

# **Capital Market Developments in Bangladesh\***

**July-September, 2017**



**Research Department  
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## Capital Market Developments in Bangladesh

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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 2017, both stock exchanges exhibited upward trend in terms of index and turnover compare to the previous quarter. Broad index of DSE and all share price index of CSE went up to 6092.84 points and 18881.60 points respectively at the end of September, 2017.

### Dhaka Stock Exchange (DSE)

The total number of listed securities stood at 564 at the end of September 2017 which comprise 298 companies, 35 mutual funds, 221 government bonds, 8 debentures, and 2 corporate bonds respectively. The number of companies consists of 30 banks, 23 financial Institutions, 47 insurance companies and 198 other companies.

During the period July-September 2017, a total number of 19.41 billion shares were traded as against 11.13 billion shares during April-June 2017 and 6.61 billion shares during the same period of the previous year. It was 74.44 percent and 193.67 percent higher than that of preceding quarter higher and of the same period of the previous year respectively. During the period under report, the total turnover value of traded shares was Tk. 604.63 billion which was 60.24 percent and 142.90 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 July-September 2017**

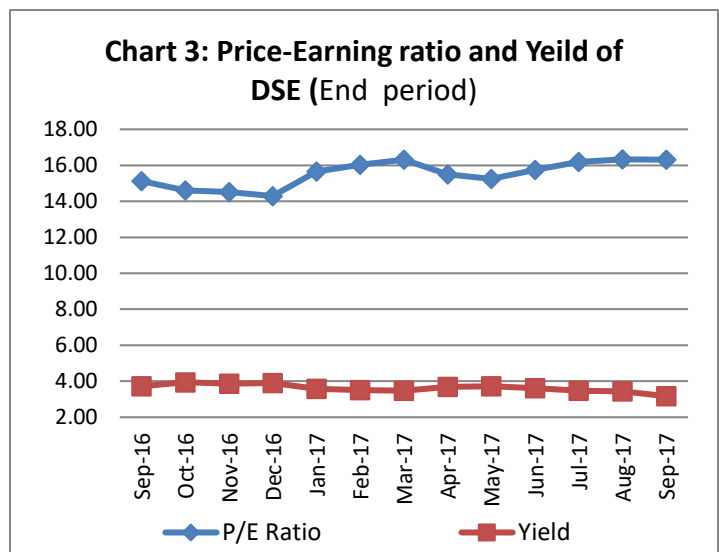
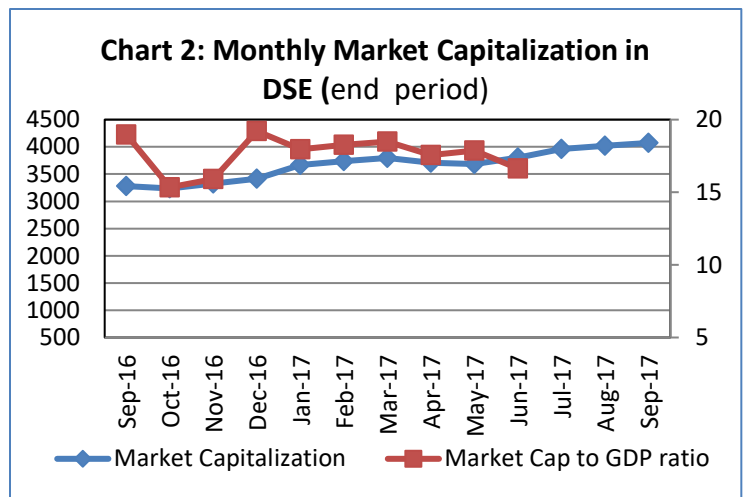
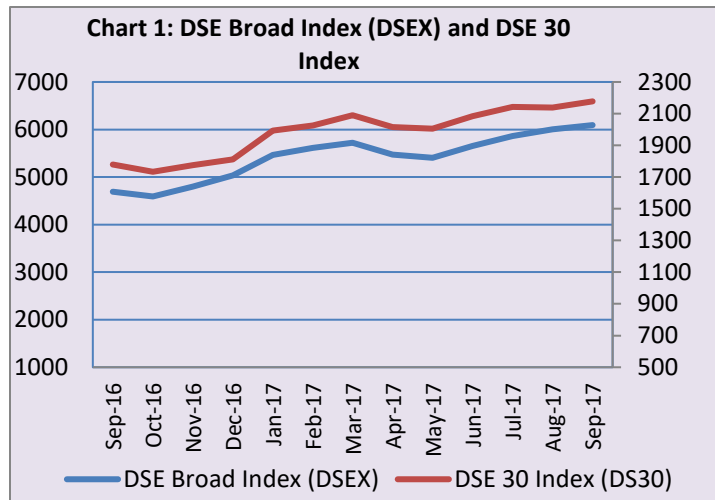
	No. of listed Securities	Issued capital	Market Capitalization	Total turnover	Turnover volume	P/E Ratio	Yield
Banks	30	257.34	723.74	164.72	7.04	10.73	4.61
FIs	23	43.26	252.24	55.19	1.57	24.36	2.44
Insurance Com	47	22.40	92.93	10.34	0.37	14.76	3.16
Mutual Funds	35	52.37	43.19	11.13	1.30		-
Govt. T. Bonds	221	548.59	548.59	0	0		
Corporate Bond	2	5.85	5.93	0.19	0		
Debentures	8	0.35	0.58	0	0		
Other com.	198	247.89	2404.88	363.06	9.13		
Grand Total	564	1178.05	4072.08	604.63	19.41	16.31	3.17

Source: Dhaka Stock Exchange (DSE)

All Share Price Index of DSE (DSEX) increased to 6092.84 points at the end of September 2017, which was 7.72 percent and 29.77 percent higher than 5656.05 points at the end of June 2017 and 4695.19 points at the end of September 2016 (Chart-1). DSE30 index<sup>1</sup> also went up to 2177.62 points at the end of September 2017, which was 4.50 percent and 22.43 percent higher than 2083.80 and 1778.70 points at the end of June 2017 and September 2016 respectively. Shariah Compliant index named DSES increased to 1345.86 points at the end of September 2017 which was 1296.74 points at the end of June 2017 and 1125.86 points at the end of September 2016.

The market capitalization of DSE stood at Tk. 4072.08 billion at the end of September, 2017, which was 7.13 percent and 24.08 percent higher than that of the previous quarter and the same period of the previous year respectively. The ratio of market capitalization to GDP stood at 16.64 percent at the end of June 2017 (Chart-2).

The price-earning (P/E) ratio increased to 16.31 during the period under report which was 15.74 at the end of the preceding quarter. The ratio was 15.12 at the end of the same quarter of the preceding year. In contrast, the yield of all share stood at 3.17 at the end of September 2017 which was 3.61 at the end of June 2017 and 3.73 at the end of

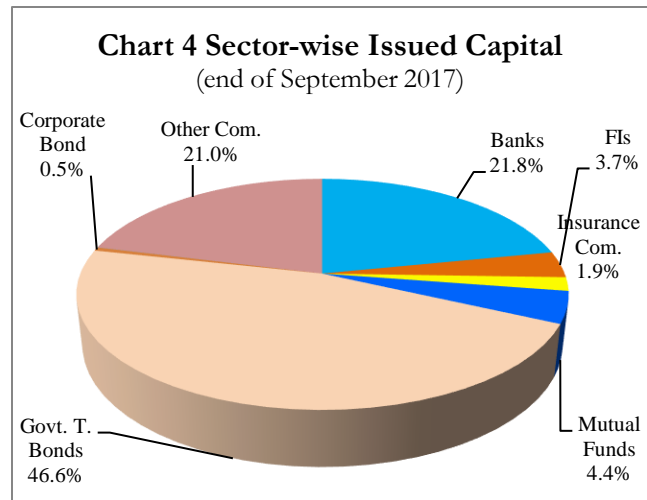


<sup>1</sup> DSE30 index is being calculated based on the best performing 30 companies' share prices from January 2013.

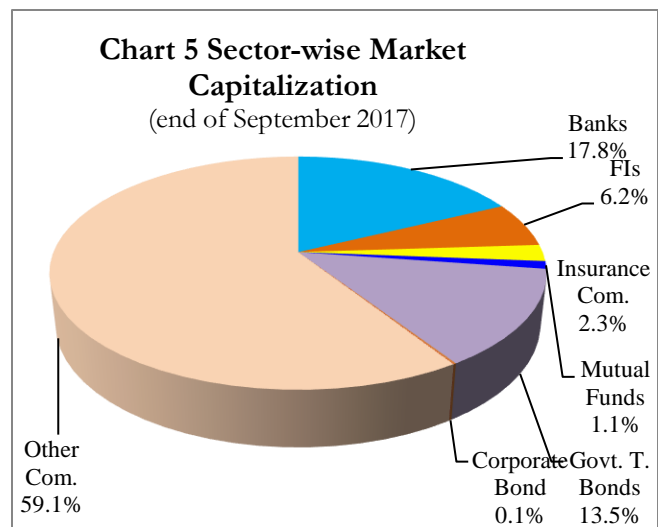
September 2016. The relation between price-earnings ratio and yield shows opposite direction (Chart 3).

### Sector wise Issued capital and market capitalization of DSE

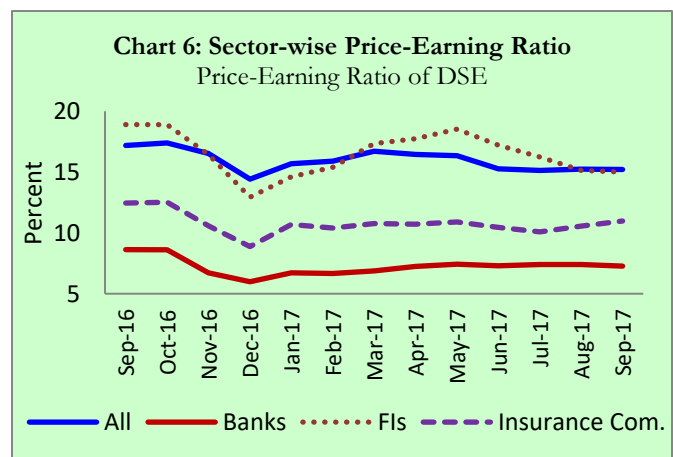
The total amount of issued capital increased to Tk. 1178.05 billion at the end of September 2017 which was Tk. 1165.51 billion and Tk. 1131.39 billion at the end of June 2017 and September 2016 respectively. At the end of September 2017 among different sectors, Bangladesh Govt. Treasury Bonds (BGTBs) dominate the bourse in terms of issued capital. It accounted for around 46.6 percent of the capital followed by banking sectors (21.8 percent) and other companies (21.0 percent). At the same time the shares of Mutual Fund, Financial institutions (FIs), Insurance companies and corporate bonds were 4.4 percent, 3.7 percent, 1.9 percent, and 0.5 percent respectively (Chart 4).



The contribution of Banks to the total market capitalization was 17.8 percent where as the contributions of Govt. Treasury Bonds (BGTBs), Financial Institutions (FIs), Insurance Companies, Mutual Fund and Corporate Bonds were approximately 13.5 percent, 6.2 percent, 2.3 percent, 1.1 percent and 0.1 percent respectively. During the same period, except financial sector the contribution of other listed companies (manufacturing, service and others) captured the highest portion (59.1 percent) among all listed securities in DSE (chart 5).



Price-earnings (P/E) ratio of all securities of DSE stood at 16.31 percent at the end of September 2017. 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 10.73, 24.36 and 14.76 percent respectively (chart 6).



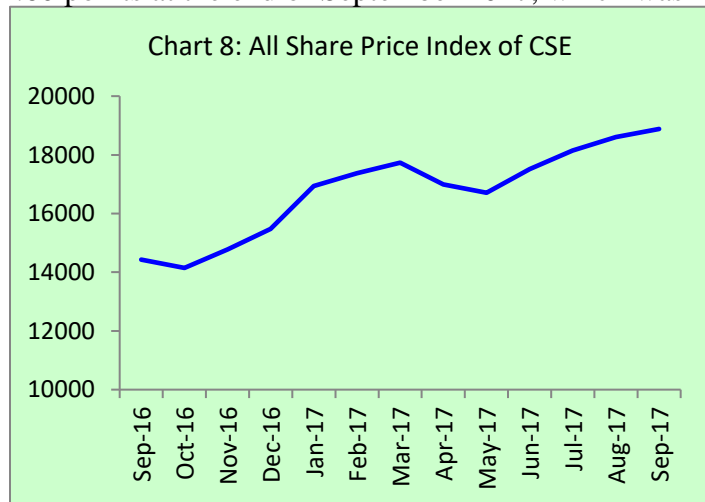
## Chittagong Stock Exchange (CSE)

The total number of listed securities in Chittagong Stock Exchange (CSE) stood at 304 at the end of September 2017. During the period July-September 2017, a total number of 1495.48 million shares were traded as against 921.33 million shares during April-June 2017 and 504.14 million shares during the same period of the previous year. It was 62.32 percent and 196.64 percent higher than that of preceding quarter and the same period of the previous year respectively.



During July-September 2017, the total turnover value of traded shares was Tk. 41.76 billion which was 36.09 percent and 96.88 percent higher than that of the preceding quarter and the same quarter of the previous year respectively. The market capitalization of CSE stood at Tk. 3382.72 billion at the end of the period under report, which was 8.66 percent and 30.98 percent higher 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 18881.60 points at the end of September 2017, which was 7.79 percent and 30.85 percent higher than 17516.71 points and 14429.44 points at the end of June 2017 and September 2016 respectively. The CSE 30 index stood at 16424.84 points at the end of September 2017, which is 5.42 percent and 25.42 percent higher than 15580.37 and 13096.15 points at the end of June 2017 and September 2016 respectively. The Shariah Compliant index 'CSES' increased to 1227.25 points at the end of September 2017 which was 1178.39 points at the end of June 2017 and 1005.13 points at the end of September 2016.



The total amount of issued capital rose to Tk. 616.70 billion at the end of September 2017 which was Tk. 606.58 billion and Tk. 565.57 billion at the end of June 2017 and September 2016 respectively. During July-September 2017, Price Earnings (P/E) ratio in CSE increased to 17.18 from 17.05 at the end of the preceding quarter. Similarly, the ratio was also higher compared to the same period of the preceding year. In Chittagong Stock Exchange, the yield increased to 2.98

at the end of September 2017 which was 2.86 at the end of June 2017 and 3.25 at the end of September 2016.

A comparative picture of the two stock exchanges (Table-2) is given below:

**Table 2: Summary of Capital Market Developments in Bangladesh**

(Billion Taka)

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
Sep-15	556	296	1096.8	536.27	3355.5	2678.26	311.33	24.87	4852.08	14845
Dec-15	559	299	1105.92	544.68	3159.76	2487.49	243.39	17.47	4629.64	14089.63
Mar-16	560	300	1111.64	551.35	3030.37	2368.35	279.89	19.52	4357.54	13407.24
Jun-16	559	298	1127.41	566.08	3185.75	2496.85	237.85	16.2	4507.58	13802.59
Sep-16	559	299	1131.39	565.57	3281.91	2582.65	248.92	21.21	4695.19	14429.44
Dec-16	560	300	1145.3	574.1	3412.44	2683.04	424.9	26.15	5036.05	15477.66
Mar-17	562	302	1152.55	590.06	3798.31	3118.87	754.07	45.73	5719.61	17738.3
Jun-17	563	303	1165.51	606.57	3801	3113.25	377.32	30.68	5656.05	17516.71
Sep-17	564	304	1178.05	616.7	4072.08	3382.72	604.63	41.76	6092.84	18881.6

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 2017, showed an upward trend except Indonesia and Pakistan. It is observed that, Thailand has the highest market capitalization (% of GDP) among the selected countries (125.79 percent) followed by 91.68 percent in India, 51.30 percent in Indonesia, 30.24 percent in Pakistan, 23.24 percent in Sri Lanka and 17.64 percent in Bangladesh at the end of September 2017. However, Pakistan has highest Interest rate of 10 Year Government Bond (8.25 percent) while it was 6.91 percent in Bangladesh at the end of September 2017 (Table 3).

**Table 3: Regional markets as on September 2017**

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	6.18	2.15	125.79	2.86	18.08
India	BSE	2.58 (BSE 30)	6.58 (BSE 30)	91.68	1.29 (BSE 100)	23.92 (BSE 100)
Indonesia	ISE	-0.13 (JC)	6.64 (JC)	51.30	-	-
Pakistan	Pakistan SE	-1.02 (KSE 100)	8.25 (KSE 100)	30.49	-	-
Sri Lanka	Colombo SE	-	-	23.24	1.38	10.71
Bangladesh	DSEX	1.44	6.91	17.64	3.35	16.47

Source: Monthly Review of Dhaka Stock Exchange

## **Conclusion**

Though capital market plays significant role in economic development by channeling long term funds from savers to investors, the market in Bangladesh is still lagging behind as compared to those of South Asian and South-east Asian countries. Banks play dominant roles in financing economic activities in Bangladesh. However, banks are not in a position to finance a long term productive investment activities continuously following higher level of non-performing loan and risk of maturity mismatch of funds. Given this, Bangladesh needs to undertake measures to expand capital market for financing productive investments and infrastructural projects. To this end, regulator of capital market BSEC may undertake some pragmatic steps to ensure good corporate governance, motivate good companies for floating bonds, shares and continue legal facilitation with more attractive incentives, especially for the foreign participants.