

STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES			
DSEX	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	JPY
1.04%	1.29%	\$1,306.10	\$67.08	38,164.61	21,627.34	3,212.10	3,104.15	83.30	93.26	109.29	0.74
5,512.07	10,235.88	(per ounce)	(per barrel)					BUY TK	84.30	97.06	113.09
								SELL TK			



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DSE loses Tk 8,856cr in two months

AHSAN HABIB

The Dhaka Stock Exchange saw Tk 8,856 crore -- or 2.10 percent -- wiped off its market capitalisation in the last two months as institutional investors bided their time on the sidelines while general investors went for panic sell-off.

"This is what happens when the market is mostly composed of retail investors," said Mohammad Ali, chief executive officer of Dhaka Bank Securities.

When the market goes down, general investors have a knee-jerk reaction, dragging the market further downwards.

The DSEX, the benchmark index of the premier bourse, declined 58.07 points, or 1.04 percent, yesterday to finish the day at 5,512 -- the lowest since January 2. In the last three trading sessions, it lost 119.22 points.

Turnover, another important indicator of the market, also dropped 9.37 percent to Tk 354.35 crore, a three-month low.

Market insiders say the liquidity pressure in banks compelled institutional investors to take a wait-and-see approach despite the central bank's extension of deadline to bring down the loan-deposit ratio to 83.5 percent by six months.

"Banks and institutional investors are in a



tight position now," Ali said, adding that if the interest rate rises the stockmarket is negatively affected.

The weighted average interest rate on deposits crept up from 5.26 percent in December last year to 5.34 percent in January, according to data from the Bangladesh Bank.

Data for the last two months are not available yet but bankers of some private banks say the interest rate is on the rise.

Some banks have announced lower dividends despite higher earnings per shares (EPS), a development that has affected investor confidence, said the head of portfolio of an asset

management company.

Brac Bank, one of the blue-chip stocks, declared 15 percent stock dividend for 2018 when its EPS was Tk 5.17. Its stocks fell 7.34 percent to Tk 75.7 yesterday.

The banking sector and the insurance sector declined 2.4 percent and 2.1 percent respectively yesterday. Of the traded issues, 94 advanced and 206 declined, while 43 securities closed unchanged on the premier bourse.

Brac Bank dominated the turnover chart with its transactions of 28.70 lakh shares worth Tk 21.85 crore, followed by United Power Generation, Dutch-Bangla Bank, Grameenphone and British American Tobacco Bangladesh.

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Private banks sweating out over deposits

Deposit growth falls despite high interest

JEBUN NESA ALO

Private banks saw a decline in deposit growth in December last year despite offering higher interest rates, highlighting the ongoing liquidity crisis in the banking system.

In December, the average deposit growth of private banks stood at 11.59 percent, in contrast to 12.58 percent in December 2017 and 12.73 percent in June last year, according to data from Bangladesh Bank.

The decline in deposit growth pushed the average loan-deposit ratio of private banks beyond the ceiling set by the central bank.

In September, the advance-deposit ratio (ADR) of private banks had come down to the ceiling of 85 percent from 85.56 percent in June. In December, it crossed the limit reaching 85.96 percent.

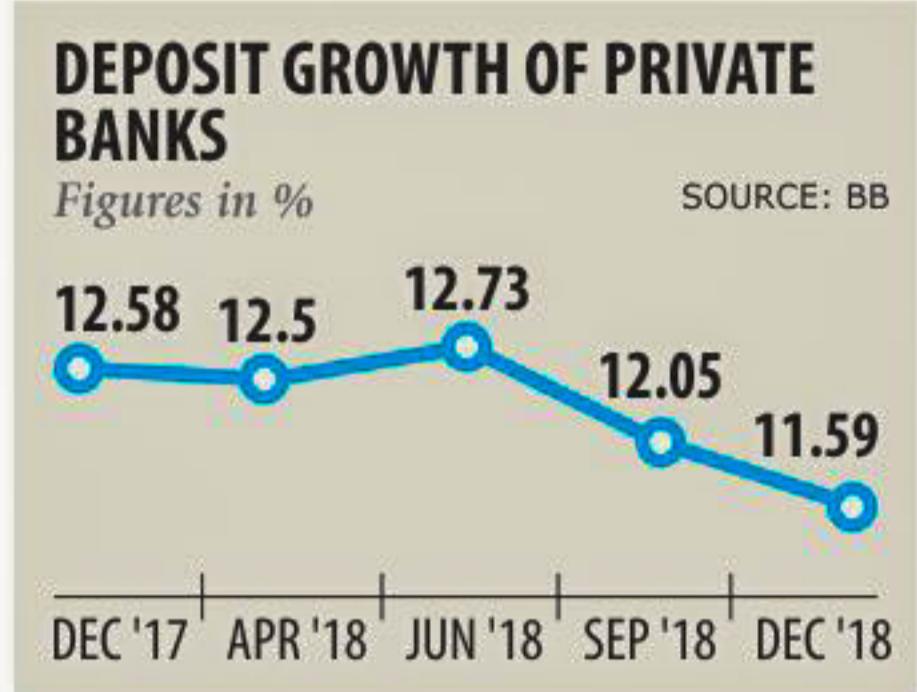
Most banks are offering more than 9 percent interest for deposits. A dozen banks are also taking deposits at up to 10 percent, according to industry insiders.

However, the banking sector's deposit growth rose in December, thanks to an increase of funds held by the state-owned banks.

The overall deposit growth stood at 11.19 percent in December last year, in contrast to 10.25 percent in September the same year and 11.29 percent in December 2017, BB data showed.

Though the overall deposit growth showed a steady rise, the banking sector is, in fact, facing a dearth of funds as the growth was inflated, according to bankers.

MA Halim Chowdhury, managing director of Pubali Bank, said many private banks took deposits from state-owned banks at the end of the year to temporarily manage their balance.



"So, the same deposits are whirling round in the market."

It is common for banks to put in more effort in hunting for deposits at the year-end to adjust their ADR, boosting deposit growth, he added.

Nineteen banks had their ADR beyond the authorised limit as of December.

The deposit growth was far lower from the loan growth of 14.89 percent in December.

"Deposit growth should be higher than the loan growth to keep the money market balanced," Chowdhury said.

He said the scarcity of deposits still prevails in the market, pushing up the cost of funds to up to 10 percent from the beginning of 2019.

Though overall deposits grew in December, the gap between the lending and deposit rates is still higher and it is tightening money circulation in the banking system, said Md Mehmood Husain, managing director of NRB Bank.

The mismatch between the deposit and credit growth is responsible for the liquidity crunch, he said.

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NEWS IN brief

BSEC rejects Infinity Technology's IPO

The stock market regulator has rejected the proposal for initial public offering (IPO) of Infinity Technology International, as the company sought permission to issue bonus shares before getting go-ahead for the IPO, which is a breach of law.

On April 12 last year, Infinity applied for issuance of 3 crore shares worth Tk 30 crore and sought approval on February 6 this year to raise Tk 9 crore in capital by issuing bonus shares to existing shareholders.

Bank Asia declares 5pc cash and 5pc stock dividends

Bank Asia has recommended 5 percent cash and 5 percent stock dividends for the year ending on December 31, 2018. The bank has also reported earnings per share of Tk 2.01 and per share net asset value of Tk 20.88.

Brac Bank declares 15pc dividend

Brac Bank has recommended 15 percent stock dividend for the year ending on December 31, 2018. The bank has also reported earnings per share of Tk 5.17 and net asset value per share of Tk 32.87.

Cut corporate tax

Chartered accountants urge govt

STAR BUSINESS REPORT

Chartered accountants yesterday urged the government to cut the corporate tax by 2 percentage points across the board to tempt both local and foreign investors with the view to pulling the country out of its stagnant investment scenario.

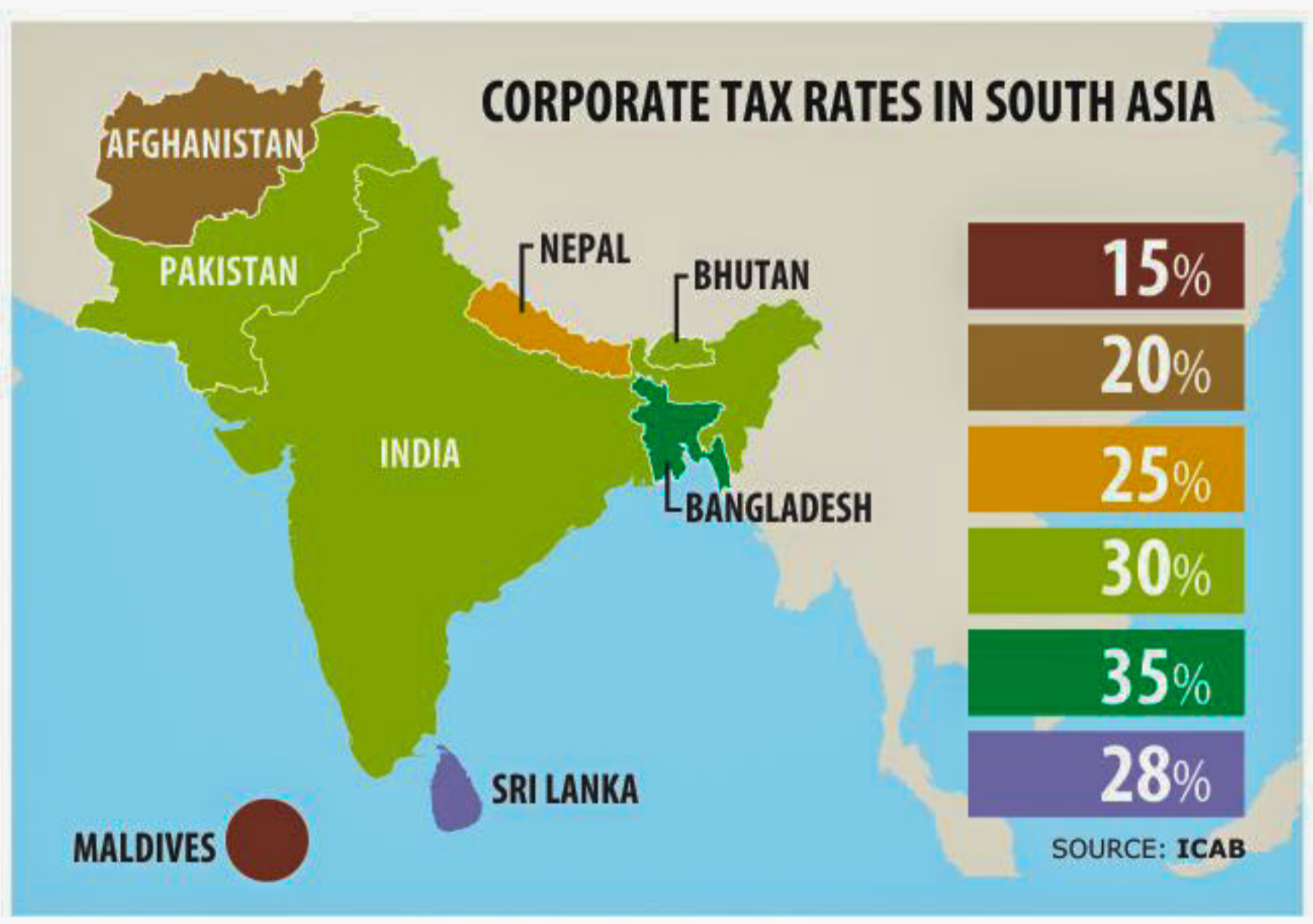
"One of the first questions that investors ask before taking investment decision in any country is the rate of corporate tax," said AF Nesaruddin, president of the Institute of Chartered Accountants of Bangladesh (ICAB), at its office.

And Bangladesh has the highest corporate tax rate among South Asian nations.

The country has eight rates of corporate taxes, starting at 25 percent for listed companies and going up to 45 percent for cigarette manufacturers.

Some 35 percent tax is applied to non-listed companies and higher rates of taxes are slapped on banks, financial institutions and mobile phone operators.

In contrast, tax rates in South Asian countries, including India, hover between 15 percent and 30 percent, according to the ICAB.



So the corporate tax should be reduced, Nesaruddin said at a press conference organised to share the ICAB's budget recommendations for next fiscal year.

"It would not be possible to create enough jobs and accelerate economic growth without higher foreign and local investment. We have to increase both revenue collection and investment," he added.

Many countries are bringing down corporate tax rates to encourage investment, said Md Humayun Kabir, a former president of the ICAB.

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COMMERCIAL VEHICLES Sales pick up on economic boom

JAGARAN CHAKMA

Sales of commercial vehicles rose 10.65 percent year-on-year to 25,980 units in 2018 fuelled by rising economic activities amid stable political situation, according to data from Bangladesh Road transport Authority.

Sales of truck led the growth of the commercial vehicle segment in the broader automobile industry: 12,663 trucks were sold last year, up 22.31 percent from 10,363 in 2017.

Sales of covered vans were up 10.68 percent year-on-year to 5,729 units and that of tractors rose 28 percent to 3,553 units.

Bus sales were, however, down 26.72 percent to 2,755 units and cargo van sales dropped 9.41 percent to 1,280 units.

"The market of commercial vehicle has been booming for the last few years thanks to rising economic activities," said Hafizur Rahman Khan, chairman of Runner Group, distributor of Eicher truck.

He credited the steady economic growth and export earnings for the increased sales of the commercial vehicle.

The market size of the commercial vehicle segment was about Tk 4,200 crore in 2017 from about Tk 2,000 crore a decade ago. It is expected to reach Tk 5,000 crore in 2018, said Abdul Matlub Ahmad, chairman of Nitol Tata, distributor of Indian auto giant Tata.

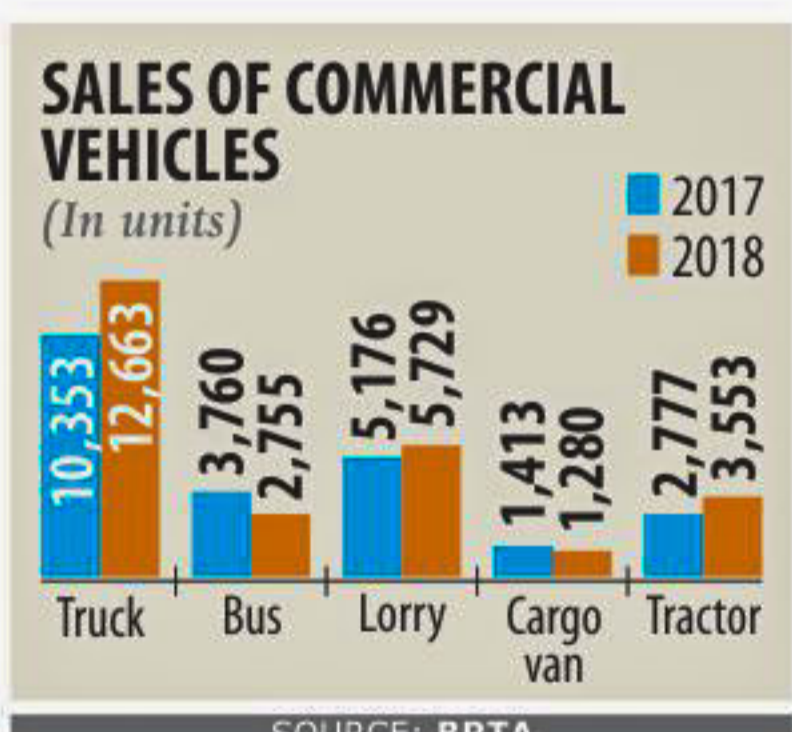
The market grew 15 percent to 20 percent every year in the last one decade, which also saw a shift in market leadership in the segment.

In the 90's, the segment was dominated by imports from Japan. Now it is controlled by Indian commercial vehicle manufacturers thanks to their comparatively lower price and fuel efficiency, market players said.

Currently, Indian automakers Tata, Eicher, Ashok Leyland and Mahindra are the leaders in the segment.

"The sales growth of commercial vehicle indicates that the economy is rising," said Mohammed Shahidul Islam, chairman of HNS Group, an importer of commercial vehicles.

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Rice output to rise, USDA forecasts

SOHEL PARVEZ

Bangladesh's rice production is expected to increase 7 percent year-on-year to 3.49 crore tonnes in the 12 months to April thanks to higher acreage and yields during the aus and aman season, said the US Department of Agriculture (USDA).

Sufficient and uninterrupted input supply and timely disbursement of easily obtainable low-cost agricultural loans to marginal and poor farmers also contributed to increase in acreage and yields, it said.

The US agency's market year (MY) runs from May to April, so boro, which is harvested between the months of April and May, becomes the first crop of the year.

But the government calculates the annual rice output as per the length of the fiscal year, so aus becomes the first crop of the year, aman the second and boro the last.

The total rice cultivation area expanded 4 percent year-on-year to 1.17 crore hectares in MY2018-19, according to the USDA's Grain and Feed Update on Bangladesh.

The agency has revised upwards its earlier estimate of husked rice production during aman season to 1.35 crore tonnes



Sufficient input supply and timely disbursement of farm loans contributed to the increase in acreage and yields.

from 1.32 crore tonnes thanks to favourable weather conditions.

Production of aus rice, harvested in the June-July period, has also been revised upwards to 25 lakh tonnes from 24.3 lakh tonnes due to increased yield of hybrid and high-yielding varieties, according to the report.

Bangladesh Bureau of Statistics is yet to release its estimates on production of aus and aman rice. "Farmers had a very good harvest in boro and aman seasons of MY2018-19, resulting in increased interest to produce rice," the report said.

Given the amply supply from domestic harvests, the USDA has lowered its forecasts of Bangladesh's rice import for MY2018-19.

Paddy prices were high in December last year but the prices of the staple crop fell in the subsequent months, creating fears of loss among many, said growers and traders earlier.

At present, the prices of the grain, irrespective of quality, are lower than they were a year ago, according to the Trading Corporation of Bangladesh.

The USDA said boro rice cultivation for MY2019-20 has begun but a mild cold wave earlier in January hampered seed bed preparation in some locations.

Farmers of some highland regions faced a shortage in water supply due to lower ground water levels. Some 3,300 litres of water is needed to produce one kilogramme of rice from boro crops.

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