

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES				
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	CNY	
0.03%	0.15%	\$1,724.36	\$40.59	33,507.92	22,455.76	2,669.26	2,935.87	83.95	93.56	104.48	11.71	
3,961.90	6,821.81	(per ounce)	(per barrel)					BUY TK	84.95	97.36	108.28	12.31



Star BUSINESS

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Why is Bangladesh's stock market bearish when global stocks are on bull run?

AHSAN HABIB

Global stock markets saw almost a V-shaped recovery during the coronavirus pandemic. But Bangladesh's stock market is an exception. A V-shaped recovery refers to a sharp fall in economic activity, which is then matched by an abrupt rebound.

In fact, Bangladesh's stock market followed suit when the global stocks dropped. But it has refused to make a turnaround when the global stocks rose.

The local market did not rebound even after the government rolled out a massive stimulus package amounting to Tk 103,117 crore, which is 3.7 per cent of the GDP, to pull the economy out of the wreckage.

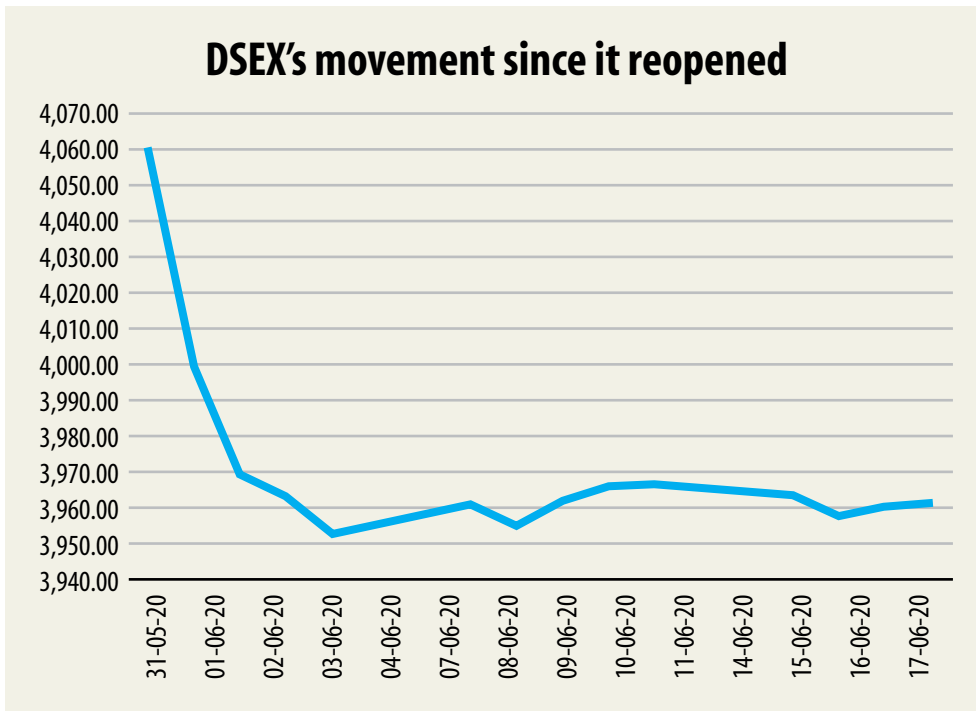
At the heart of the problems are inadequate measures on monetary expansion, confidence crisis emanating from the shutdown of trading for the pandemic, the setting up of floor price and failure to manage the contagion.

"Though the government has announced several special packages, liquidity shortage remains in the money market and the interest rate of the banking sector is still high," said Shahidul Islam, chief executive officer of VIPB Asset Management, which manages more than Tk 160 crore.

Inadequate monetary expansion is the prime reason, Islam said.

The stock markets around the world started to plunge from late February when the virus began to spread globally. The fall lasted until late March.

India's BSE Sensex dropped 35 per cent to 25,981 points, the US's S&P 500 index slumped 32.96 per cent to 3,337 and Eurozone's Euro



Stoxx 50 fell 37 per cent to 2,385 during the time. Similarly, DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), gave up 16 per cent to settle at 3,974.

In late March, countries started to announce special packages to revive their pandemic-hit economies.

The US Senate passed a \$2 trillion aid bill, the largest economic stimulus in the US history, on March 26. Almost all the countries announced packages prompting stocks globally to bounce back.

Subsequently, the S&P 500 index rebounded 37 per cent to 3,066 on Tuesday from late March. During the same period, the Euro Stoxx 50 recovered 35 per cent to 3,229 and the Sensex regained 29 per cent to 33,605.

DSEX, however, dropped about 1 per cent to 3,960.

"It is necessary to reduce the interest rate in the banking sector and the yield on government bonds. Otherwise, banks would prefer the bonds to lending money to the private sector and investing in stocks in this tough time," Islam said.

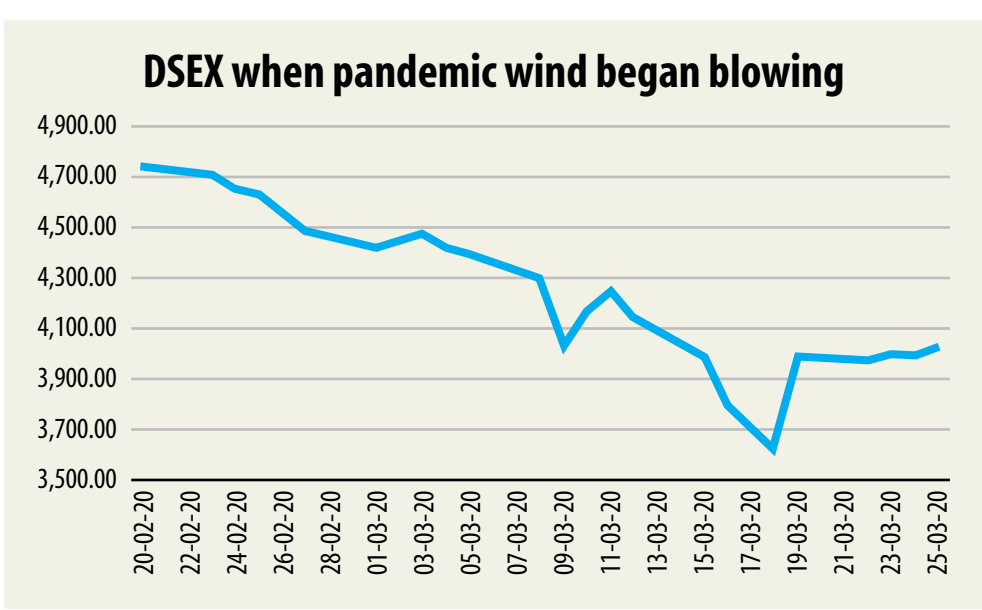
The Federal Reserve has already announced its intent to purchase corporate bonds along with Treasury bonds to ease the monetary supply.

In India, the yield on government bonds is about 3 per cent, whereas it is upwards of 7 per cent in Bangladesh though the rate of inflation is almost the same in the two countries, the asset manager said.

"Despite the Bangladesh Bank's step to ease monetary supply, the country needs more policy support to ensure monetary expansion because refinancing schemes are not adequate to tackle such an unprecedented crisis," he said.

The central bank has reduced banks' cash reserve ratio, an expansionary tool, by 100 basis points to 4 per cent and repurchase agreement rate (known as the repo rate) by 50 basis points to 5.25 per cent to make funds cheaper for banks.

Another reason behind the bearish market in Bangladesh is most of the investors are momentum-driven, so the index suffers when



WHY BANGLADESH'S BOURSES ARE SO DEPRESSED?

- Inadequate monetary expansion
- Still higher interest rate and bond yield
- Investors fear the economy may worsen
- The majority investors have herd mentality
- Bangladesh's coronavirus caseload is rising
- Market closure for 2.5 months
- The reworked floor prices of stocks

it needs to rise or fall, Islam added. Momentum investors are those who try to gain when the market is rising and rush to sell when the market stays low.

Investors think that Bangladesh economy would be in a bad shape though the government has projected an 8.2 per cent GDP growth for next fiscal year, said AB Mirza Azizul Islam, a former chairman of the Bangladesh Securities and Exchange Commission (BSEC).

"They fear the listed companies would perform badly. So, many of them are not buying shares."

The cases of coronavirus are declining in many other countries whereas it is rising in Bangladesh and this is another reason for the pessimism, said the former caretaker government adviser.

The suspension of trading for more than two months and the policy intervention to stop the fall of the index were a massive blow, said a merchant banker preferring anonymity.

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March was mean for MFS providers

MUHAMMAD ZAHIDUL ISLAM

Given the need for social distancing and the push towards digital transactions to prevent the spread of the highly contagious coronavirus, one would have thought the mobile financial service sector would be having a bit of a purple patch.

But, March, which marked the first confirmed cases of COVID-19 in Bangladesh, appears to have been a sobering comedown for the high-flying MFS sector. The average daily transactions on mobile money accounts drastically fell that month.

The first confirmed cases of COVID-19 were announced on March 8 and from the second week of the month the industry got a massive hit, which is way before the government had announced a countrywide shutdown to flatten the curve on coronavirus.

Account-holders transacted about Tk 1,283.39 crore in March, down 11.06 per cent from February, according to a Bangladesh Bank report released

this week. Though the use of mobile money has increased among the middle-class or the upper-middle-class during the pandemic, people who are at the bottom of the pyramid did not transact money regularly, industry insiders said.

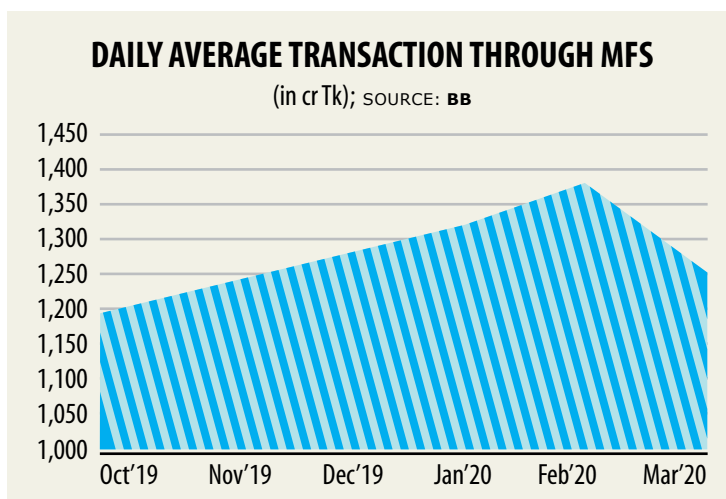
The people at the bottom of the pyramid account for the majority of the transactions.

"Transaction volume always depends on the country's overall economic situation. As we are passing a tough time, it was reflected on the MFS transaction records," said Shamsuddin Haider Dalim, head of corporate communications of bKash.

Though the government had declared a general holiday from March 26, the situation had already started to become gloomy from the second week of that month, he said.

The outbreak impacted the overall economy and the MFS industry as well.

In March, the market's leading operator's average daily



transaction was Tk 985 crore and it came down to Tk 800 crore in April. Daily average transaction volume rose to Tk 1,200 crore in May.

The government would have to be given some credit for the recovery in transaction volume in May as, thanks to its directive, a huge number of garment factory owners started to disburse wages

and salaries among employees and workers through the MFS channel.

It also went for disbursements of its own through the digital channel. Remittance channelled through MFS also got a boost, Dalim said.

Withdrawals fell in March and it widened further in April, highlighting the distress the poor

had been going through, industry people said.

Initially, Nagad faced some challenges, but the situation had improved over time, said its Managing Director Tanvir Ahmed Mishuk.

With the challenges, some new avenues also opened in the last three months.

"We are very much linked with the overall economy and it was obvious that the transaction volume would be impacted as people were not coming out for their regular activities."

However, people are using digital financial services more for recharging mobile phones and making payments and wallet to wallet transfers.

"We, the MFS providers, are ensuring citizens' physical distance in the coronavirus period. I think this is very important to prevent the pandemic," said the top executive of Nagad, which became the second-largest operator in the market within just one and a half years.

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NBR eyeing VAT from streaming platforms

SOHEL PARVEZ

Netflix and Amazon Prime have become household names in Bangladesh as the ongoing coronavirus pandemic has forced people to take shelter at home with little to do other than watch movies.

These two online streaming platforms are paid services, meaning there should be a 15 per cent value-added tax on the subscription fee.

But the National Board of Revenue (NBR) is being deprived of the subscription fee, said Syed Mushfequr Rahman, director general of the VAT Audit, Intelligence and Investigation Directorate, a department of the NBR.

The NBR department made these remarks after learning that customers in Bangladesh pay their subscription fees for these online entertainment platforms, including ZEE5, in foreign currency.

Both Netflix and Amazon Prime, two of the world's most popular streaming services, are based in America but charge the equivalent of \$10-15 in local currency for subscribers in other parts of the world.

In Bangladesh however, all online streaming platforms only accept payments in foreign currency, forcing many customers to endorse dollars against their credit cards to make digital payments.

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Visa to finally set up shop in Bangladesh as cashless transactions gain momentum

MAHMUDUL HASAN

Coronavirus has transformed people's everyday life significantly. Transactions and spending have overwhelmingly been altered by the disease, which is lethal and highly contagious.

While shopping at brick-and-mortar stores is down, e-commerce platforms are experiencing a surge in demand.

People don't want to go outside unless it's an emergency and they avoid touching physical things, which include cash. And everything is happening in a way that seems staged for the boon of cashless transactions.

Under such circumstances, Visa, the global leader in payments technology, unveiled its plans to establish a country liaison office in Dhaka, although it has been providing cards in Bangladesh for 32

years now, starting out with the humble magstripe card and now state-of-the-art tap and pay contactless cards.

"We believe it is an opportune time to leverage the explosive growth of digital payments through a team of Visa executives dedicated to Bangladesh," said Chris Clark, regional president of the company for the Asia Pacific, in a press release yesterday.

The office, expected to be set up by 2020, will employ a team of executives through whom Visa would introduce new services, drive social impact programmes and participate in the economic growth of Bangladesh.

The country office culminates decades of investments in Bangladesh in pioneering and driving digital payments, which, in turn, have helped fuel economic growth and played a significant role in the Digital



Bangladesh mission, Visa said in a press release.

"Since commencing operations in Bangladesh in 1988, our business has played a distinct part in shaping the digital payment ecosystem in the country. We are truly excited about the potential the country holds and expect the local liaison office to further propel our market growth in years to come," Clark said.

Currently, Visa has partnerships with

close to 50 banks, leading financial technology companies and processors.

In recent years, Visa launched Bangladesh's first contactless card and introduced open-loop, interoperable quick response (QR) payments in line with BanglaQR specifications to the market.

Visa has worked with large fintechs and e-commerce players as well to introduce card on file, wallet load and other best-in-class payment innovations.

The payments technology company is working with the regulatory agencies in Bangladesh and concerned authorities to acquire requisite permissions and set up the liaison office.

Visa's perennial rival MasterCard though had a physical presence in the country since 2013.

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BB orders banks to ensure full CSR spending on health

STAR BUSINESS REPORT

The central bank has instructed banks to ensure the full and proper spending for the health sector under their corporate social responsibility initiatives amid the raging coronavirus pandemic.

According to the existing rules, the health sector accounts for 60 per cent of the allocation of the CSR budget of banks, followed by the education sector at 30 per cent and climate change risk mitigation efforts at 10 per cent.

Under the present circumstances, the 60 per cent spending for the health sector has to be ensured, the BB said in a notice on Tuesday.

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