

Following is a summary of important business news published in the leading daily newspapers of Bangladesh. For the complete news, please follow the online link given below each news. Please note that the news summary doesn't reflect the opinion of BRAC EPL Stock Brokerage Limited.

Yields on treasury bills fall in June

- The yields on treasury bills slid in June last over the same period of a year earlier, according to Bangladesh Bank data. The falling trend of the same was also continuing in this month of July amid fears that the profitability of banks would edge down. The yields on all types of the bills dropped in June last compared to the same period a year ago. However, the yields on three longer term bonds increased to some extent during the period while the remaining two debt securities declined.
- The central bank statistics showed that the total liquid assets with the commercial banks was recorded at BDT 3.041 trillion as of end March last against BDT 2.7 trillion as of end June 2019. The private commercial banks have the largest portion of liquid assets as of end March last amounting to BDT 1.5 trillion. However, the yield on 91-day bill was recorded at 7.2% in June 2019. It dropped to 6.5% in June 2020. Similarly, the yield of 182-day bill was 7.4% in the same period in May 2019 which was 6.8% in June last. The yield of 364-day bill in June last was recorded at 7.3% against 7.4% in the same period in 2019, statistics showed.
- On bonds that mature in more than 364 days, the yields of two longer term bonds -- 15 year and 20 year -- dropped to 8.7% and 8.94% respectively in June last over June, 2019. The yield of 15-year bond was recorded at 8.9% and 20-year at 9.3% in June in 2019. On the other hand, the yields on three bonds have increased in June last. The yield on 2-year bond was at 7.8% in June last against 7.55% a year earlier while the yield on 5-year bond was at 8.05% against 8.1% and the 10-year bond at 8.7% over 8.4%.

<https://today.thefinancialexpress.com.bd/first-page/yields-on-treasury-bills-fall-in-june-1594401815?date=11-07-2020>

Exchange rate management in the Covid-19 era

- Exchange rate policy in the context of the Covid-19 crisis draws attention to countries that are excessively dependent on the export of a few goods – such as ready-made garments (RMG) in Bangladesh or energy – and countries that have excessive external debt. Exchange rate pressure is a signal of underlying economic distress in many countries. With a recent plunge in oil prices – due to low demand for energy products during lockdown measures worldwide – exchange rates of net oil exporting countries, such as Indonesia, Brazil, Australia etc. have depreciated to a great extent.
- The Covid-19 crisis might have created depreciating pressure on the exchange rate in Bangladesh, too, in the context of sharp decline in exports of RMG products – exports fell by 83.0% year-on-year in April 2020 – to a great extent and drop of remittances to some extent. This might have led to the appreciation of the real effective exchange rate (REER) because of non-adjustment of nominal rates.
- Though officially Bangladesh's exchange rate system is freely floating, in reality it maintains almost a fixed rate with a little sporadic movement. The changes in exchange rates of Bangladeshi taka against the US dollar for a three-month moving average was BDT 0.20 for the last year (July 2019 to June 2020) and was BDT 0.03 for the last six months (January to June 2020) indicating a very stable currency.
- The context of exchange rate management has now changed due to the Covid-19 crisis. The crisis put a hold on the flow of foreign currency from export sectors and foreign remittances. Though Bangladeshi remitters sent a considerably good amount of remittances during the last quarter (March-June 2020) in the face of risks of losing jobs, particularly in the Middle-east, this phenomenon is thought to be temporary. Bangladesh also received some amount of foreign aid from multilateral donors to support budget deficits and public health measures – which preserves some slack on the external front. The debt-to GDP ratio was 36.0% in 2019 and the IMF projected it to be 41.0% this year due to pandemic expenditures – which is still considered sustainable. Overall, these developments might exert depreciating pressure on the Bangladeshi taka. However, a good foreign reserve of over USD 33.0 billion might act as a cushion against a currency crisis.

<https://tbsnews.net/economy/exchange-rate-management-covid-19-era-104953>

Borrowers, banks sweat over foreign loan payments

- Although borrowers – with financial difficulty at this time of Covid-19 – have got deferment on loan repayments from local private banks, they are yet to have such a breather from foreign lenders, putting them under strain. Bigger trouble looms for the banks that lent to them from their offshore banking units (OBU) by borrowing overseas funds – with no response from the foreign lenders over a pause on repayments. The country's private sector either borrows directly from the foreign lenders or through the offshore banking units.
- Many foreign loan recipients have already sought the deferred repayment facility from the local banks as they are

going through cash flow constraints. Some local banks have postponed loan repayments for their clients on a case-by-case basis, but the foreign lenders have not responded on this issue, putting both local banks and individual borrowers in a tight situation. For instance, Eastern Bank offered the deferment to 50% of its borrowers on loans given from its offshore banking unit. But any such move has not come from the overseas lenders yet. A similar situation prevails in most of the banks that gave foreign currency loans to the borrowers from their OBUs.

- Offshore banking units make loans in the foreign market when they accept deposits from foreign banks and other OBUs. While talking to The Business Standard, several banks said local banks held meetings with their foreign lenders about the ongoing crisis. They informed the lenders about the local borrowers' cash constraints, to whom they lent to from the OBUs. Yet, the foreign lenders have given no hint about deferring loan payments for their borrowers, said bank insiders.

- Bangladesh Bank data shows that external debt increased by 8.67% to USD 60.3 billion last year. Approximately 84% of the total external debt or USD 50.6 billion was of long term, which was considered low risk. On the other hand, the short-term foreign loan stood at USD 9.7 billion in December 2019. The Bangladesh Bank, in its financial stability report for 2019, said a major share of short-term external debt came to the private sector. This might require extra caution as the rapid growth of short-term foreign debt is an early warning indicator of potential vulnerability. The private sector's external debt – that constituted 21.7% of total foreign debt of USD 13.1 billion – has the majority of its obligation in the short-term. Some 62.6% of the total private sector external debt is of this nature.

- On the other hand, 78.3% of the total external debt is availed by the public sector which is considered to have low risk. Debts in the public sector are mostly of the longer-term in nature. About 97% of the public sector debts are long-term finance. If short-term foreign debt gets above the short-term liquidity, as measured by holdings of foreign reserves, it is assumed to increase an economy's vulnerability. In December 2019, short-term external debt to foreign exchange reserve position of Bangladesh stood at 29.8%, which was well below the standard threshold level of 100%.

<https://tbsnews.net/economy/banking/borrowers-banks-sweat-over-foreign-loan-payments-104575>

Rice imports drop to four-decade low

- Bangladesh's rice imports fell to a nearly 40-year low in the fiscal year 2019-20 thanks to farmers' endeavour to increase the yields of the main crop and allow the nation to be self-sufficient in the cereal production. Total import was 4,180 tonnes in the last fiscal year, marking a 98% slump over the previous fiscal year, resulting from high import tariffs and adequate domestic production, food ministry data showed.

- Total yearly rice production stood at 36.4 million tonnes in FY2018-19, posting a marginal increase over the previous year. The production estimate for the last fiscal year is yet to be made available by the Bangladesh Bureau of Statistics. However, the Food and Agriculture Organisation, in a report in May, said the country was expected to have produced 38.7 million tonnes of rice in FY2019-20. Bangladesh consumes 32.0 million tonnes of rice and 5.5 million tonnes of wheat annually, said the UN agency in the report.

- Rice production has grown by 600,000 tonnes annually since 2009 and the amount was higher than the annual increase in demand for rice by 0.30 million to 0.35 million tonnes owing to population growth. Nearly 3.9 million tonnes of rice were imported in FY2018-19. There would have been no problem had there been no import of the staple grain.

<https://tbsnews.net/coronavirus-chronicle/covid-19-bangladesh/96-covid-19-patients-recover-beacon-pharmas-favipir-trial>

Bangladesh Petroleum Corporation (BPC) defers oil cargoes in July

- The Bangladesh Petroleum Corporation (BPC) deferred two thirds of its import cargoes in July as an attempt to arrange private tanks to store oil went 'abortive'. It will import only four oil cargoes this month instead of the 12 scheduled ones, BPC director for operations and planning Syed Mahdi Hasan told the FE on Saturday.

- Despite repeated attempts to ensure oil storage facility from the private sector over the past four months, the BPC could not ensure a single facility to date, insiders said. Four private companies-United Group, Super Petrochemical, SA Corporation and BDT Group-showed interest to store BPC's petroleum products in their facilities on a rental basis. But the state-run corporation could not use their tank storage facilities as they were not ready for storage as per international standard.

- Currently, the BPC has the total storage capacity of 1.32 million tonnes of oil products, which include diesel, furnace oil, petrol, octane, kerosene, bitumen, condensate and crude oil. But due to lower petroleum consumption during general shutdown from March 26 to May 30 and subsequent limited office and commercial operations, BPC oil tanks were almost full, said sources. The corporation had to shut the operation of the country's lone crude oil refinery for around a week in June due to oil storage bottlenecks.

<https://today.thefinancialexpress.com.bd/first-page/bpc-defers-oil-cargoes-in-july-1594486664>

Retail sales of ICT goods up 50%

- When the Covid-19 pandemic is eating up most of the business sectors in Bangladesh, retail sales of laptops, desktop computers and computer accessories have gone up by nearly 50.0% in Dhaka, according to industry leaders. They also claim that the overall volume, however, has not increased because sales to the government and corporate entities – two major buyers of these products – have been low due to the pandemic.
- According to sector insiders, the demand for laptops has increased more than that for desktop computers. The most in-demand products right now are webcams, microphones, headphones and graphics cards, said Subrata Sharker, secretary general of the Computer City Centre Shop Owners Association. The demand for these products has risen mostly because almost all educational institutions are running their teaching programmes online and also as most offices are following the "work from home" policy.
- According to the president of Bangladesh Computer Samity (BCS), the big buyers of our ICT products are government and corporate offices. But now, those sales are low. End users' purchase has increased as educational institutes are running classes online. As fewer cargo airlines are flying now, the carrying costs of our products have increased by almost 30.0%.

<https://tbsnews.net/tech/ict/retail-sales-ict-goods-50-104956>

New brokers' minimum paid-up capital to be BDT 100 million each: Dhaka Stock Exchange (DSE)

- The Dhaka bourse wants to sell new broking licenses to the companies having a minimum paid-up capital of BDT 100 million though the paid-up capitals of many existing brokers are still below BDT 30 million. The board of the Dhaka Stock Exchange (DSE) has approved some recommendations including this minimum paid-up capital of a company willing to get TREC (Trading Right Entitlement Certificate) paying registration fee and application form fee worth BDT 50.0 million each.
- Of 250 brokerage firms of the DSE, the paid-up capitals of six are still below BDT 10.0 million, while 15 brokerage firms have paid-up capital worth BDT 10 million each. According to DSE information, 93 brokerage firms are doing business with paid-up capitals ranging between above BDT 10.0 million and BDT 50.0 million each.
- The Bangladesh Securities and Exchange Commission (BSEC) published gazette notification on the draft rules on June 23 and sought public opinion of it. In the draft rules, the securities regulator has proposed a paid-up capital of BDT 30 million for a company willing to get the stock exchange's membership. Besides, the BSEC's draft rules have proposed a registration fee of BDT 0.5 million and application form fee of BDT 0.1 million. Along with proposing a minimum paid-up capital of BDT 100 million, the DSE made the recommendation of setting the non-refundable registration fee for new broking license at BDT 50 million and security deposit at BDT 50 million. Besides, the DSE has proposed application form fee of BDT 1.0 million and annual renewal fee of BDT 0.1 million.

<https://today.thefinancialexpress.com.bd/stock-corporate/new-brokers-minimum-paid-up-capital-to-be-BDT-100m-each-dse-1594480278>

At least 80 AB Bank employees lose jobs

- At least 80 employees of AB Bank Ltd have been reportedly terminated or forced to resign recently amid the Covid-19 pandemic on the grounds of unsatisfactory performances. AB Bank's termination benefits include three months' basic salary. Banking activities came to a near-halt due to the coronavirus outbreak and the subsequent countrywide shutdown for more than two months, leading to a dip in profits. On June 14, the Bangladesh Association of Banks (BAB) recommended that banks could reduce salaries of its employees by up to 15.0%.

<https://www.dhakatribune.com/business/banks/2020/07/11/at-least-80-ab-bank-employees-lose-jobs>
<https://www.newagebd.net/article/110960/80-ab-bank-employees-lose-job-amid-covid-19-situation>

World Stock and Commodities*

Index Name	Close Value	Value Change YTD	% Change YTD
Crude Oil (WTI)*	USD 40.55	(USD 21.08)	-34.20%
Crude Oil (Brent)*	USD 43.24	(USD 25.20)	-36.82%
Gold Spot*	USD 1,798.70	USD 277.23	18.22%
DSEX	4,061.57	-391.36	-8.79%
S&P 500	3,185.04	-45.74	-1.42%
FTSE 100	6,095.41	-1,491.64	-19.66%
BSE SENSEX	36,737.69	-4,904.45	-11.78%
KSE-100	36,142.17	-4,592.91	-11.28%
CSEALL	5,090.41	-1,038.8	-16.95%

Exchange Rates

USD 1 = BDT 84.77*
 GBP 1 = BDT 107.00*
 EUR 1 = BDT 95.75*
 INR 1 = BDT 1.13*

**Currencies are taken from XE Currency Converter and Commodities are taken from Bloomberg.*

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