	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	3,847.35	3,123.52	307.98	21.50	5,405.46	16,558.51
Sep-18	575	317	1,228.50	665.86	3,876.84	3,131.84	449.82	29.34	5,368.96	16,483.49
Dec-18	578	320	1,243.01	672.33	3,872.95	3,146.84	331.16	19.48	5,385.64	16,449.51
Mar-19	581	323	1,247.55	683.98	4,119.65	3,402.77	455.19	18.51	5,491.91	16,803.16

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 market of India showed an upward trend at the end of March 2019. It is observed that, Thailand has the highest market capitalization (percent of GDP) among the selected countries (111.11 percent) followed by 73.56 percent in India, 51.76 percent in Indonesia, 18.07 percent in Pakistan, 16.37 percent in Sri Lanka and 15.01 percent in Bangladesh at the end of March 2019. However, Pakistan has highest Interest rate of 10 Year Government Bond (13.10 percent) while it was 7.54 percent in Bangladesh at the end of March 2019 (Table 3).

Table 3: Regional markets as on March 2019

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	-1.08	2.30	111.11	3.13	17.12
India	S&P BSE SENSEX	7.36	7.50	73.56	1.19 (BSE 100)	25.78 (BSE 100)
Indonesia	ISE	-0.46(JC)	7.90 (JC)	51.76	-	-
Pakistan	Pakistan SE	-4.30 (KSE 100)	13.10 (KSE 100)	18.07	-	-
Sri Lanka	Colombo SE	-	-	16.37	3.56	8.72
Bangladesh	DSEX	-3.85	7.54	15.01	3.30	16.46

Source: Monthly Review of Dhaka Stock Exchange, March 2019, Vol 34, No 03

*Data as on February, 2019

Conclusion

A strong capital market plays that catalytic role in economic development through channeling long term funds from savers to entrepreneurs. To make sustainable and inclusive economic development, a well managed 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 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 Sukuk bonds, debentures and derivative instruments. To upgrade the status of the country from lower middle income to higher middle income country, capital market needs to play active role to attract funds both from home and abroad. To do this, capital market also needs to adapt with ongoing financial instruments introduced successfully by other countries and prepared for upcoming instruments will be introduced in the international market. 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.