

Capital Market Developments in Bangladesh*

July-September, 2019



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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 July-September 2019, Dhaka Stock Exchange (DSE) exhibited downward trend in terms of index and upward trend in terms of turnover compared to the previous quarter. 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 4947.64 points and 15046.73 points respectively at the end of September 2019.

Dhaka Stock Exchange (DSE)

The total number of listed securities stood at 586 at the end of September 2019. Among listed companies, there were 319 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 219 other companies.

During July-September 2019, a total number of 7.60 billion shares were traded as against 6.26 billion shares during April-June 2019 and 11.08 billion shares during the same period of the previous year. It was 21.38 percent higher than that of preceding quarter as well as 31.39 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 248.40 billion which was 11.15 percent higher and 44.78 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 July-September 2019

(BDT/volume in billions)

	No. of listed Securities	Issued capital	Market Capitalization	Total turnover	Turnover volume	P/E Ratio	Yield
Banks	30	300.97	561.62	19.11	0.99	8.19	2.32
FIs	23	49.70	193.25	12.33	0.40	13.18	3.71
Insurance Com	47	24.26	112.95	27.55	1.01	15.41	2.45
Mutual Funds	37	55.35	33.10	12.40	1.48		
Govt. T. Bonds	221	548.59	548.59	0.00	0.00		
Corporate Bond	1	3.00	2.76	0.01	0.00		
Debentures	8	0.35	0.58	0.00	0.00		
Other Companies	219	296.94	2285.70	177.00	3.72		
Grand Total	586	1279.17	3738.54	248.40	7.60	13.36	4.34

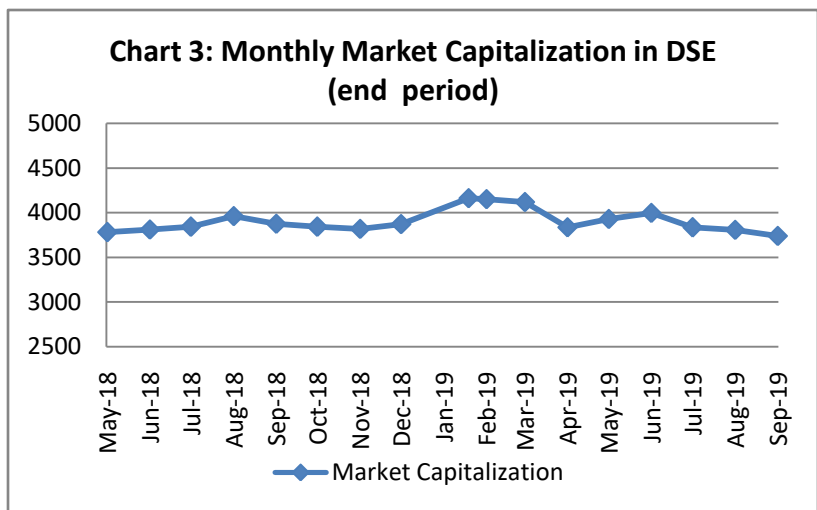
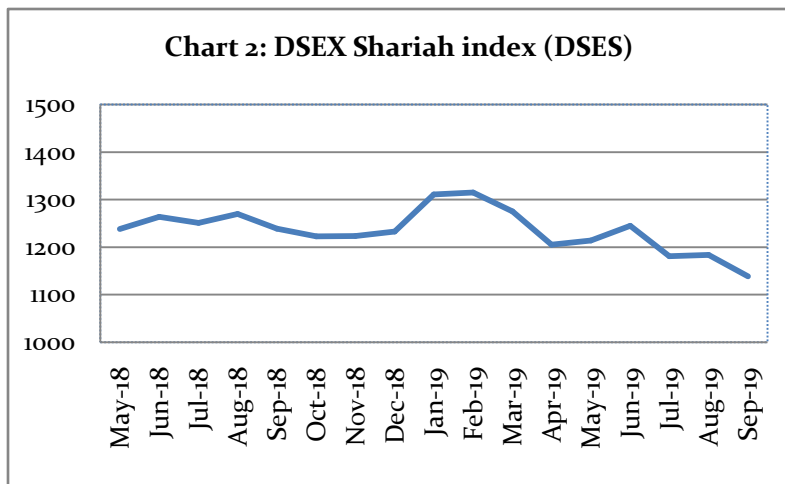
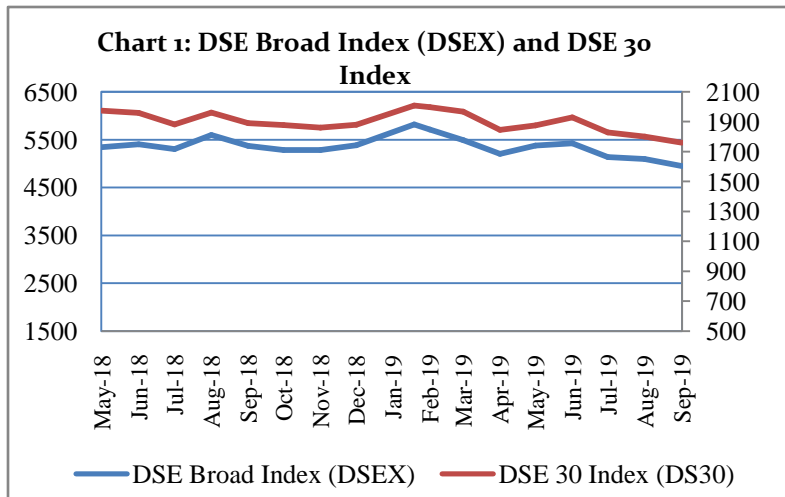
Source: Dhaka Stock Exchange (DSE)

Note: BDT= Bangladeshi Currency (Taka)

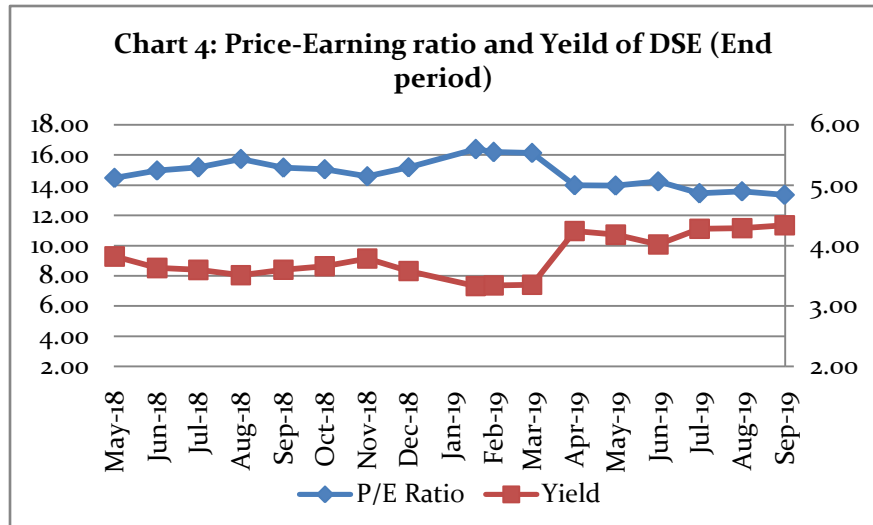
All Share Price Index of DSE (DSEX) stood at 4947.64 points at the end of September 2019, which was 8.74 percent lower than 5421.62 points at the end of June 2019 and 7.85 percent lower than 5368.96 points at the end of September 2018 (Chart-1). DSE30 index stood at 1759.97 points at the end of September 2019 which was 8.77 percent lower than 1929.09 points and 6.87 percent lower than 1889.71 points at the end of June 2019 and at the end of September 2018 respectively.

Sharia'h Compliant index named DSES went down to 1138.70 points at the end of July-September 2019 quarter which was 1244.69 points at the end of previous quarter and 1239.07 points at the same quarter of the preceding year (Chart 2).

The market capitalization of DSE stood at BDT 3738.54 billion at the end of September 2019 which was 6.49 percent lower than that of the previous quarter as well as 3.57 percent lower than that of the same period of the previous year (Chart-3). The ratio of market capitalization to GDP stood at 13.06 percent at the end of June 2018, which registered the peak at 43.52 during the month of December 2010.



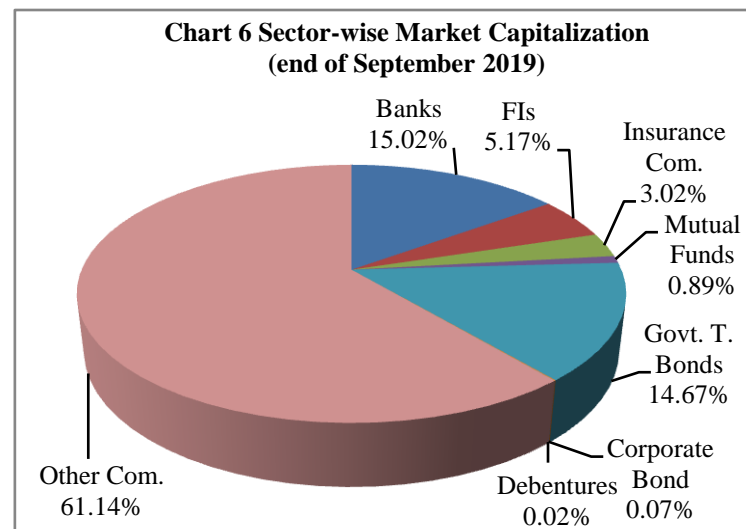
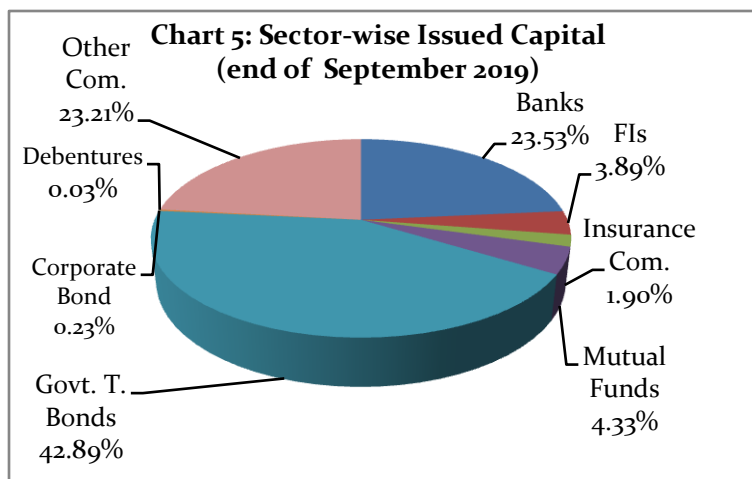
The price-earning (P/E) ratio decreased to 13.36 during the period under report which was 14.25 at the end of the preceding quarter. The ratio was 15.17 at the end of the same quarter of the corresponding year. In contrast, the yield of all share increased to 4.34 at the end of September



2019 which was 4.02 at the end of June 2019 and 3.60 at the end of September 2018. Trend of Price-Earnings ratio and yield are shown in the Chart 4.

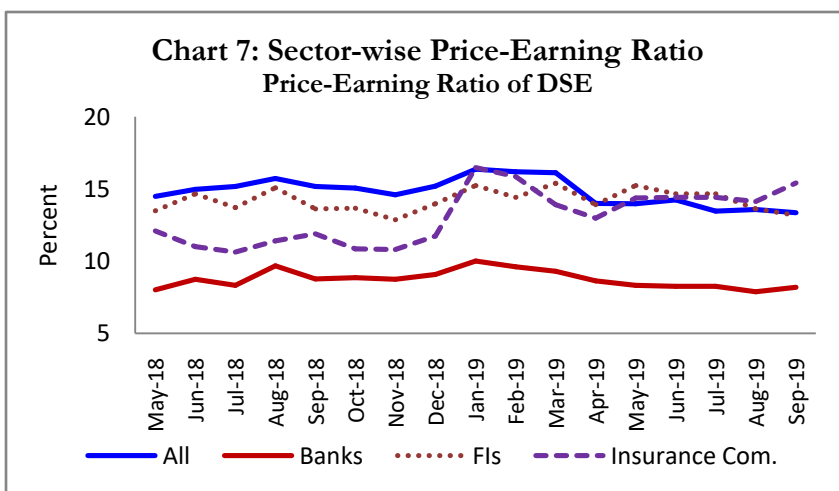
Sector wise Issued capital and market capitalization of DSE

The total amount of issued capital increased to BDT 1279.17 billion at the end of September 2019 which was BDT 1268.57 billion and BDT 1228.50 billion at the end of June 2019 and September 2018 respectively. At the end of September 2019 among different sectors, Bangladesh Govt. Treasury Bonds (BGTBs) dominate the bourse in terms of issued capital. This sector issued around 42.89 percent of the capital followed by banking sectors (23.53 percent) and other companies (23.21 percent). At the same time the shares of Mutual Fund, Financial institutions (FIs), Insurance companies and corporate bonds were 4.33 percent, 3.89 percent, 1.90 percent and 0.23 percent respectively (Chart 5).



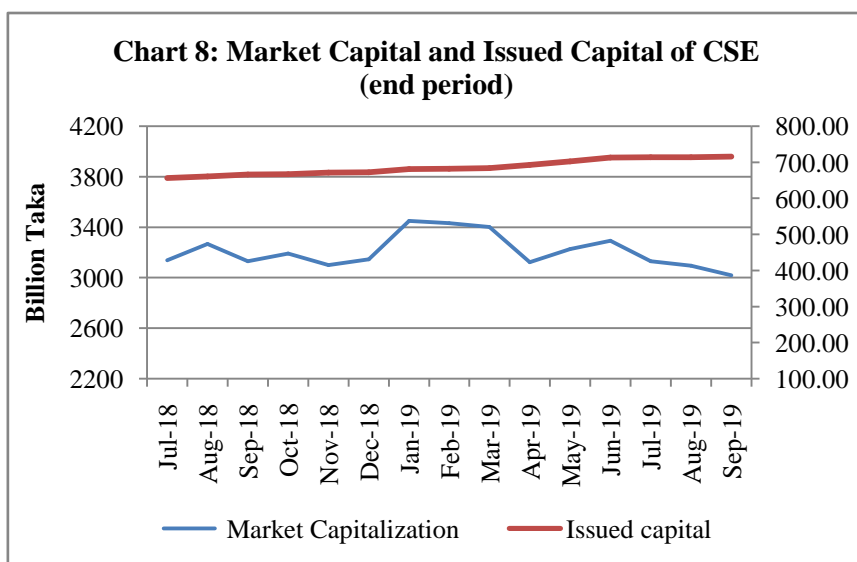
The contribution of Banks to the total market capitalization was 15.02 percent. The contribution of Govt. Treasury Bonds (BGTBs), Financial Institutions (FIs), Insurance Companies, Mutual Fund, Corporate Bonds and Debentures were approximately 14.67 percent, 5.17 percent, 3.02 percent, 0.89 percent and 0.07 percent and 0.02 percent respectively. During the same period, except financial sector the contribution of other listed companies (manufacturing, service and others) captured the highest portion (61.14 percent) among all listed securities in DSE (chart 6).

Price-earnings (P/E) ratio of all securities of DSE registered 13.36 percent at the end of September 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 8.19, 13.18 and 15.41 percent respectively (chart 7).



Chittagong Stock Exchange (CSE)

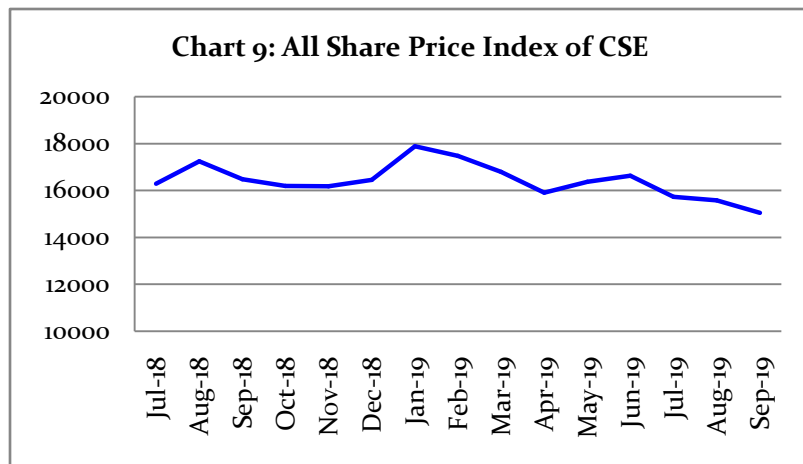
The total number of listed securities in Chittagong Stock Exchange (CSE) stood at 328 at the end of September 2019. During the period July-September 2019, a total number of 464.33 million shares were traded as against 573.02 million shares during April-June



2019 and 734.62 million shares during the same period of the previous year. It was 18.97 percent and 36.79 percent lower than that of preceding quarter and that of the same period of the previous year respectively.

During July-September 2019, the total turnover value of traded shares was BDT 15.06 billion which was 16.81 percent lower than that of the preceding quarter as well as 48.69 percent lower than that of the same quarter of the previous year. The market capitalization of CSE stood at BDT 3019.73 billion at the end of the period under review, which was 8.31 percent and 3.57 percent lower 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 15046.73 points at the end of September 2019, which was 9.54 percent and 8.72 percent lower than 16634.21 points and 16483.29 points at the end of June 2019 and September 2018 respectively. The CSE-30 index stood at 13081.32 points at the end of September 2019,



which is 10.34 percent and 11.14 percent lower than 14589.68 and 14720.68 points at the end of June 2019 and September 2018 respectively. The Shariah Compliant index 'CSES' went down to 981.21 points at the end of September 2019 which was 1088.92 points at the end of June 2019 and 1099.18 points at the end of September 2018.

The total amount of issued capital rose to BDT 715.43 billion at the end of September 2019 which was BDT 712.89 billion and BDT 665.86 billion at the end of June 2019 and September 2018 respectively. During July-September 2019, Price Earnings (P/E) ratio in CSE decreased to 14.89 from 19.04 at the end of the period under report and the ratio was lower compared to the same period of the preceding year too. In Chittagong Stock Exchange, the yield slightly increased to 3.29 at the end of September 2019 which was 3.17 at the end of June 2019 and 3.26 at the end of September 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
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
Sep-19	586	328	1,279.17	715.43	3,738.54	3,019.73	248.40	15.06	4,947.64	15,046.73

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 Pakistan showed an upward trend at the end of September 2019. It is observed that, Thailand has the highest market capitalization (percent of GDP) among the selected countries (113.81 percent) followed by 46.61 percent in Indonesia, 17.00 percent in Sri Lanka, 15.46 percent in Pakistan and 13.00 percent in Bangladesh at the end of June 2019. However, Pakistan has highest Interest rate of 10 Year Government Bond (13.00 percent) while it was 8.83 percent in Bangladesh at the end of September 2019 (Table 3).

Table 3: Regional markets as on September 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	0.97	1.40	113.81	3.08	18.72
India	S&P BSE SENSEX	(1.34)	6.60	-	1.30 (BSE 100)	23.97 (BSE 100)
Indonesia	ISE	0.38(JC)	7.20 (JC)	46.61	-	-
Pakistan	Pakistan SE	1.88 (KSE 100)	13.00 (KSE 100)	15.46	-	-
Sri Lanka	Colombo SE	-	-	17.00	3.37	10.18
Bangladesh	DSEX	(2.91)	8.83	13.06	4.29	13.35

Source: Monthly Review of Dhaka Stock Exchange, September 2019. Vol 34. No 09

*Data as on June, 2019

Conclusion

A strong capital market plays an important 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 by 2024, capital market needs to play an 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 extending spaces for upcoming instruments to be introduced in the country. 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.