

Capital Market Development in Bangladesh*

June, 2020



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 analysis on capital market development gives some insights to understand overall activities of capital market in Bangladesh. *At the end of June 2020, Dhaka Stock Exchange (DSE) exhibited downward trend in terms of both index and turnover and Chittagong Stock Exchange (CSE) exhibited upward trend in terms of both index and turnover compared to the end of March 2020. Total turnover value of traded shares of DSE and CSE were BDT 47.80 billion and BDT 9.53 billion at the end of June 2020 which were 28.07 percent lower and 97.00 percent higher than that of the March 2020.* Broad index of DSE and all share price index of CSE stood at 3989.09 points and 11332.59 points respectively at the end of June 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
Jun-19	584	326	1268.57	712.89	3998.16	3293.30	76.50	8.92	5421.62	16634.21	14.25	19.04	4.02	3.17
Jul-19	585	327	1272.07	714.28	3834.78	3131.69	89.47	4.79	5138.79	15725.46	13.46	15.15	4.28	3.44
Aug-19	586	328	1277.42	714.29	3808.46	3094.94	73.98	4.80	5095.78	15580.60	13.59	13.92	4.29	3.50
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

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

Note: BDT= Bangladeshi Currency (Taka)

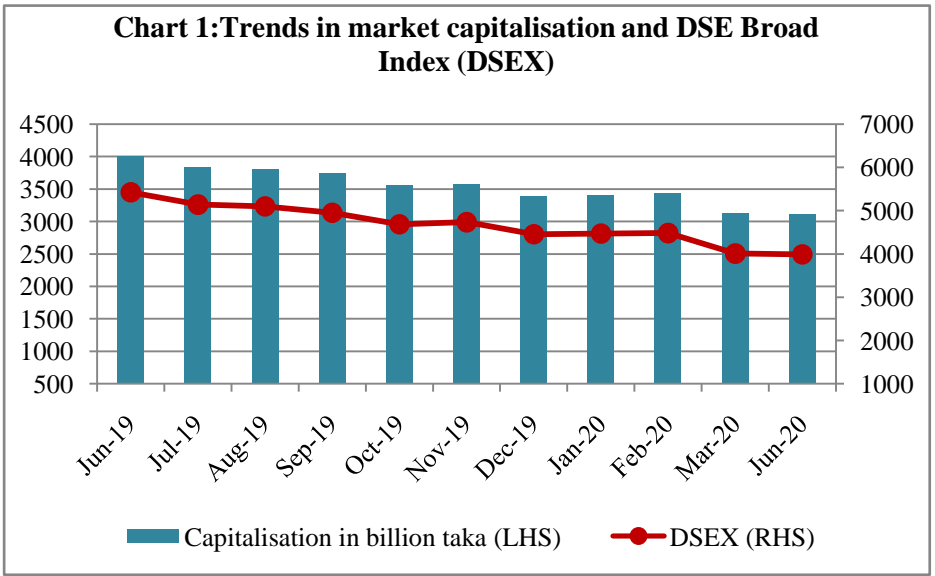
@ No transactions were made in April, May, 2020 due to ordinary holiday for Covid-19

Dhaka Stock Exchange (DSE)

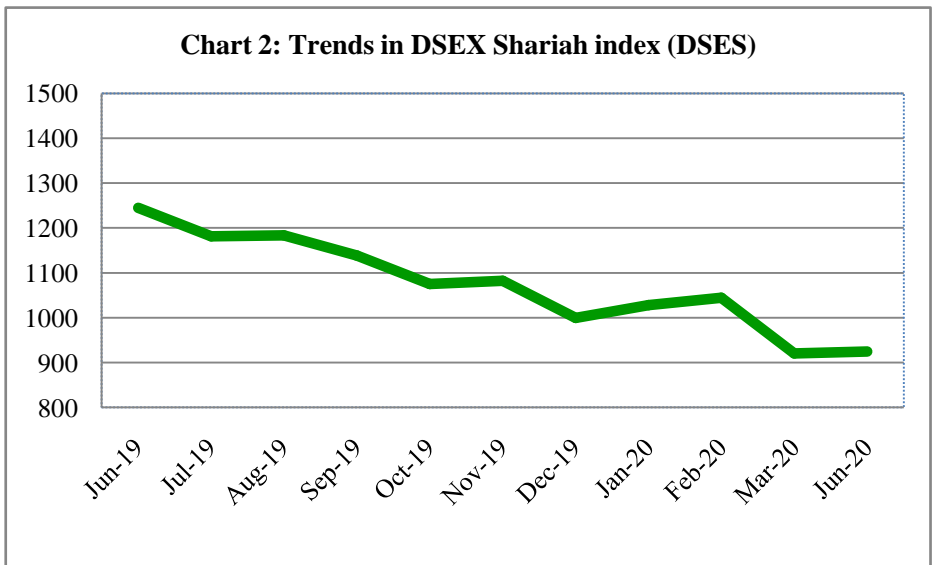
The total number of listed securities stood at 589 at the end of June 2020. Among listed companies, there were 321 companies, *37 mutual funds, 221 government bonds, 8 debentures, and 2 corporate bonds. The number of companies consists of 30 banks, 23 financial Institutions, 47 insurance companies and 221 other companies.

Total turnover value of traded shares was BDT 47.80 billion during June 2020 which was 28.07 percent lower than that of March 2020 and 37.51 percent lower than that of the same month of the last year respectively (see the table).

DSE Broad Index (DSEX) stood at 3989.09 points at the end of June 2020, which was 0.48 percent lower than 4008.29 points at the end of March 2020 and 26.42 percent lower than 5421.62 points at the end of June 2019 (Chart-1).



The market capitalization of DSE stood at BDT 3119.67 billion at the end of June 2020 which was 0.09 percent lower than BDT 3122.35 billion at the end of March 2020 as well as 21.97 percent lower than BDT 3998.16 billion at the end of June 2019 (Chart-1). The ratio of market capitalization to GDP (at current market price) stood at 12.27 percent** at the end of June 2020 which was 12.28 percent at the end of March 2020.

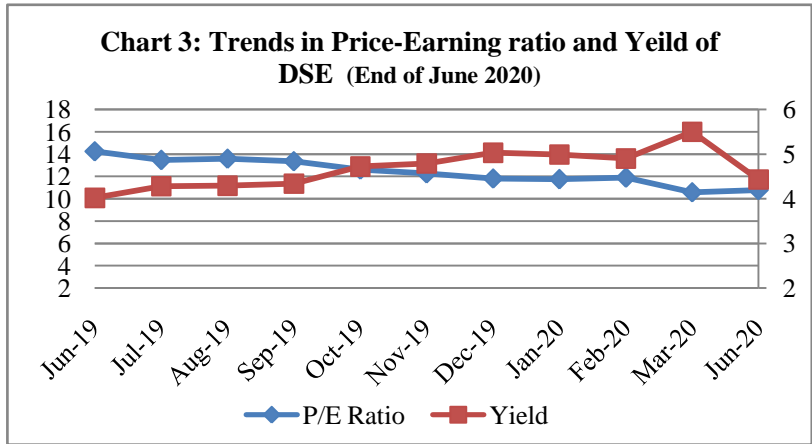


Sharia'h Compliant index named DSES went up to 925.08 points at the end of June 2020 which was 920.69 points at the end of March 2020 and 1244.69 points at the end of June 2019 (Chart 2).

* 321 listed companies = 30 banks + 23 financial Institutions + 47 insurance companies + 221 other companies

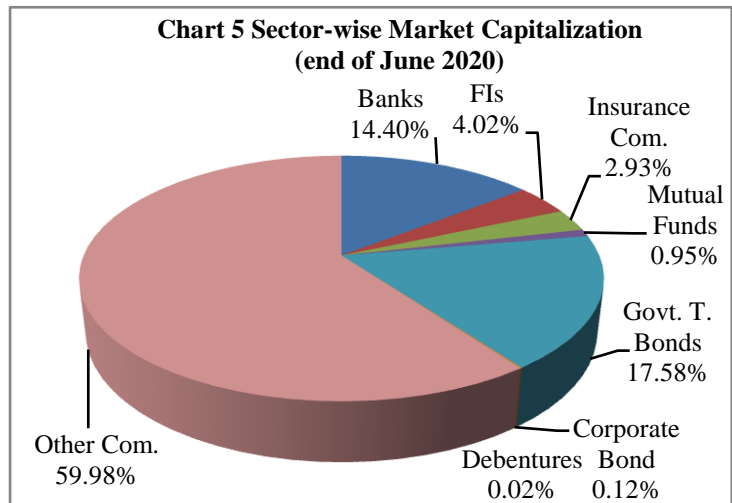
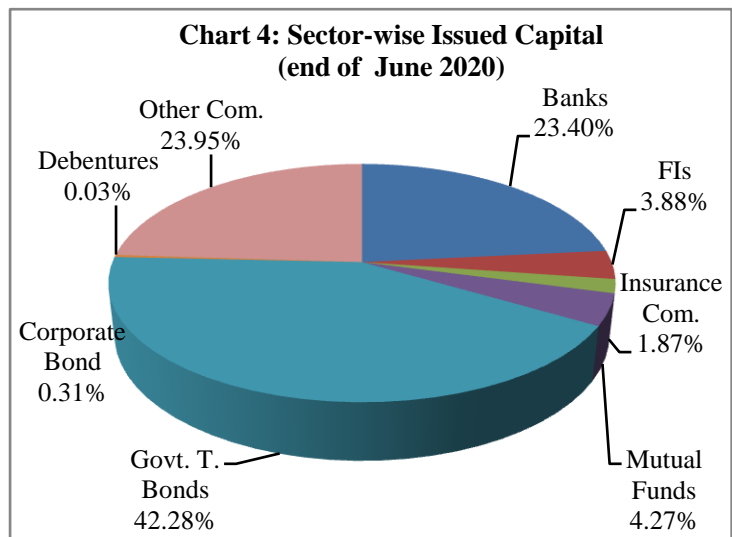
**The ratio of market capitalization to GDP = (market capitalization/GDP FY19 at current market price) x 100 = (3119.67/25424.83) x 100 = 12.27

The price-earning (P/E) ratio increased to 10.78 at the end of June 2020 which was 10.58 at the end of the March 2020. The ratio was 14.25 at the end of the June 2019. On the other hand, the yield of all share decreased to 4.43 at the end of June 2020 which was 5.50 at the end of March 2020 and 4.02 at June 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 1297.44 billion at the end of June 2020 which was same at the end of March 2020 and BDT 1268.57 billion at the end of June 2019. At the end of June 2020 among different sectors, Bangladesh Govt. Treasury Bonds (BGTBs) dominate the bourse in terms of issued capital. This sector issued around 42.28 percent of the capital followed by other companies (23.95 percent) and banking sector (23.40 percent). At the same time the share of Mutual Funds, Financial institutions (FIs), Insurance companies, Corporate bonds and Debentures were 4.27 percent, 3.88 percent, 1.87 percent, 0.31 percent and 0.03 percent respectively (Chart 4).



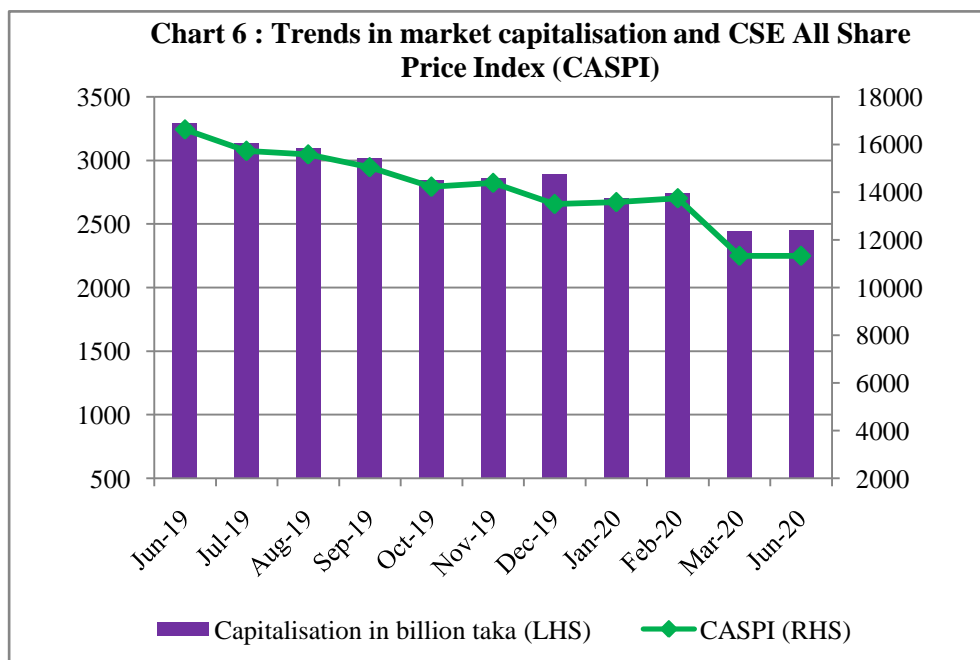
The contribution of Banks to the total market capitalization was 14.40 percent but Bangladesh Govt. Treasury Bonds (BGTBs) recorded as the highest contributor (17.58%) in market capitalization followed by Financial Institutions (4.02%), Insurance Companies (2.93%), Mutual Fund (0.95%), Corporate Bonds (0.12%) and Debentures (0.02%). At the end of June

2020, the contribution of other listed companies (manufacturing, service and others) captured the highest portion (59.98 percent) 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 331 at the end of June 2020. Total turnover value of traded shares was BDT 9.53 billion during June 2020 which was 97.00 percent higher than that of March 2020 as well as 6.80 percent higher than that of the same month of the previous year. The market capitalization of CSE stood at BDT 2447.57 billion at the end of June 2020 which was 0.08 percent higher than that of the end of March 2020 and 25.68 percent lower than that of the end of June 2019.

All Share Price Index of CSE stood lower at 11332.59 points at the end of June 2020, which was 0.04 percent higher than 11328.00 points at the end of March 2020 and 31.87 percent lower than 16634.21 points at the end of June 2019 respectively (Chart-6).



The Shariah Compliant index 'CSES' went up to 733.28 points at the end of June 2020 which was 729.30 points at the end of March 2020 and 1088.92 points at the end of June 2019.

The total amount of issued capital rose to BDT 735.90 billion at the end of June 2020 which was BDT 733.08 billion at the end of March 2020 and BDT 712.89 billion at the end of June 2019. Price Earnings (P/E) ratio in CSE increased to 10.68 at the end of June 2020 which was 10.56 at the end of March 2020. The ratio was 19.04 at the end of June 2019. In Chittagong Stock Exchange, the yield slightly decreased to 4.73 at the end of June 2020 which was 4.77 at the end of March 2020 and 3.17 at the end of June 2019.

Conclusion

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. Banks will be eligible to get repo (repurchase agreement) facilities against treasury bills (T-bills) and treasury bonds at 5.0 percent interest rate instead of the existing 5.25 percent. Besides, this special fund will be allowed to invest in equity shares, mutual funds, bonds or debentures but such loan will not be included in the ADR (advance-deposit ratio) calculation of the banks concerned and the lending will be of continuous and revolving in nature.

To this continuation, Bangladesh Bank (BB) further issued a circular on 7 June, 2020 considering the interest of general investors during this time of coronavirus crisis. According to that circular, BB has now allowed the listed banks to disburse cash dividend for 2019 to individual investors (local and foreign) within September 30 which was restricted by BB through another circular issued on 11 May, 2020. Bangladesh Bank also instructed that the cash dividend declared for 2019 can be disbursed to only individual investors (local and foreign) within September 30 subject to fulfillment of other rules and regulations.