

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.

Banks dive into Treasury bills, bonds as interest income falls

- Listed banks increased their investment in government and corporate bonds, securities and stocks in the second quarter of 2020 to offset the loss in interest income caused by the ceiling on lending rates. Their investment in bonds and other securities rose 8.84% to BDT 3.15 trillion as on 30 June. Investment income surged BDT 8.42 billion, or 49%, to BDT 25.46 billion in the quarter. The data was calculated based on the half-yearly financial statements of 25 out of 30 banks listed on the Dhaka Stock Exchange.
- The spread, the difference between the lending rate and the deposit rate, fell to 2.5% to 2.75% in the April-June quarter due to the single-digit lending rate. Although the lending rate went down to 9%, many of the banks could not bring down the deposit rate to 6%. As Bangladesh's trade with the rest of the world plummeted during the quarter because of the coronavirus pandemic, banks' earnings from commissions and charges also fell. The commission and charge income dropped 24% year-on-year to BDT 11.10 billion. The profits declined 35% to BDT 12.64 billion in the second quarter due to the lower interest income and commission on their services.
- The current half of the year would be more challenging as the two quarters will suffer from the problem of the lower interest income, the managing director of Mutual Trust Bank said, adding that banks saw a higher interest income in the first quarter. The banking sector's future will also hinge on the orders the garment sector would receive in the spring. A top official of another bank, which has increased investment in bonds and securities significantly, said as the outbreak of coronavirus was getting out of control during the second quarter, there were no other options but to raise investment in bonds, securities and some other safe instruments.

<https://www.thedailystar.net/business/news/banks-dive-treasury-bills-bonds-interest-income-falls-1946837>

Bangladesh Bank (BB) asks banks, NBFIs to execute with top priority

- The central bank has asked the bank and non-bank lenders to properly implement the stimulus package for cottage, micro, small and medium enterprises (CMSMEs) by giving top priority - in order to help expedite recovery of the pandemic-hit economy. The central bank also extended the deadline for execution of the stimulus package for CMSMEs by two months - from August 31 to October 31.
- On July 02, the central bank asked all banks to take effective measures for implementing the stimulus packages, including the one for CMSME sector, within August. The banks were also asked to implement the lion's share of the stimulus packages within July and the remaining portion within August. In the meeting, the BB governor advised the bankers to give emphasis on cottage, micro and small (CMS) enterprises to help create more employment opportunities across the country, according to the officials.

<https://today.thefinancialexpress.com.bd/first-page/bb-asks-banks-nbfis-to-execute-with-top-priority-1597687171>
<https://www.newagebd.net/article/113766/banks-nbfis-get-more-time-to-execute-package>
<https://www.thedailystar.net/business/news/stimulus-package-cmsmes-must-be-given-out-oct-1946809>
<https://tbsnews.net/coronavirus-chronicle/covid-19-bangladesh/banks-get-2-more-months-disburse-stimulus-loans-smes>

Services exports declined 5.56% in FY20

- Like manufacturing goods, export performance of the services sector declined in the last fiscal year, bringing total earnings down by 5.56% compared to a year before. Bangladesh earned USD 6,132 million by selling services abroad in the 2019-20 fiscal year, which was USD 6,493 million in the previous year, according to the full-year provisional figures released by the Export Promotion Bureau. The decline was 17% in June this year than in the same month last year, going down from USD 507 million to USD 416 million. Services export accounted for about 15% of total export proceeds of USD 39.8 billion from goods and services in the last fiscal year that ended in June.
- Limited capacity and poor quality of services restrict the scope of countries like Bangladesh to compete with developed countries in the trade of services, which requires high skill training, research and innovation, said the chief executive officer of Bangladesh Foreign Trade Institute (BFTI). The institute conducted a survey of six products in the services sector with support from the World Trade Organization's (WTO) Enhanced Integrated Framework, and found that Bangladesh needs to build capacity to derive benefits from the relaxed WTO rules for trade in services. These relaxed rules apply to the world's less developed economies, he said.

<https://tbsnews.net/economy/services-exports-declined-556-fy20-120793>
<https://today.thefinancialexpress.com.bd/last-page/service-sector-export-earnings-drop-556pc-1597687547>

Banks' electronic money transfer falls 35% in June

- Interbank electronic money transfer in the country declined by 35.49% in June this year as people began returning to their normal lives despite the high infection rate of the deadly virus. As per the Bangladesh Bank data, electronic money transfer through its network, known as the Bangladesh Electronic Fund Transfer Network, fell to BDT 289.27 billion in June against BDT 448.43 billion in the previous month. Interbank electronic money transfer soared by 76.55% to BDT 328.15 billion in April than the previous month, the first month of the countrywide shutdown imposed to tackle the spread of the coronavirus, as people avoided physically visiting bank branches for transactions.
- Electronic money transfer also rose by 36.65% to BDT 448.43 billion in May from April this year, said the BB data. The transaction volume in May was the highest through the BEFTN. Interbank electronic money transfer displayed a normal trend in June because people were returning to their normal lives after the end of the lockdown on May 30 despite the high infection rate of coronavirus, said a high official of the Bangladesh Bank. However, electronic money transfer declined in June because people began going back to their normal lives and they were now carrying out their transactions physically, said a former chairman of the Association of Bankers Bangladesh.

<https://www.newagebd.net/article/113767/banks-electronic-money-transfer-falls-35pc-in-june>

<https://www.dhakatribune.com/business/banks/2020/08/17/electronic-money-transfers-among-banks-fall-35-49-in-june>

High net worth investors lift market

- Active participation of high net worth individuals has given boost to the capital market in recent days, according to market insiders and experts. Other factors such as lower returns on the money market, lucrative price level of listed securities and strong regulatory actions against wrongdoers also helped buoy the market. DSEX, the broad index of Dhaka Stock Exchange (DSE), surged 800 points or 20% since the market reopened on May 31, 2020, to settle at 4,859 on Sunday. The country was in a 66-day shutdown aimed at slowing the spread of new coronavirus.
- The DSE's turnover, which went down below BDT 3.0 billion, 15 sessions ago, also crossed BDT 11 billion on August 9 and crossed the BDT 14 billion on Monday. Different market operators said investors are injecting fresh funds into the market targeting capital gains as returns from the money market have declined. A former chairman of the securities regulator said that it may be difficult for the market to continue its ongoing trend in the long run if investors become market-oriented for capital gains only.
- DSE officials said that foreign portfolio investments have also declined for the last few months. Under such a situation, the stock market has continued its upward trend mainly riding on general investors, including high net worth individuals. Preferring anonymity, chief executive officer (CEO) of a leading brokerage firm, owned by a large business group, said money is coming rapidly from their all types of clients, including the ultra-rich.

<https://today.thefinancialexpress.com.bd/first-page/high-net-worth-investors-lift-mkt-1597686875>

Rawhide traders down in the dumps

- Seasonal traders of rawhide have been left disappointed by this year's sales as the price for untanned leather has remained low for two consecutive years now. During Eid-ul-Azha, a three-day Islamic celebration that began on 31 July, nearly ten million heads of cattle were sacrificed by the general public. However, for the past two weeks, traders at major rawhide markets in Dhaka, Palashbari, Tangail, Mymensingh, Jessore and Chattogram have all reported receiving low prices for the product.
- The total value for rawhide sales was estimated to be BDT 5 billion this year but just a few years back, the market value for animal skins was more than BDT 12 billion even though a smaller number of cattle were sacrificed back then. Usually, rawhide prices in Dhaka are comparatively higher than that of those produced in rural areas owing to their superior size and quality, the chairman of the Bangladesh Hide and Skin Merchant Association said, adding that he blames the tanners for the poor inflow of funding. Tanners are purchasing salted rawhides at prices fixed by the government at BDT 1,000 to BDT 1,200 per piece in Dhaka and BDT 700 to BDT 800 per piece from anywhere else, said the president of the Bangladesh Tanners Association. However, although the government fixed the price of salted rawhide, it did not do the same for the unsalted version and this is one of the main reasons behind the low prices offered by tanners during the Eid days.

<https://www.thedailystar.net/business/news/rawhide-traders-down-the-dumps-1946829>

Dhaka Stock Exchange (DSE) again backtracks on decision to impose fee

- The board of directors of Dhaka Stock Exchange on Monday again cancelled its decision to impose monthly charge of BDT 150 per user for trading using its mobile phone app, DSE-Mobile. The bourse's board recently decided that the charge would be applicable from September 1. On December 19, 2018, the DSE board had decided to impose a monthly charge of BDT 150 per user with an effect from January 1, 2019.

- But, on December 23, 2018, it had to scrap the decision after catching a spate of flak from different quarters including stockbrokers, trading rights entitlement certificate holders and investors. On Monday, the board at a meeting backtracked on its latest decision following criticisms from investors and brokerage houses. As per the new decision made on Monday, users do not need to pay for trading through mobile app, and inactive users would face cancellation of registration. On August 9 this year, the country's premier bourse sent letters to brokerage houses saying that the DSE would charge BDT 150 for using the app from September 1.

- The DSE had to impose the charge as most of the registered clients do not use mobile app while the DSE has to pay against their subscription to Flextrade. The DSE has been providing DSE Mobile App to the clients through TREC holders at free of cost since its launch on March 9, 2016.

<https://www.newagebd.net/article/113771/dse-again-backtracks-on-decision-to-impose-fee>

World Stock and Commodities*

Index Name	Close Value	Value Change YTD	% Change YTD
Crude Oil (WTI)*	\$42.63	(\$19.00)	-30.83%
Crude Oil (Brent)*	\$45.15	(\$23.29)	-34.03%
Gold Spot*	\$1,991.47	\$470.00	30.89%
DSEX	4,785.04	332.11	7.46%
S&P 500	3,381.99	151.21	4.68%
FTSE 100	6,154.34	(1,432.71)	-18.88%
BSE SENSEX	38,050.78	(3,591.36)	-8.62%
KSE-100	40,122.50	(612.58)	-1.50%
CSEALL	5,251.61	(877.60)	-14.32%

Exchange Rates

USD 1 = BDT 84.84*

GBP 1 = BDT 111.40*

EUR 1 = BDT 100.90*

INR 1 = BDT 1.00*

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

IMPORTANT DISCLOSURES

Analyst Certification: Each research analyst and research associate who authored this document and whose name appears herein certifies that the recommendations and opinions expressed in the research report accurately reflect their personal views about any and all of the securities or issuers discussed therein that are within the coverage universe.

Disclaimer: Estimates and projections herein are our own and are based on assumptions that we believe to be reasonable. Information presented herein, while obtained from sources we believe to be reliable, is not guaranteed either as to accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation of the purchase or sale of any security. As it acts for public companies from time to time, BRAC-EPL may have a relationship with the above mentioned company(s). This report is intended for distribution in only those jurisdictions in which BRAC-EPL is registered and any distribution outside those jurisdictions is strictly prohibited.

Compensation of Analysts: The compensation of research analysts is intended to reflect the value of the services they provide to the clients of BRAC-EPL. As with most other employees, the compensation of research analysts is impacted by the overall profitability of the firm, which may include revenues from corporate finance activities of the firm's Corporate Finance department. However, Research analysts' compensation is not directly related to specific corporate finance transaction.

General Risk Factors: BRAC-EPL will conduct a comprehensive risk assessment for each company under coverage at the time of initiating research coverage and also revisit this assessment when subsequent update reports are published or material company events occur. Following are some general risks that can impact future operational and financial performance: (1) Industry fundamentals with respect to customer demand or product / service pricing could change expected revenues and earnings; (2) Issues relating to major competitors or market shares or new product expectations could change investor attitudes; (3) Unforeseen developments with respect to the management, financial condition or accounting policies alter the prospective valuation; or (4) Interest rates, currency or major segments of the economy could alter investor confidence and investment prospects.

BRAC EPL Stock Brokerage Limited

Research

Ayaz Mahmud, CFA	Head of Research	ayaz.mahmud@bracepl.com	01708 805 221
Sadman Sakib	Research Associate	sadman.sakib@bracepl.com	01730 727 939
Md. Rafiqul Islam	Research Associate	mrafiqulislam@bracepl.com	01708 805 229
Md Mahirul Quddus	Research Associate	mmahirul.quddus@bracepl.com	01709 636 546

International Trade and Sales

Ahsanur Rahman Bappi	CEO (Acting)	bappi@bracepl.com	01730 357 991
----------------------	--------------	--	---------------

BRAC EPL Research www.bracepl.com

Symphony, Plot No.: S.E.(F) – 9(3rd Floor), Road No.: 142
 Gulshan Avenue, Dhaka – 1212
 Phone: + (880)-2-9852446-50
 Fax: + (880)-2-9852451-52
 E-Mail: research@bracepl.com