

A noob's guide to investing in stocks in Bangladesh

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In 1941, an 11-year-old kid invested USD 114 in stocks for himself. Today that kid is worth USD 108 billion and the kid we are talking about is none other than Warren Buffet. However, Buffet is not the one making the most amount of money from stock markets. Since his start in 1988, Jim Simons, an American mathematician and billionaire hedge fund manager, has been consistently making 2 to 3 times the money Buffet is making each year. But Simons is worth 24 billion dollars only. The reason: Buffet started at the age of 11 and Simons in his 50s.

The word 'stock' is not something new to any of us. Even if you have no idea what it is you at least know it is something people invest their money in. You might have heard someone bragging about how much money they have made from it or heard someone talking about how much they have lost in it. If you are reading this article, you surely wonder how stocks work and how you invest in them.

What are stocks?

Stocks are the fragments of ownership of a company. In simple words, you will own a fragment of the company when you buy a stock. For example, if a company has 100 stocks and you buy one, you will own 1% of the company. But in the real world, large companies have thousands, lacs, even crores of stocks. By buying a stock and holding it for a certain period, you can participate in the Annual General Meeting (AGM) of the company and get dividends at the end of the year. Dividends are the profits a company shares with its owners or stockholders after paying off all other stakeholders.

What is the stock exchange?

A stock exchange is like a market where you can buy and sell stocks of different companies. All stock exchanges have a body to oversee and control the activities of the stock exchange. In Bangladesh, that body is Bangladesh Securities & Exchange Commission (BSEC). There are two stock exchanges in Bangladesh: Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE).

How does the stock market work?

A stock market works much like an

auction house. It follows the principles of supply and demand. Buyer bid for different stocks at different prices. These prices are called the bidding prices. Sellers ask for different prices for different stocks. These prices are called the asking prices. If the bidding and asking prices match, the transaction takes place. However, in the stock markets of Bangladesh, you will not receive the stock immediately. You will receive the stock 2 or 3 days later, depending on the category of the company.

How do I invest in stocks in Bangladesh?

Anyone with a valid passport or NID and a bank account can invest any amount of money in stocks. All they need is a BO (Beneficiary Owner's) account in a brokerage house. A brokerage house is an

the list of registered brokerage houses 'TREC Holders' section of the DSE website and the 'All Stockbrokers' section of the CSE website. After selecting the brokerage house, you will have to either visit their website or visit one of their offices. After filling up forms, providing the required documents, and paying account opening charges, you will receive your account number within 1-2 days.

How do I select a stock to buy?

There is no magic rule to find the right stock to buy. Different people use different tactics to find the right stock. Which stock is right for you depends on what type of investor you are, what type of analysis you believe in, what your preferences are, how the market conditions are, etc.

Some buy after thoroughly analysing

your broker, and using the DSE mobile app. All brokerage houses charge a certain percentage of commission on each transaction. Usually, that amount ranges from .25% to .50%. This means if you buy a stock worth BDT 1000, you will have to pay an additional BDT 2.5 to the brokerage house.

To trade via DSE mobile app, each investor will have to register through the brokerage house. There is an additional monthly charge for using the mobile app. But the charge has been waived since the pandemic started.

How many returns should I expect?

There are two main ways in which you can earn from a stock: capital gains and dividends. Capital gains are the profits you make if you sell a stock at a higher price than your buying price. Dividends are the profits a company shares with its stockholders every year. But the question is how much returns should you expect in total every year?

Suppose you have BDT 1000 in savings. If you deposit that money in a savings bank account for a year, you will get a maximum of BDT 55 in return. If you put that money in *Sanchaypatra*, you will get a maximum return of BDT 110. If you keep that in fixed deposits or bonds you will get something in the middle. But remember that all of these are before tax.

Investing in stock markets is certainly riskier than all of the options mentioned. Thus, you need to know your alternatives properly and see if the stock market returns you more than the rest of the options. But do remember that the returns will not be the same every year.

How risky is it?

Investing in stocks is risky no matter which stock market you invest in. Since the last collapse of the market more than a decade ago, the security exchange commission (SEC) has taken multiple steps to improve the overall condition of the market. However, the market is still far from perfect and still has a long way to go. What you can do is follow a simple proverb – don't put all your eggs in one basket. Invest in multiple stocks in planned amounts so that even if one stock fails, you don't lose too much.



organisation that facilitates investing and trading in stock exchanges.

BO accounts can be opened individually or together with another person. The requirements of opening a BO account are passport size photos, photocopies of NID/passport, and the applicant's bank details. The applicant will also have to provide passport size photos and photocopies of the NID of the nominee. Account opening charges range from BDT 450 to BDT 1000.

BO accounts can be opened both physically and online. The first step of opening a BO account is selecting a brokerage house for yourself. You can find

the overall state of the economy, the market, and the company. This type of analysis is called fundamental analysis. Some look at the prices and volumes of different stocks. This type of analysis is called technical analysis. Some just follow other investors or just buy the stocks in the highest demand. An easy way to start is to invest in 'blue chip' stocks. Blue-chip stocks are stocks of companies that have a good reputation for quality, reliability, and profitability.

How do I buy and sell stocks?

Stocks can be bought and sold in three main ways: being physically present at the brokerage house, calling or messaging

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