

# Capital Market Developments in Bangladesh\*

October-December, 2018



## 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 October-December 2018, both Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) exhibited downward trend in terms of turnover compared to the previous quarter. Broad index of DSE and all share price index of CSE stood at 5385.64 points and 16449.51 points respectively at the end of December 2018.

## Dhaka Stock Exchange (DSE)

The total number of listed securities stood at 578 at the end of December 2018. Among listed securities, there were 311 companies, 37 mutual funds, 221 government bonds, 8 debentures, and 1 corporate bond respectively. The number of companies consists of 30 banks, 23 financial Institutions, 47 insurance companies and 211 other companies.

During the period October-December 2018, a total number of 8.28 billion shares were traded as against 11.08 billion shares during July-September 2018 and 12.15 billion shares during the same period of the previous year. It was 25.31 percent lower than that of preceding quarter as well as 31.88 percent lower than that of the same period of the previous year respectively. During the period under report, the total turnover value of traded shares was BDT 331.16 billion which was 26.38 percent and 23.62 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 October-December 2018**

(BDT/volume in billions)

	No. of listed Securities	Issued capital	Market Capitalization	Total turnover	Turnover volume	P/E Ratio	Yield
Banks	30	278.60	583.10	25.07	1.19	9.09	2.88
FIs	23	47.37	191.53	13.69	0.67	13.98	2.81
Insurance Com	47	23.62	103.11	16.12	0.40	11.74	2.45
Mutual Funds	37	55.62	34.45	1.07	0.16		
Govt. T. Bonds	221	548.59	548.59	0.00	0.00		
Corporate Bond	1	3.00	2.83	0.02	0.00		
Debentures	8	0.35	0.58	0.00	0.00		
Other Companies	211.00	285.85	2408.76	275.19	5.85		
Grand Total	578	1243.01	3872.95	331.16	8.28	15.19	3.58

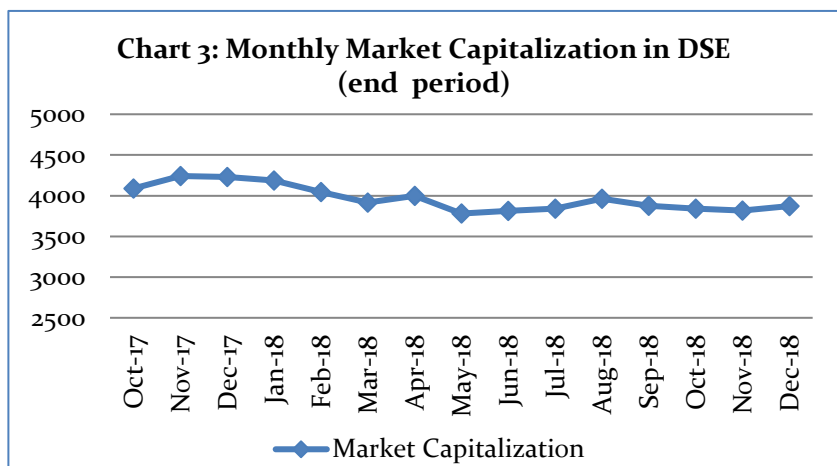
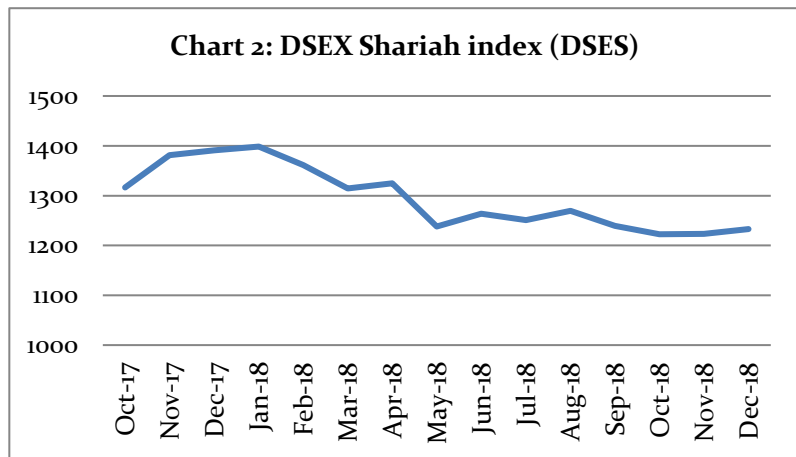
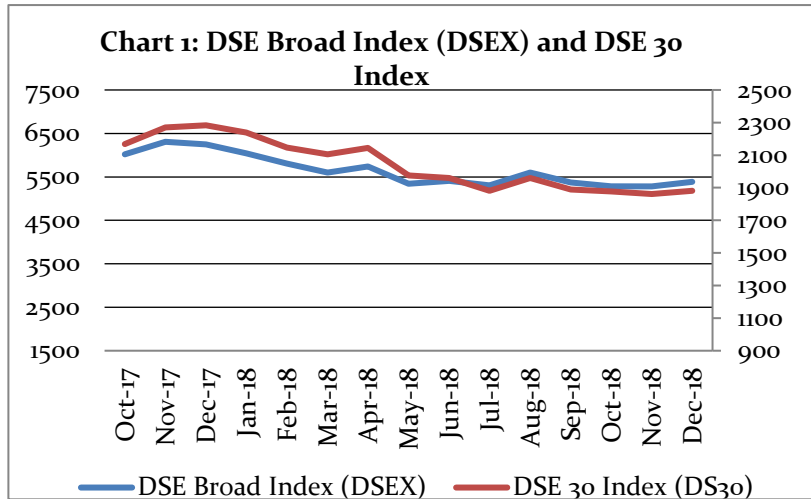
Source: Dhaka Stock Exchange (DSE)

Note: BDT= Bangladeshi Currency (Taka)

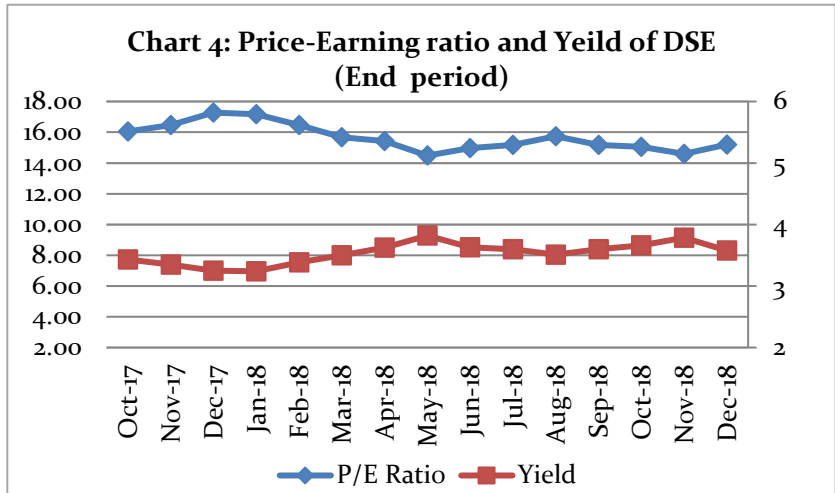
All Share Price Index of DSE (DSEX) stood at 5385.64 points at the end of December 2018, which was 0.31 percent higher than 5368.96 points at the end of September 2018 but 13.75 percent lower than 6244.52 points at the end of December 2017 (Chart-1). DSE30 index stood at 1880.78 points at the end of December 2018, which was 0.47 percent and 17.63 percent lower than 1889.71 and 2283.23 points at the end of September 2018 and December 2017 respectively.

Sharia'h Compliant index named DSES went down to 1232.82 points at the end of December 2018 which was 1239.07 points at the end of September 2018 and 1390.67 points at the end of December 2017 (Chart 2).

The market capitalization of DSE stood at BDT 3872.95 billion at the end of December 2018, which was 0.10 percent lower than that of the previous quarter as well as 8.42 percent lower than that of the same period of the previous year (Chart-3). The ratio of market capitalization to GDP stood at 17.21 percent at the end of December 2018, which registered the peak at 43.52 during the month of December 2010.



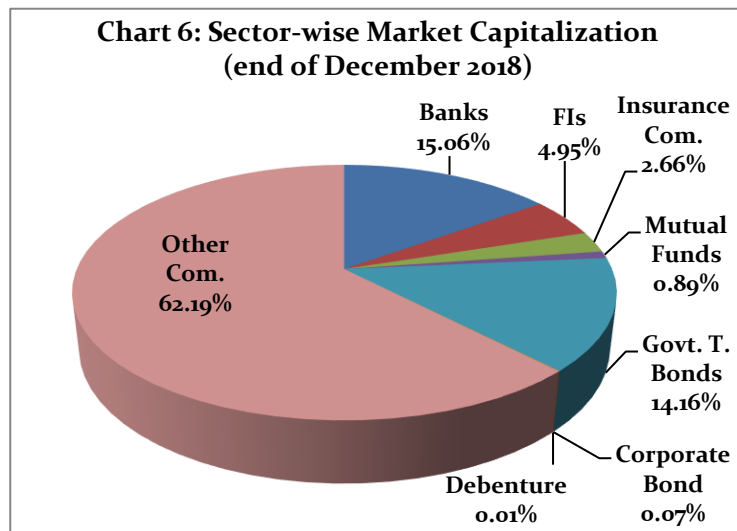
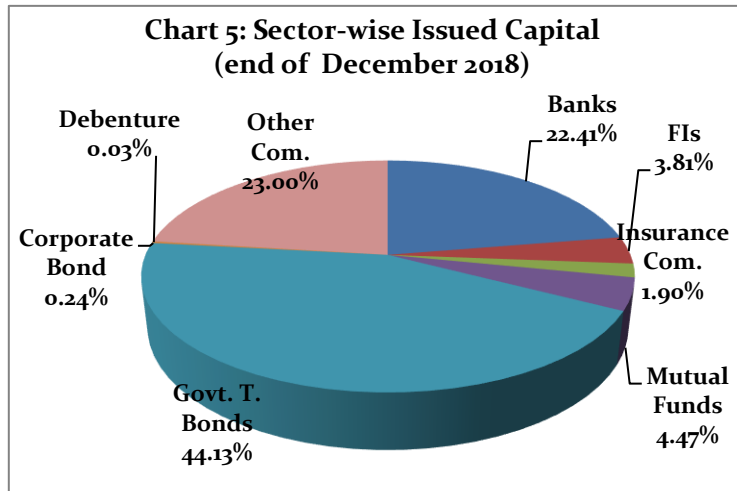
The price-earning (P/E) ratio slightly increased to 15.19 during the period under report which was 15.17 at the end of the preceding quarter. The ratio was 17.28 at the end of the same quarter of the preceding year. In contrast, the yield of all share decreased to 3.58 at the end of December 2018 which was 3.60 at the end



of September 2018 and 3.25 at the end of December 2017. Trend of Price-Earnings ratio and yield are shown in the Chart 4.

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

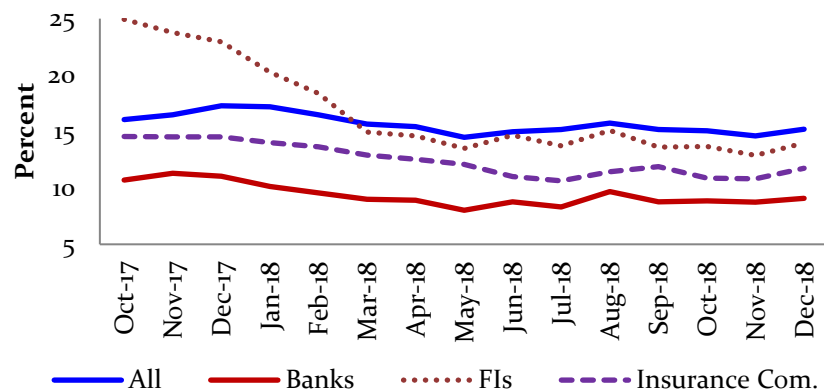
The total amount of issued capital increased to BDT 1243.01 billion at the end of December 2018 which was BDT 1228.50 billion and BDT 1194.16 billion at the end of September 2018 and December 2017 respectively. At the end of December 2018 among different sectors, Bangladesh Govt. Treasury Bonds (BGTBs) dominate the bourse in terms of issued capital. This sector issued around 44.13 percent of the capital followed by other companies (23.00 percent) and banking sectors (22.41 percent). At the same time the shares of Mutual Fund, Financial institutions (FIs), Insurance companies and corporate bonds were 4.47 percent, 3.81 percent, 1.90 percent and 0.24 percent respectively (Chart 5).



The contribution of Banks to the total market capitalization was 15.06 percent. The contribution of Govt. Treasury Bonds (BGTBs), Financial Institutions (FIs), Insurance Companies, Mutual Fund and Corporate Bonds was approximately 14.16 percent, 4.95 percent, 2.66 percent, 0.89 percent and 0.07 percent respectively. During the same period, except financial sector the contribution of other listed companies (manufacturing, service and others) captured the highest portion (62.19 percent) among all listed securities in DSE (chart 6).

Price-earnings (P/E) ratio of all securities of DSE registered 15.19 percent at the end of December 2018. 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 9.09, 13.98 and 11.74 percent respectively (chart 7).

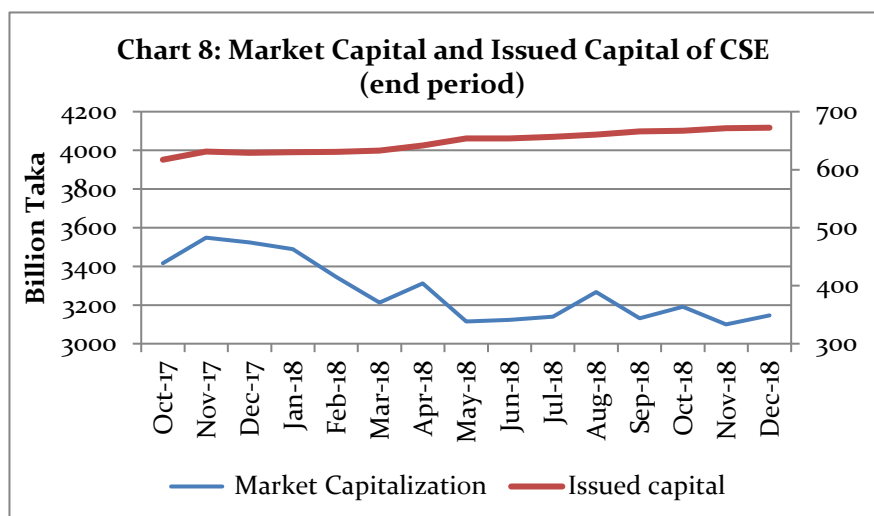
**Chart 7: Sector-wise Price-Earning Ratio  
Price-Earning Ratio of DSE**



### Chittagong Stock Exchange (CSE)

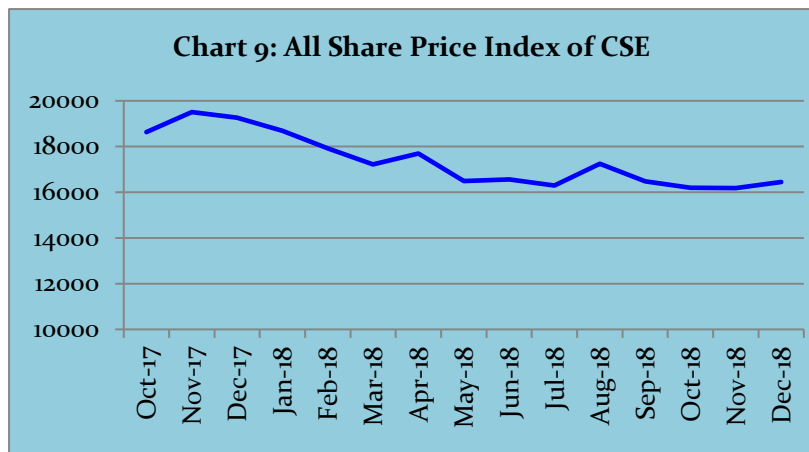
The total number of listed securities in Chittagong Stock Exchange (CSE) stood at 320 at the end of December 2018. During the period October-December 2018, a total number of 538.72 million shares were traded as against 734.62 million shares during July-September 2018 and 936.16 million shares during the same period of the previous year. It was 26.67 percent and 42.45 percent lower than that of preceding quarter and that of the same period of the previous year respectively.

**Chart 8: Market Capital and Issued Capital of CSE  
(end period)**



During October-December 2018, the total turnover value of traded shares was BDT 19.48 billion which was 33.63 percent lower than that of the preceding quarter as well as 34.94 percent lower than that of the same quarter of the previous year. The market capitalization of CSE stood at BDT 3146.84 billion at the end of the period under report, which was 0.49 percent higher but 10.68 percent lower than that of the preceding quarter and the same period of the preceding year respectively (Chart-8).

All Share Price Index of CSE stood at 16449.51 points at the end of December 2018, which was 0.20 percent and 14.63 percent lower than 16483.29 points and 19268.04 points at the end of September 2018 and December 2017 respectively. The CSE-30 index stood at 14500.66 points at the end of



December 2018, which is 1.49 percent and 15.87 percent lower than 14720.68 and 17235.59 points at the end of September 2018 and December 2017 respectively. The Shariah Compliant index 'CSES' went down to 1076.78 points at the end of December 2018 which was 1099.18 points at the end of September 2018 and 1251.61 points at the end of December 2017.

The total amount of issued capital rose to BDT 672.33 billion at the end of December 2018 which was BDT 665.86 billion and BDT 628.92 billion at the end of September 2018 and December 2017 respectively. During October-December 2018, Price Earnings (P/E) ratio in CSE increased to 15.89 from 15.03 at the end of the period under report but that ratio was lower compared to the same period of the preceding year. In Chittagong Stock Exchange, the yield slightly decreased to 3.21 at the end of December 2018 which was 3.26 at the end of September 2018 and 2.87 at the end of December 2017.

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
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
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	616.7	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	1,137.48	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	3,812.29	3,123.52	93.59	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

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 Bangladesh, India and Indonesia showed an upward trend at the end of December 2018. It is observed that, Thailand has the highest market capitalization (percent of GDP) among the selected countries (107.00 percent) followed by 72.20 percent in India, 44.60 percent in Indonesia, 18.21 percent in Pakistan and 14.53 percent in Bangladesh at the end of December 2018. However, Pakistan has highest Interest rate of 10 Year Government Bond (12.70 percent) while it was 7.53 percent in Bangladesh at the end of December 2018 (Table 3).

**Table 3: Regional markets as on December 2018**

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	-0.98	2.30	107.00	3.53	16.77
India	S&P BSE SENSEX	3.04	7.46	72.20	1.26 (BSE 100)	22.53 (BSE 100)
Indonesia	ISE	2.38(JC)	8.00 (JC)	44.60	-	-
Pakistan	Pakistan SE	-7.51 (KSE 100)	12.70 (KSE 100)	18.21	-	-
Sri Lanka	Colombo SE	-	-	-	3.09	9.65
Bangladesh	DSEX	1.98	7.53	14.53	3.63	15.30

Source: Monthly Review of Dhaka Stock Exchange, December 2018.Vol33. No 09

\*Data as on November, 2018



## **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 country, capital market needs to play active role to attract funds both from home and abroad.

The regulatory body of capital market, Bangladesh Security 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.