

Capital Market Developments in Bangladesh*

April-June, 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 April-June 2019, both Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) exhibited downward trend in terms of index and turnover compared to the previous quarter. Broad index of DSE and all share price index of CSE stood at 5421.62 points and 16634.21 points respectively at the end of June 2019.

DSE exhibited significant downward trend in terms of turnover compared to the previous quarter

Dhaka Stock Exchange (DSE)

The total number of listed securities stood at 584 at the end of June 2019. Among listed companies, there were 317 companies, 37 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 217 other companies.

During April-June 2019, a total number of 6.26 billion shares were traded as against 11.28 billion shares during January-March 2019 and 7.71 billion shares during the same period of the previous year. It was 44.48 percent lower than that of preceding quarter as well as 18.81 percent lower than that of the same period of the previous year. During the period under report, the total turnover value of traded shares was BDT 223.48 billion which was 50.90 percent and 27.44 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 2019

(BDT/volume in billions)

	No. of listed Securities	Issued capital	Market Capitalization	Total turnover	Turnover volume	P/E Ratio	Yield
Banks	30	293.77	592.95	28.50	1.47	8.26	2.52
FIs	23	48.32	181.80	8.22	0.48	14.66	3.20
Insurance Com	47	24.10	109.19	24.14	0.80	14.42	2.26
Mutual Funds	37	55.35	35.60	1.34	0.21		
Govt. T. Bonds	221	548.59	548.59	0.00	0.00		
Corporate Bond	1	3.00	2.86	0.03	0.00		
Debentures	8	0.35	0.58	0.00	0.00		
Other Companies	217	295.08	2526.59	161.25	3.30		
Grand Total	584	1268.57	3998.16	223.48	6.26	14.25	4.02

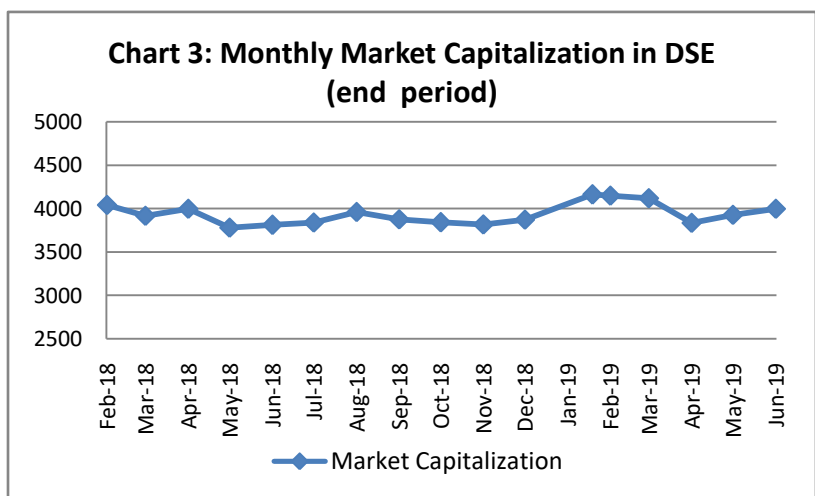
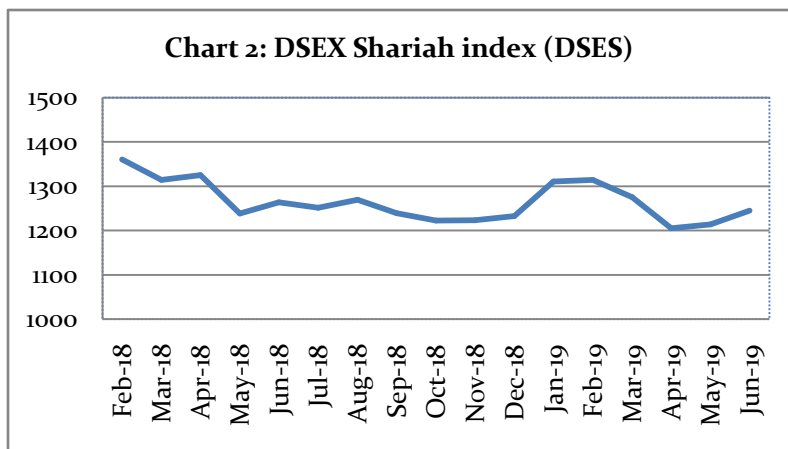
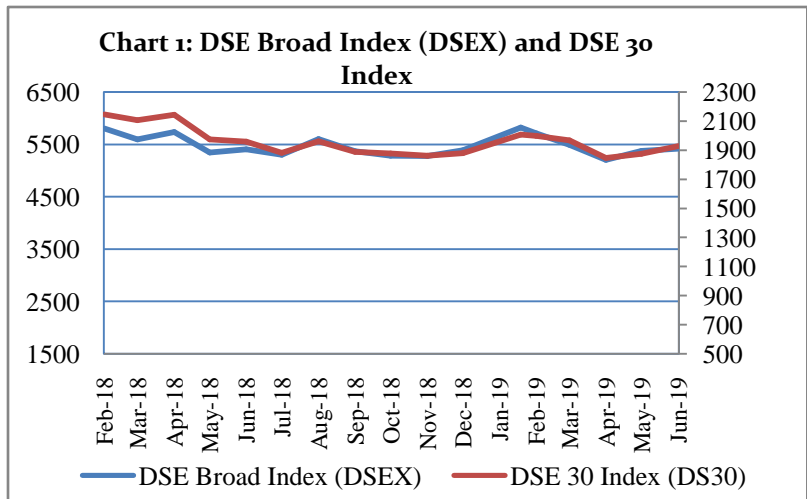
Source: Dhaka Stock Exchange (DSE)

Note: BDT= Bangladeshi Currency (Taka)

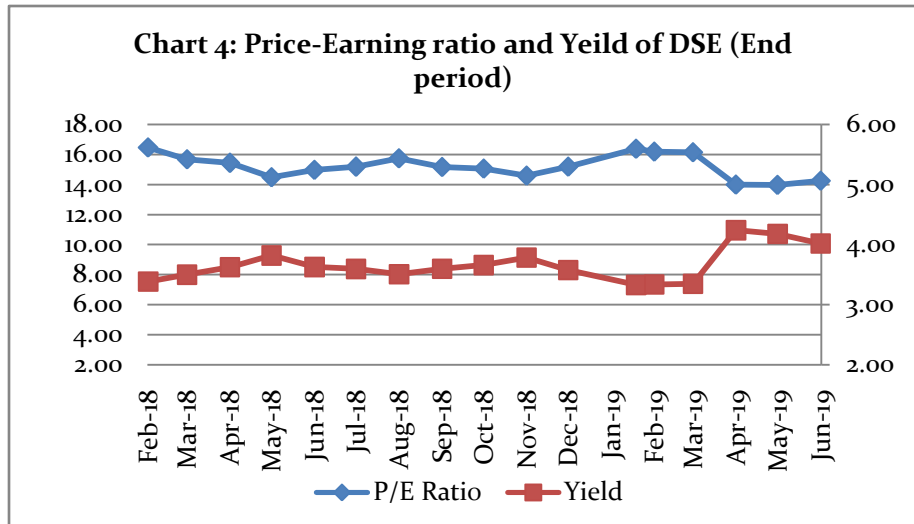
All Share Price Index of DSE (DSEX) stood at 5421.62 points at the end of June 2019, which was 1.28 percent lower than 5491.91 points at the end of March 2019 but 0.30 percent higher than 5405.46 points at the end of June 2018 (Chart-1). DSE30 index stood at 1929.09 points at the end of June 2019 which was 1.94 percent lower than 1967.21 points and 1.57 percent lower than 1959.95 points at the end of March 2019 and at the end of June 2018 respectively.

Sharia'h Compliant index named DSES went up to 1244.69 points at the end of April-June 2019 quarter which was 1275.45 points at the end of previous quarter and 1263.79 points at the same quarter of the preceding year (Chart 2).

The market capitalization of DSE stood at BDT 3998.16 billion at the end of June 2019 which was 2.95 percent lower than that of the previous quarter as well as 3.92 percent higher than that of the same period of the previous year (Chart-3). The ratio of market capitalization to GDP stood at 12.86 percent at the end of May 2018, which registered the peak at 43.52 during the month of December 2010.



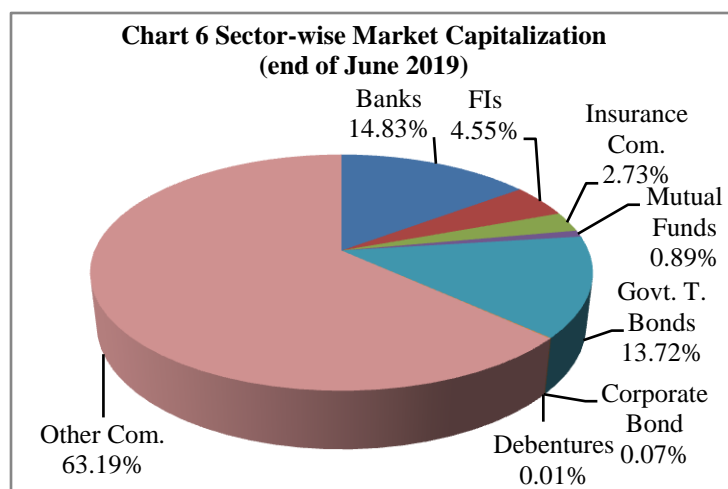
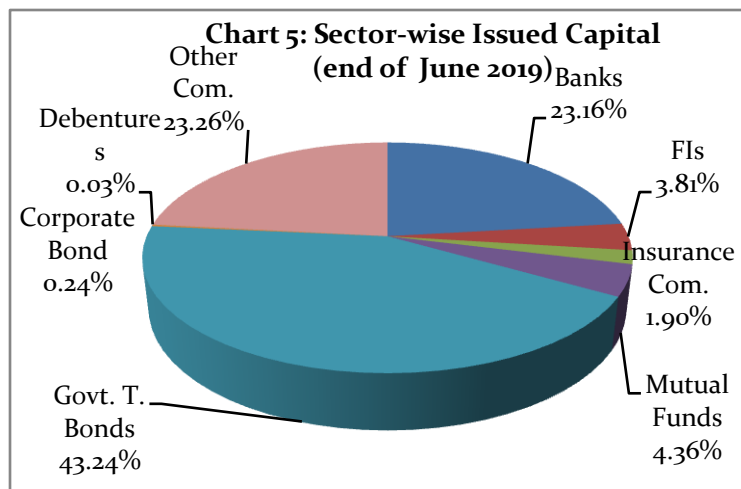
The price-earning (P/E) ratio decreased to 14.25 during the period under report which was 16.14 at the end of the preceding quarter. The ratio was 14.97 at the end of the same quarter of the corresponding year. In contrast, the yield of all share increased to 4.02 at the



end of June 2019 which was 3.35 at the end of March 2019 and 3.63 at the end of June 2018. Trend of Price-Earnings ratio and yield are shown in the Chart 4.

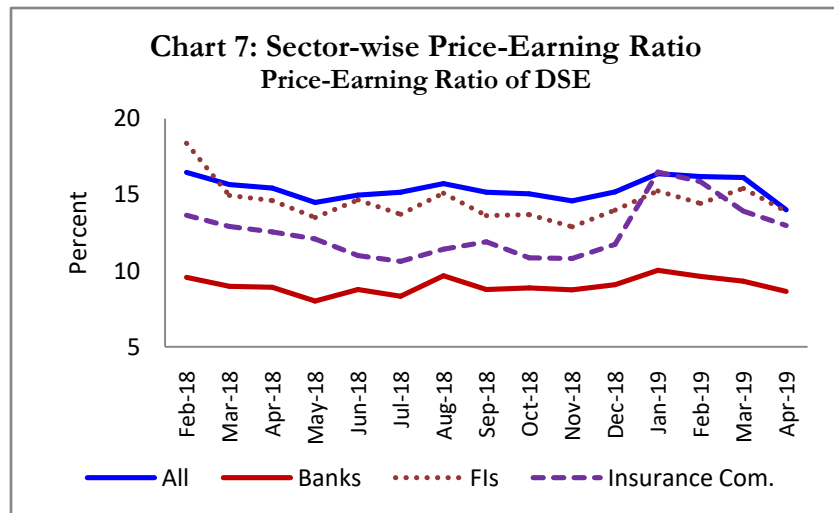
Sector wise Issued capital and market capitalization of DSE

The total amount of issued capital increased to BDT 1268.57 billion at the end of June 2019 which was BDT 1247.55 billion and BDT 1219.67 billion at the end of March 2019 and June 2018 respectively. At the end of June 2019 among different sectors, Bangladesh Govt. Treasury Bonds (BGTBs) dominate the bourse in terms of issued capital. This sector issued around 43.24 percent of the capital followed by other companies (23.26 percent) and banking sectors (23.16 percent). At the same time the shares of Mutual Fund, Financial institutions (FIs), Insurance companies and corporate bonds were 4.36 percent, 3.81 percent, 1.90 percent and 0.24 percent respectively (Chart 5).



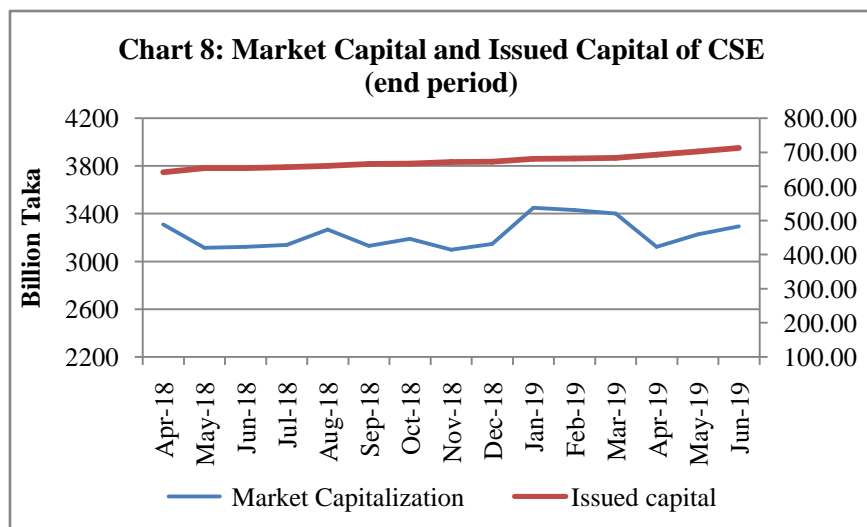
The contribution of Banks to the total market capitalization was 14.83 percent. The contribution of Govt. Treasury Bonds (BGTBs), Financial Institutions (FIs), Insurance Companies, Mutual Fund, Corporate Bonds and Debentures were approximately 13.72 percent, 4.55 percent, 2.73 percent, 0.89 percent and 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 (63.19 percent) among all listed securities in DSE (chart 6).

Price-earnings (P/E) ratio of all securities of DSE registered 14.25 percent at the end of June 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 8.26, 14.66 and 14.42 percent respectively (chart 7).



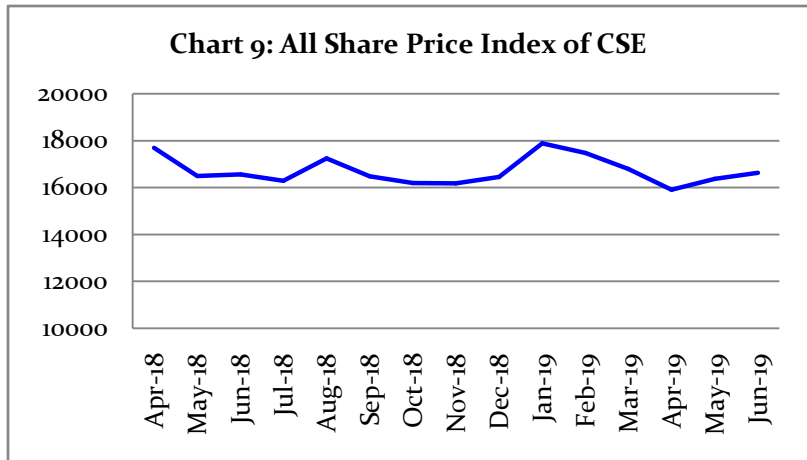
Chittagong Stock Exchange (CSE)

The total number of listed securities in Chittagong Stock Exchange (CSE) stood at 326 at the end of June 2019. During the period April-June 2019, a total number of 573.02 million shares were traded as against 628.31 million shares during January-March 2019 and 607.80 million shares during the same period of the previous year. It was 8.80 percent and 5.72 percent lower than that of preceding quarter and that of the same period of the previous year respectively.



During April-June 2019, the total turnover value of traded shares was BDT 18.10 billion which was 2.21 percent lower than that of the preceding quarter as well as 15.82percent lower than that of the same quarter of the previous year. The market capitalization of CSE stood at BDT 3293.30 billion at the end of the period under review, which was 3.22 percent lower than that of the preceding quarter and 5.44 percent higher than that of the the same quarter of the preceding year respectively (Chart-8).

All Share Price Index of CSE stood at 16634.21 points at the end of June 2019, which was 1.01 percent lower but 0.46 percent higher than 16803.16 points and 16558.51 points at the end of March 2019 and June 2018 respectively. The CSE-30 index stood at 14589.68 points at the end of June 2019, which is 0.91



percent lower and 3.33 percent lower than 14724.32 and 15092.77 points at the end of March 2019 and June 2018 respectively. The Shariah Compliant index 'CSES' went down to 1088.92 points at the end of June 2019 which was 1120.21 points at the end of March 2019 and 1120.37 points at the end of June 2018.

The total amount of issued capital rose to BDT 712.89 billion at the end of June 2019 which was BDT 683.98 billion and BDT 654.06 billion at the end of March 2019 and June 2018 respectively. During April-June 2019, Price Earnings (P/E) ratio in CSE increased to 19.04 from 17.21 at the end of the period under report and the ratio was higher compared to the same period of the preceding year too. In Chittagong Stock Exchange, the yield slightly increased to 3.17 at the end of June 2019 which was 3.07 at the end of March 2019 and 3.37 at the end of June 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
Jun-19	584	326	1,268.57	712.89	3,998.16	3,293.30	223.48	18.10	5,421.62	16,634.21

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 Indonesia showed an upward trend at the end of June 2019. It is observed that, Thailand has the highest market capitalization (percent of GDP) among the selected countries (102.90 percent) followed by 74.56 percent in India, 16.15 percent in Pakistan, 16.95 percent in Sri Lanka and 12.86 percent in Bangladesh at the end of June 2019. However, Pakistan has highest Interest rate of 10 Year Government Bond (14.10 percent) while it was 8.42 percent in Bangladesh at the end of June 2019 (Table 3).

Table 3: Regional markets as on June 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	5.22	1.80	102.90	2.96	1864
India	S&P BSE SENSEX	5.38	6.80	74.56	1.26 (BSE 100)	25.79 (BSE 100)
Indonesia	ISE	5.99(JC)	7.50 (JC)	-	-	-
Pakistan	Pakistan SE	1.06 (KSE 100)	14.10 (KSE 100)	16.15	-	-
Sri Lanka	Colombo SE	-	-	16.95	3.73	8.37
Bangladesh	DSEX	0.82	8.42	12.86	3.98	14.44

Source: Monthly Review of Dhaka Stock Exchange, June 2019. Vol 34. No 06

*Data as on February, 2019

Conclusion

Mobilization of funds keep the wheel of an economy running ahead and work as a financial trigger for smoothing the take-off conditions towards a sustainable economy. A strong capital market plays that catalytic role in economic development through channeling long term funds from savers to entrepreneurs. To make this development inclusive and sustainable, 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, capital market needs to play an active role to attract funds both from home and abroad.

The regulatory body of capital market, Bangladesh Securities 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.