

Capital Market Development in Bangladesh

July-September, 2016



**Research Department
Bangladesh Bank**

The report has been prepared by Special Studies Division, Research Department, Bangladesh Bank (Central Bank of Bangladesh). Comments on any aspects of the report are highly welcome and can be sent to Nurun Nahar Sultana, Deputy General Manager, Research Department, Bangladesh Bank. E-mail: nurun.sultana@bb.org.bd or Mr. Md. Nazimul Arif Sarker, Joint Director, Research Department, Bangladesh Bank. Email: nazimul.sarker@bb.org.bd.

Report Preparation Committee

Chief coordinator

Dr. Md. Akhtaruzzaman
Economic Adviser

Coordinator

Md. Abdul Awwal Sarker
General Manager

Team Members

Nurun Nahar Sultana
Deputy General Manager

Md. Nazimul Arif Sarker
Joint Director

Shah Md. Sumon
Assistant Director

Quarterly Analysis on Capital Market Development in Bangladesh

Capital market of Bangladesh is one of the smallest markets in Asia; however it is growing and broadening gradually. It consists of two full-grown automated stock exchanges- the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE). Bangladesh Securities and Exchange Commission (BSEC) regulates the stock exchanges and oversee the interests of securities' investors, and build up and maintain fair, transparent and efficient securities markets. Moreover, it ensures proper issuance of securities and compliance with securities laws. The quarterly analysis on capital market development of Bangladesh potentially gives some insights to understand policy aspects of capital market in Bangladesh. An analysis on the capital market of Bangladesh during July-September 2016 is given below:

Dhaka Stock Exchange

The total number of listed securities stood at 559 at the end of September 2016 of which the number of companies 293, number of mutual funds 35, number of government bonds 221, number of debenture 8, and number of corporate bonds 2. The number of companies consists of banks 30, financial Institutions 23, insurance companies 47 and other companies 193.

During the period July-September 2016, a total number of 660.89 crore shares were traded as against 645.31 crore shares during April-June 2016 and 785.56 crore shares during the same period of the previous year (July-September 2015). It was 2.41 percent higher and 15.87 percent lower than that of preceding quarter (April-June 2016) and the same period of the previous year (July-September 2015) respectively. During the period under report, the total turnover value of traded shares was Tk. 24892.30 crore which was 4.65 percent higher than that of the preceding quarter; however, 20.04 percent lower than that of the same quarter of the previous year (Annex-1).

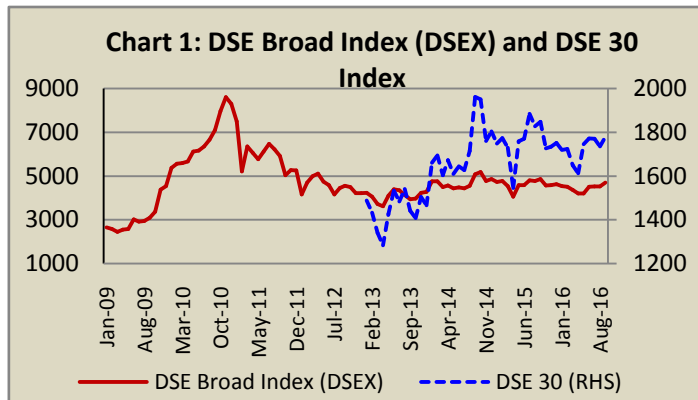
Table 1: Sector wise Performance of DSE during July-September 2016

(Tk. in Crore)

	No. of listed Securities	Issued capital	Market Capitalization	Total turnover	Turnover volume	P/E Ratio	Yield
Banks	30	23947.23	44183.58	2651.54	138.82	7.44	7.46
FIs	23	4052.99	15320.97	1885.98	68.62	14.76	3.94
Insurance Com	47	2148.12	7481.74	478.37	20.89	11.16	3.69
Mutual Funds	35	4614.87	3190.42	389.92	58.52	-	-
Govt. T. Bonds	221	54859.22	54859.22	0.00	0.00	-	-
Corporate Bond	2	595.11	598.64	3.01	0.00	-	-
Debentures	8	35.37	57.57	0.00	0.00	-	-
Other com.	193	22885.87	202498.81	19483.48	374.04	-	-
Grand Total	559	113138.78	328190.95	24892.30	660.89	15.12	3.73

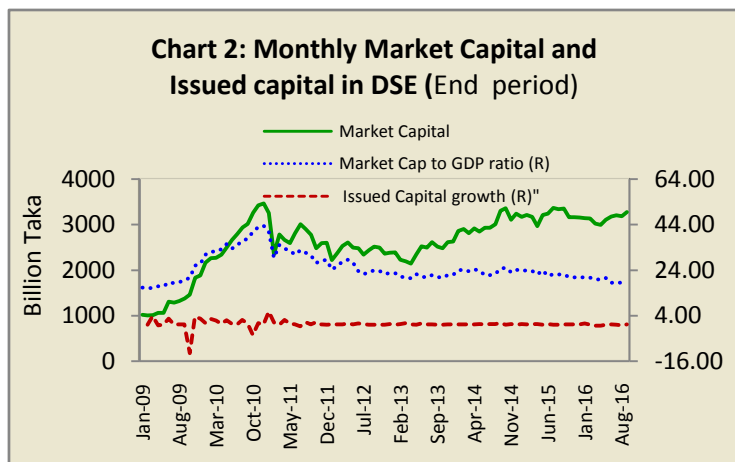
Source: Dhaka Stock Exchange (DSE)

All Share Price Index of DSE (DSEX) stood at 4695.19 points at the end of September 2016, which was 4.16 percent higher than 4507.58 points at the end of June 2016 but 3.23 percent lower than 4852.08 points at the end of September 2015 (Chart-1). DSE30 index which is being calculated based on the best performing 30 companies' share prices from January 2013. This index



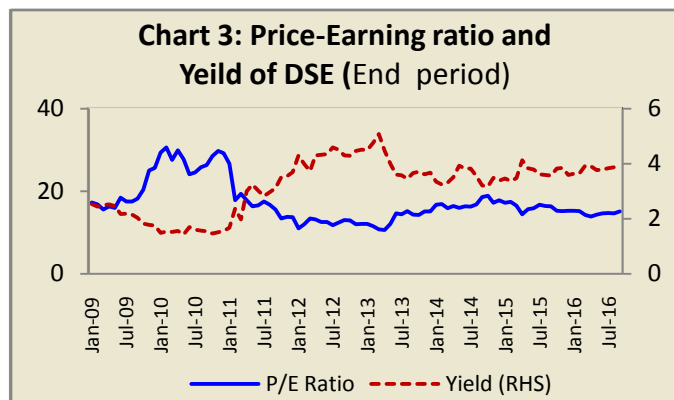
stood at 1778.70 points at the end of September 2016, which was 0.44 percent higher and 3.75 percent lower than 1770.82 and 1847.97 points at the end of June 2016 and September 2015 respectively. DSE also introduced a new index named DSE Shariah Index (DSES) which serves as a Shariah Compliant broad market benchmark of capital market in Bangladesh.

The market capitalization of DSE stood at Tk. 328190.95 crore at the end of the period under report, which was 3.02 percent higher and 2.19 percent lower than that of the preceding quarter and the same period of the preceding year respectively. It is observed that, growth rate of issued capital are positively correlated with the growth of market capital. Market capital to GDP ratio stood at 18.98



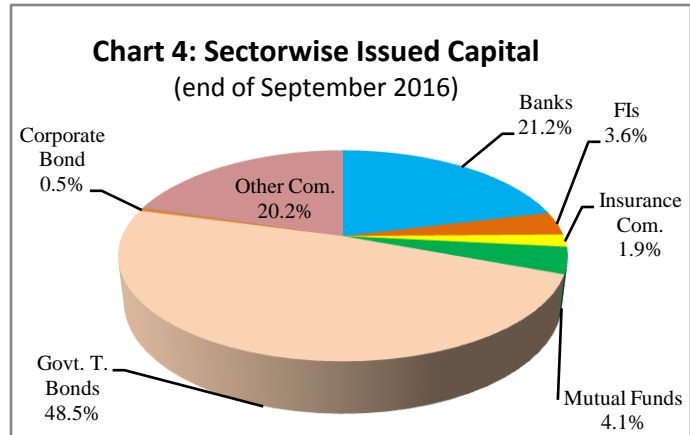
percent at the end of September 2016, which hits the peak at 43.52 during the month of December 2010. After that, it's moving downward and reached at 20.34 at the end of April 2013. During the year 2013 to 2015 it was slightly higher than previous few months. After December 2015 it's moving around 20 due to seven percent GPD growth (Chart-2).

Overall, price-earnings (P/E) ratio increase to 15.12 during the period under report, it was 14.61 at the end of the preceding quarter and it 16.36 at the end of the same quarter of the preceding year. In contrast, the yield of all share stood at 3.73 at the end of September 2016 which was 3.79 at the end of June 2016 and 3.57 at the end of September 2015. The relation between price-earnings ratio and yield shows opposite direction (Chart 3).

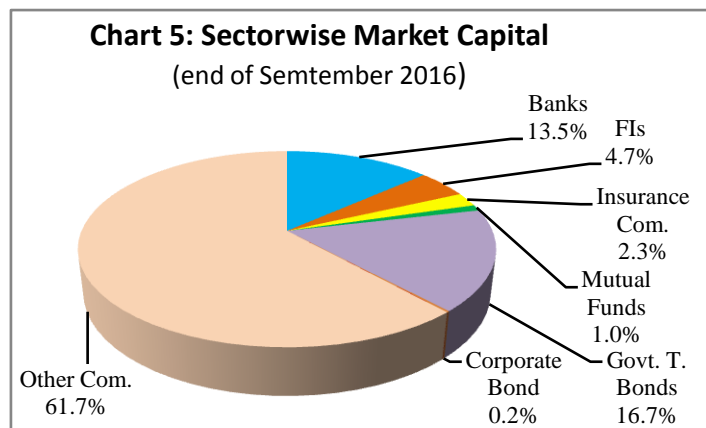


Sector wise Issued capital and market capitalization of DSE

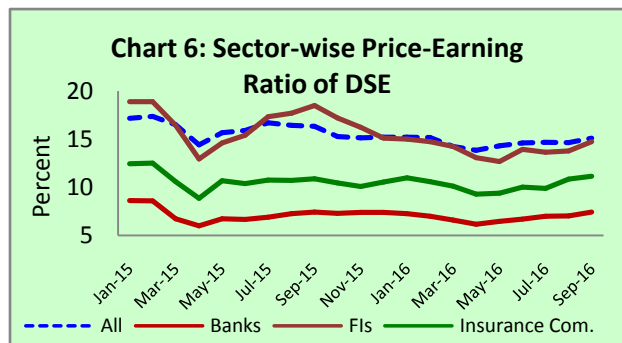
The total amount of issued capital increased to Tk. 113138.78 crore at the end of September 2016 which was Tk. 112741.00 crore and Tk. 109680.16 crore at the end of June 2016 and September 2015 respectively. At the end of September 2016 among different sectors, Bangladesh Govt. Treasury Bonds (BGTBs) dominate the bourse in terms of issued capital. This sector issued around 48.5% capital. Followed that banking sectors' share of issued capital was 21.2 percent. At the same time the shares of Mutual Fund, Financial institutions (FIs), Insurance companies and corporate bonds was 4.1 percent, 3.6 percent, 1.9 percent, and 0.5 percent respectively. Besides this, the share of all others listed companies' except financial sector was around 20.2 percent (Chart 4).



It is observed that, the contribution of Banks to the total market capitalization is 13.5 percent. The contribution of Govt. Treasury Bonds (BGTBs), Financial Institutions (FIs), Insurance Companies, Mutual Fund and Corporate Bonds was approximately 16.7 percent, 4.7 percent, 2.3 percent, 1.0 percent and 0.2 percent respectively. At the same period, except financial sector the contribution of other listed companies (manufacturing, service and others) captured the highest portion (61.7 percent) among all listed securities in DSE (chart 5).



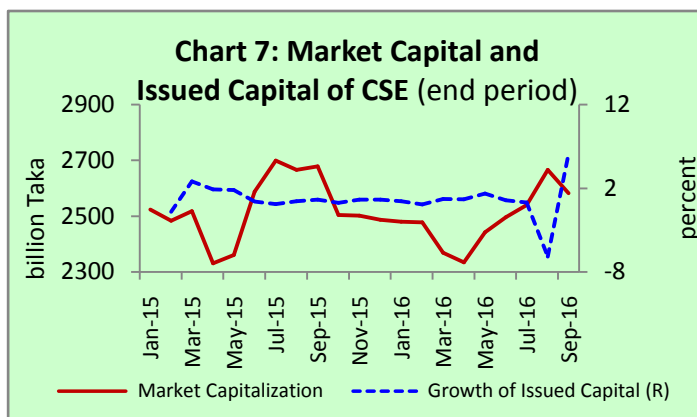
Overall, it is observed that the market capitalization of BGTBs and the financial sectors was not significant as compared to issued capital of those sectors. Price-earnings (P/E) ratio of all securities of DSE stood at 15.12 at the end of September 2016. P/E ratios for banking sector perform the best. P/E ratios for banks, FIs and Insurances companies are 7.44, 14.76 and 11.16 respectively (chart 6).



Chittagong Stock Exchange (CSE)

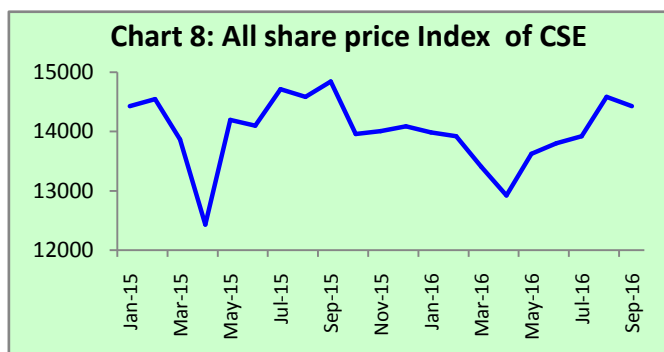
The total number of listed securities in Chittagong Stock Exchange (CSE) stood at 299 at the end of September 2016. During the period July-September 2016, a total number of 50.41 crore shares were traded as against 55.09 crore shares during April-June 2016 and 68.75 crore shares during the same period of the previous year (July-September 2015). It

was 8.50 percent and 26.68 percent lower than that of preceding quarter (April-June 2016) and the same period of the previous year (July-September 2015) respectively.



During July-September 2016, the total turnover value of traded shares was Tk.2120.88 crore which was 30.92 percent higher and 14.74 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.258265.47 crore at the end of the period under report, which was 3.44 percent higher and 3.57 percent lower than the same of period of the preceding quarter and the same period of the preceding year respectively (Annex-3).

All Share Price Index of CSE stood at 14429.44 points at the end of September 2016, which was 4.54 percent higher and 2.80 percent lower than 13802.59 points and 14845.0 points at the end of June 2016 and September 2015 respectively. The CSE is also calculating CSE30 index based on the best performing 30 companies' share prices. The CSE 30 index stood at



13096.15 points at the end of September 2016, which is 2.52 percent and 1.53 percent higher than 12773.70 and 12899.12 points at the end of June 2016 and September 2015 respectively. CSE has also introduced a Shariah Compliant index named CSES. This CSES decreased to 1005.13 points at the end of September 2016 which was 1027.88 points at the end of June 2016 and 1043.91 points at the end of September 2015.

The total amount of issued capital decreased to Tk. 56557.47 crore at the end of September 2016 which was Tk. 56607.60 crore and Tk. 53627.19 crore at the end of June 2016 and September 2015 respectively. During July-September 2016, Price Earnings (P/E) ratio in CSE increased to 15.23. The ratio was 14.60 and 15.94 at the end of the preceding quarter and the same period of the preceding year in that order. In Chittagong Stock Exchange, the yield increased to 3.25 at the end of September 2016 which was 1.69 at the end of June 2016 and 3.16 at the end of September 2015.

A comparative table of these two stock exchanges (Table-2) is given below:

Table 2: Summary of Capital Market Development in Bangladesh

(Billion Taka)

End period	Number of listed Securities		Issued capital		Market Capitalization		Turnover		Indices	
	DSE	CSE	DSE	CSE	DSE	CSE	DSE	CSE	DSE	CSE
Mar-15	551	291	1,069.80	508.85	3,172.29	2,517.85	170.69	15.40	4,530.48	13864.01
Jun-15	555	295	1,091.95	529.77	3,247.31	2,588.08	305.99	30.74	4,583.11	14,097.17
Sep-15	556	296	1,096.80	536.27	3,355.50	2,678.26	311.33	24.87	4,852.08	14,845.00
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

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

Regional Markets

Main indices of the regional stock markets of 6 selected countries (Bangladesh, India, Indonesia, Sri Lanka, Pakistan and Thailand) at the end of September 2016, showed an upward trend except Indonesia. It is observed that, Thailand has the highest market capitalization (% of GDP) among the selected countries, which recorded at 111.87 percent followed by 79.18 percent in India, 50.90 percent in Indonesia, 28.97 percent in Pakistan, 23.80 percent in Sri Lanka and 18.98 percent in Bangladesh. However, Pakistan has highest Interest rate of 10 Year Government Bond (8.03 percent) while it was 7.10 percent in Bangladesh at the end of September 2016 (Table 3).

Table 3: Regional Markets as on September 2016

Country	Name of Stock exchange	Index	Interest Rate 10-Yr-G-Bond % a year	M. Cap to GDP ratio %	yield
		% change over previous month			
Thailand	SET	3.90	2.22	111.87	3.19
India	BSE	1.59	7.04	79.18	1.28
Indonesia	ISE	-1.14	6.95	50.90	-
Pakistan	Pakistan SE	0.67	8.03	28.97	-
Sri Lanka	Colombo SE	-	-	23.80	3.04
Bangladesh	DSE	3.72	7.10	18.98	3.69

Source: Monthly Review of Dhaka Stock Exchange, September 2016.

Conclusion

Stock market is regarded as one of the best tools for accelerating economic growth by accumulating savings for investment in productive and profitable sectors of the economy. The development of stock market aims at ensuring full efficiency of capital formation and allocation of resources. Capital market in Bangladesh is now more stabilized than the previous few years after the 2010s bubble and the subsequent collapse of the market. Bangladesh Bank is proactively supporting to stabilize the capital market, at the same time reining in banking sector's capital market exposures within global best practice norms linked to their capital bases. The government has recently taken up initiatives, for instance, introducing long term pension savings schemes for general public, to be supervised by a new Pension Funds Regulator. Successful introduction of such scheme would help the financial and capital markets to a great extent in mobilizing long term savings for long term investments.