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The BICM Financial Market Review provides analytical insights about the performance of the financial market in Bangladesh on a monthly basis.



The march towards exterminating the darkness by 100% electrification, making connection of communication through the Padma Bridge, and finally by transporting 60,000 passengers in hour in Dhaka by Metro Rail, the Government has sparked the local and foreign investment in a sustainable pathway.



Economy of Bangladesh

Key indicators at a glance

Countries	Nominal GDP (as of Apr, '22) (USD in billion)	Real GDP Growth (as of Apr, '22) (yearly % Change)	Inflation Point to point (as of Oct, '22)	Currency Appreciation/Depreciation against USD	Reserve (Billion US\$)	Currency Exchange Rates (per USD)
Bangladesh	460.75	6.415	8.85%	-1.02%	34	106.7
Emerging Economies						
India	3,534.74	8.153	6.77%	0.79%	562.81	82.85
China	19,911.59	4.373	2.10%	0%	3117	6.89
Developed Economies						
USA	25,346.81	3.708	7.75%	0%	240	1.00
UK	3,376.00	3.749	11.05%	2.94%	117.9	0.83

Figure 1: Key Economic Indicators

Appreciation/Depreciation of Currencies against USD

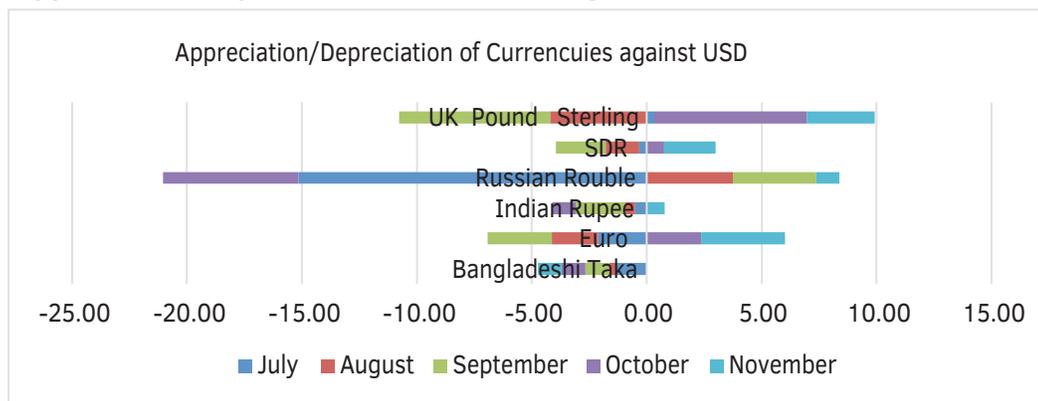


Figure 2: Appreciation or Depreciation of Different Currencies against USD

A visual tour of the key statistics

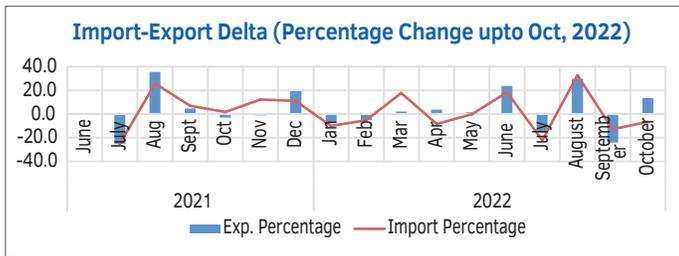


Figure 3: Import-Export Delta (Percentage Change up to Oct 2022)

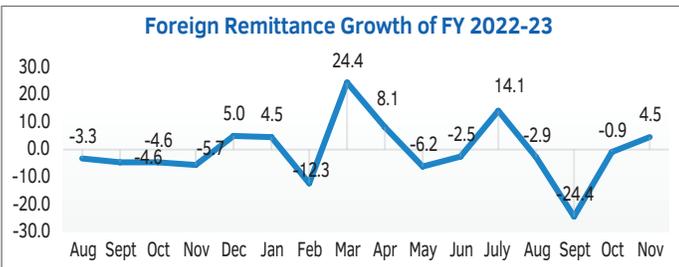


Figure 4: Foreign Remittance Growth of FY 2022-23

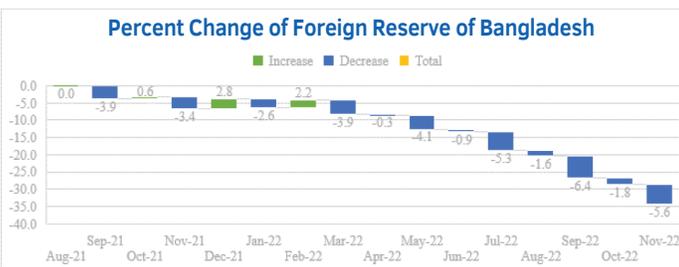


Figure 5: Percent Change of Foreign Reserve

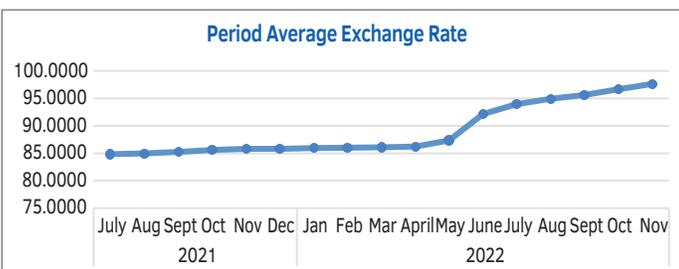


Figure 6: Period Average Exchange Rate of Bangladesh

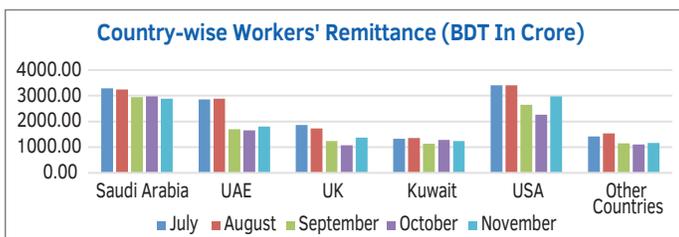


Figure 7: Country-wise Workers' Remittance

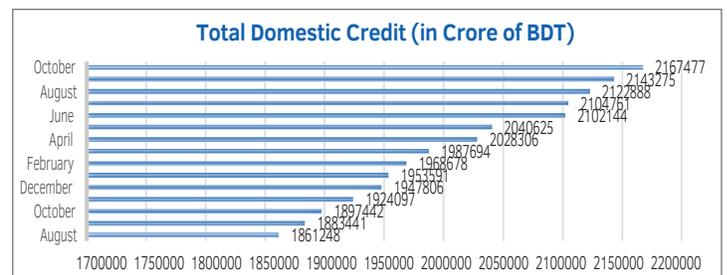


Figure 8: Total Domestic Credit

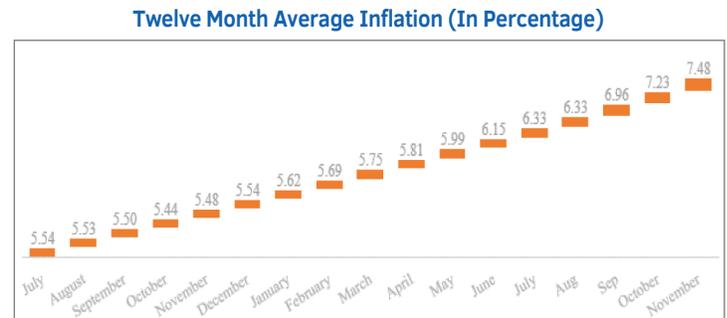


Figure 9: 12- Month Average Inflation (In Percentage)

Numbers to Note

1. BDT was found to be depreciating by 1.02% per USD, while INR appreciated by 0.79% and the GBP also appreciated by 2.94%.
2. Exports increased from the previous month, while imports decreased from the previous month. This is a very good sign for Current Account balance.
3. Foreign remittance growth increased by 4.5% in November 2022, comparing to a decrease in October 2022.
4. The reserve is now 34 billion USD. This is a 5.6% decrease than previous month.
5. The average monthly exchange rate is now 97.64 Taka per USD.
6. The Debt to GDP percentage in 2021 is 21.8% that was 19.5% in previous year.
7. The 12-month average inflation is 7.48% that was 7.23% in previous month.

Economic Challenges Ahead

1. With the opening of the Dhaka Metro Rail, the capital's economy will undoubtedly improve, but the concerns raised by the centralization of development should not be overlooked.
2. The money market is contributed with profitability less by the state-owned banks, and more by the non-state-owned banks, which requires a signal for correction with concern.
3. The reserve is decreasing again, which is an unsatisfactory signal, but the rise in exports is showing a good sign of adjustment in the next month.
4. The rising inflation and increasing cost of commodities may turn the switch of the economic depression in Bangladesh unless they are tackled properly.

Data Source: Bangladesh Bank, IMF, WB & BBS

Capital Market Experienced Downturn Losing 39 Points in December



Capital Market

The market demonstrated a 0.62% decrease in the DSEX index in December 2022 compared to the previous month of November. The prices of the majority of issues were on the floor.

It is apparent from analyzing the December 2022 capital market snapshot that the DSE market indices demonstrated a downward movement with a minor hike in the second week of the month. The prices of the majority of issues were unchanged due to market inertia. Other indices have also decreased compared to those of November. During December, 40 issues were advanced, 63 issues were declined, and the remaining 218 issues were unchanged.

DSE Market Indices

Index Name	1-Dec-22	29-Dec-22	Change	% Change
DSEX	6,245.38	6,206.81	-38.57	-0.62%
DSES	1,370.32	1,358.84	-11.48	-0.84%
DS30	2,216.13	2,195.30	-20.83	-0.94%
CDESET	1,219.23	1,214.42	-4.81	-0.39%
DSMEX	1,342.12	1,315.94	-26.18	-1.95%

Scripts Movement	Advance	Decline	Unchanged
	40	63	218

Figure 10: DSE Market Indices

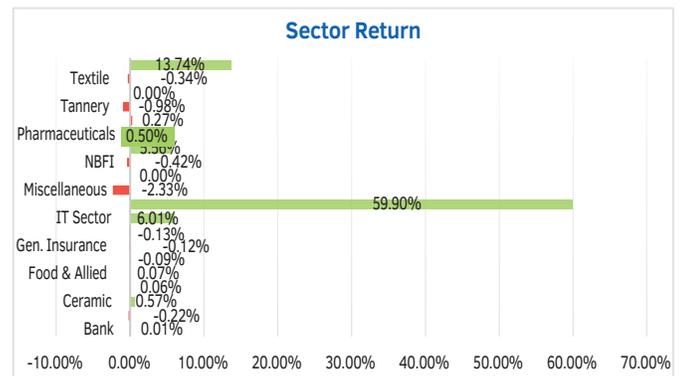


Figure 10: DSE Market Indices

The AD ratio compares the number of stocks that increased in value to the number of stocks that decreased in value. By shedding light on the AD ratio of this month, it is evident that the 20-trading day denoted a downtrend in the market.

DSE Market Indices

	31 Dec 2022	30 Nov 2022	Change	% Change
Average Market Capital (TK Million)	7,624,007.05	7,675,876.12	-51,869.07	-0.68%
Average Traded Value (TK Million)	3,615.70	7,421.38	-3,805.67	-51.28%
Average Number of Trades	77,279.75	144,530.23	-67,250.48	-46.53%
Average Trade Volume	51,769,162.15	112,035,437.18	-60,266,275.03	-53.79%

Figure 11: Market Aggregates

Sector-wise Contribution

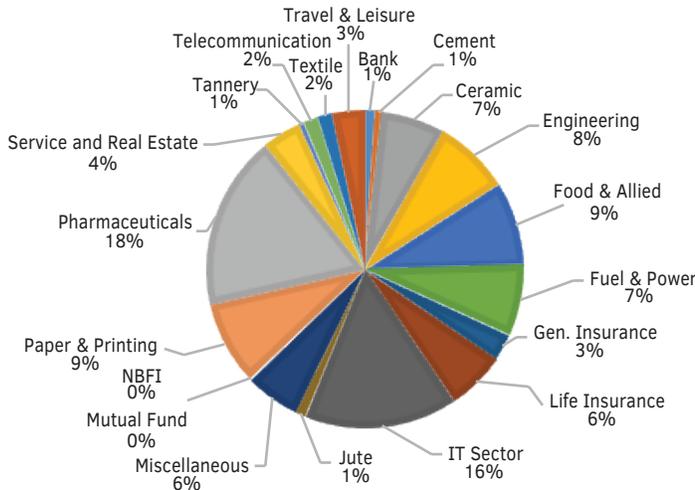
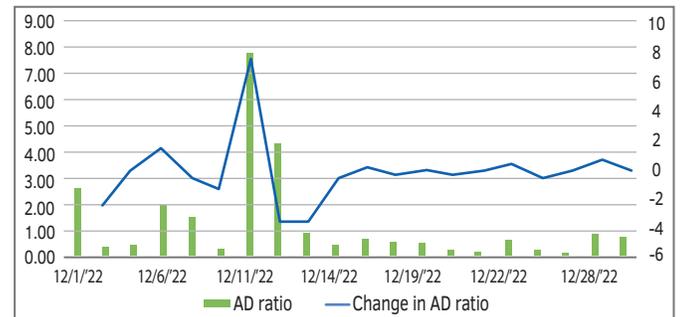


Figure 12: Sector-wise Contribution

AD ratio



The market lost points on most of the trading days of the month. Investment in the market decreased due to the panic among investors regarding political issues, instability in foreign affairs, and industry-specific stricken news. The panic was fueled by increasingly idiosyncratic events at the country's brokerage and asset management firms. Investment in the market fell as a result of investors' aversion to investing in stocks for fear of having their money stuck for an extended period of time. Institutional and qualified investors limited their exposure, causing many stocks to trade at the floor price.

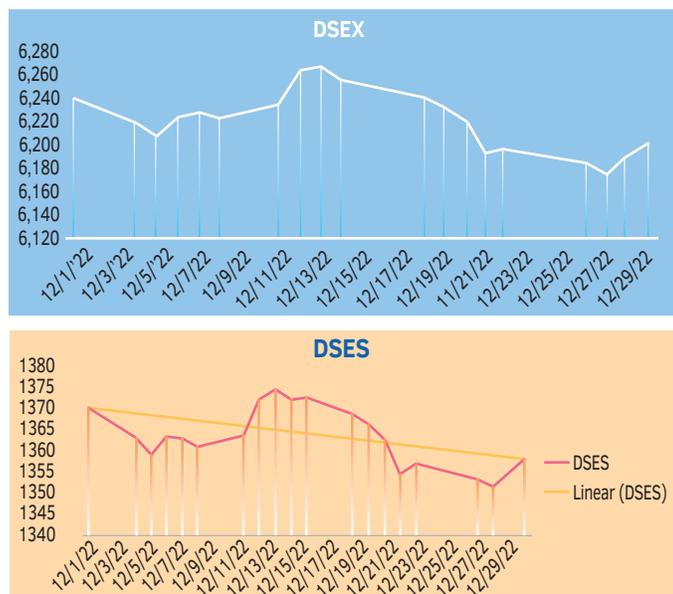


Figure 14: DSEX and DSES

The decrease in the flows of foreign remittances, and the widening trade deficit, along with the free fall in foreign exchange reserves to \$34 billion, have created a panic among investors to return to the capital market. Overall, 11 IPOs are in the pipeline to penetrate the market, while 3 of them have already secured approval from BSEC.

Upcoming Approved IPO

Company Name	Asset Class	Listing Method	Subscription Open	Subscription Close	Offer Price
Lanka Bangla Securities Limited	Equity	Direct listing	4-Jan	4-Jan	10
Midland Bank Limited	Equity	Fixed Price	----	----	--
Asiatic Laboratories Limited	Equity	Book Building	16-Jan	22-Jan	20

Figure 15: Upcoming Approved IPO

Analyzing the returns of the world's major indices, it is apparent that the USA, China, India, Japan, and the UK all showed a poor return in December compared to that of Bangladesh. Among them, Japan's NIKKEI 225 had a negative return of 7.55% which was greater than any other country in comparison

World's Index & PE Ratio

Country	Index Name	Return	PE Ratio
China	SSEC	-2.12%	13.1
India	NIFTY 500	-3.22%	22.13
USA	S&P500	-6.27%	18.64
Japan	Nikkei 225	-7.55%	15
UK	FTSE 250	-2.87%	12.8
Bangladesh	DSEX	-0.62%	14.5

Figure 16: World's Index & PE Ratio

The market PE ratio of the DSEX this month was 16.16. Salvo Chemical Industry Limited was in the top position based on turnover; Islami Commercial Insurance Companies Limited was the top gainer, whereas Shonali Aansh was the top loser. In terms of sector return, Jute overshadowed other sectors with a 60% return within a month. Cumulatively, the average

trade volume and the average trade value decreased by 54% and 51%, respectively, along with a 0.68% decrease in the average market capitalization compared to the previous month. This month's good news for Bangladesh's economy is that foreign remittances have surpassed USD 100 billion for the first time.

Sectoral PE Ratio

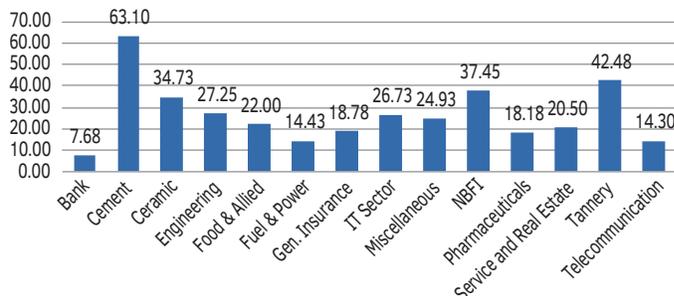


Figure 17: Sectoral PE Ratio

The market PE ratio of the DSEX this month was 14.25. ORIONPHARMA was in the top position based on turnover; NAVANAPHARMA was the top gainer, whereas BDCOM was the top loser. Cumulatively, the average trade volume and the average trade value increased by 45% and 38%, respectively, along with a 38.27% increase in the average market capitalization compared to the previous month. A positive development this month for the capital market of Bangladesh is that FDI increased by 37% compared to the previous month.

Top Gainer and Loser

Turnover			Gainer		Loser	
Sl	Stock	Turnover	Sl	Stock	Sl	Stock
1	BEXIMCO	1988.62	1	CLICL	1	ANWARGALV
		-6.00%		214.29%		57.10%
2	GENEXIL	1247.95	2	PRAGATILIF	2	ORIONINFU
		34.10%		77.34%		-45.10%
3	ORIONPHARM	901.94	3	JUTESPINN	3	JMISMDL
		-29.50%		32.97%		-32.89%
4	EHL	656.67	4	APEXFOODS	4	EHL
		-30.40%		30.87%		-30.63%
5	BPML	630.71	5	AAMRANET	5	JHRML
		9.20%		27.12%		-25.90%

Figure 18: Top Gainer and Loser

BSEC has already taken several actions to improve market performance. Among them, the most recent is the withdrawal of the floor price for 169 companies with lower market capitalization to improve the liquidity condition of the market. The approval of two maiden ETFs, LB Multi Asset Income ETF and FAM DG Bengal Tiger Exchange Traded Fund, with target sizes of Tk. 100 crore and Tk. 50 crore, respectively, is scintillating new hopes for the market development. Another significant event is the January launch of an alternative trading system, which is expected to increase market capacity. Though this month was not good for the investors, it can be said that the positive reinforcements taken by the policymakers of Bangladesh and the increased participation of institutional investors will bring heydays for the capital market of Bangladesh.

Credit growth slowed as a result of banks' continued caution in lending during the liquidity crisis brought mostly on by the escalated dollar price



As of October 2022, total deposits had grown by about 7.35 percent YoY, with demand deposits expanding by 12.24 percent and time deposits growing by 6.71 percent. Time deposits and demand deposits both made contributions of 0.56% and 0.29%, respectively based on previous month whereas total deposits grew monthly by 0.53%. [Table-01]

Advances and Bills increased by 14.69% and 7.44% YoY, respectively. Besides, we observe monthly growth of 0.80% and 0.92%, respectively. Bank investments increased by 1.38% YoY whereas it is only 0.02% compared to previous month. [Table-01]

Scheduled Bank Deposits and Credits

Deposits held in DMBs				(Taka in Million)	
Items	Oct, 2022	Sep, 2022	Oct, 2021	Percentage Changes	
				Oct, 2022 over Sep, 2022	Oct, 2022 over Oct, 2021
Demand Deposits	1783121	1777983	1588619	0.29	12.24
Time Deposits	13117312	13043787	12292005	0.56	6.71
Total	14900433	14821770	13880624	0.53	7.35

Bank Credits				(Taka in Million)	
Items	Oct, 2022	Sep, 2022	Oct, 2021	Percentage Changes	
				Oct, 2022 over Sep, 2022	Oct, 2022 over Oct, 2021
Advances	13676662	13567988	11924609	0.80	14.69
Bills*	326792	323810	304175	0.92	7.44
Investments	3451886	3451332	3404949	0.02	1.38
Total	17455340	17343130	15633733	0.65	11.65

*Import & Inlands Bills

Table 01: Deposits held in DMBs and Bank Credit

Notes: 1. Deposits exclude Interbank Deposits and Government Deposits, 2. Advances include Loans & Advance, Money at Call, Balances & R. Repo with NBFIs & Accrued Interest, 3. Investments include Treasury Bills, Treasury Bonds, Share & Securities with accrued interest.

Interbank call money rates increased in December, peaking at 5.84% with an average of 5.78%. [Figure-01] The nominal loan rate and deposit rate have remained constant over time, averaging out to 7.12 percent and 4.03 percent, respectively. [Figure-02]

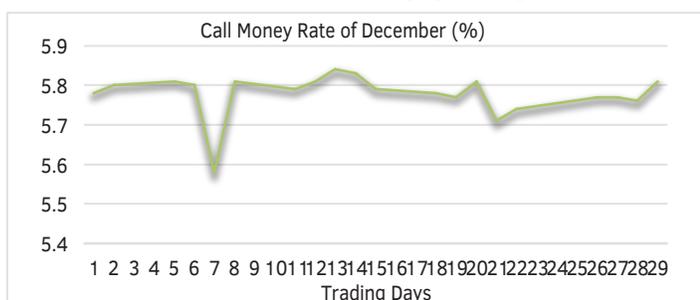


Figure 01: Call Money Rate of December

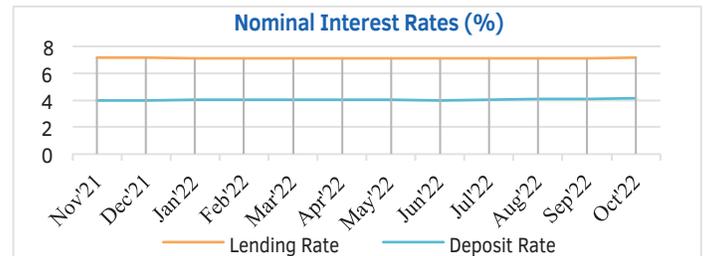


Figure 02: Nominal Interest Rates

Both cost of funds and adjusted cost of funds averaged to 6.56% and 7.54% respectively [Figure-03]. Government net borrowing from the banking system totaled at Tk. 31,972 crore from July to 15th December of FY23. [Figure-04]

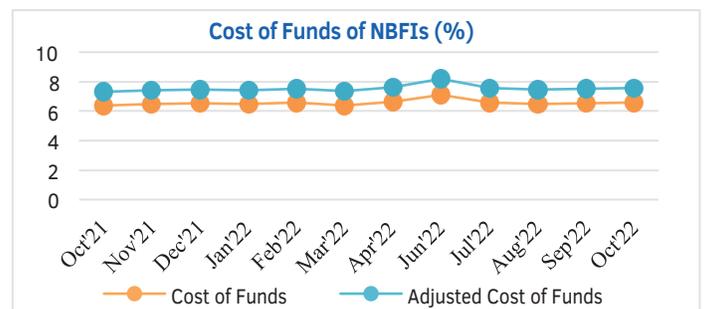


Figure 03: Cost of Funds of NBFIs

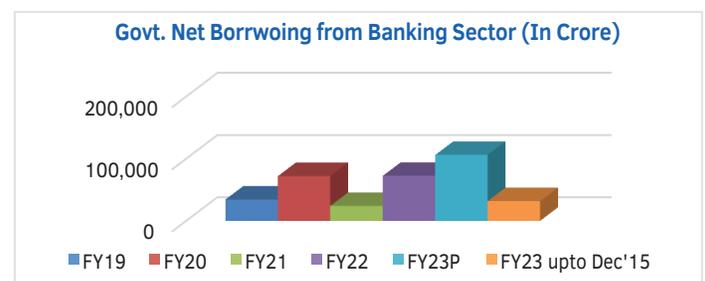


Figure 04: Govt. Domestic Borrowing

Private sector credit persisted sluggish and grew by 13.97% year-on-year growth in November 2022 [Figure-05]. As of 21st December 2022, the foreign exchange reserve's value, which has been constantly dropping, was around 34.01 billion USD. [Figure-06].

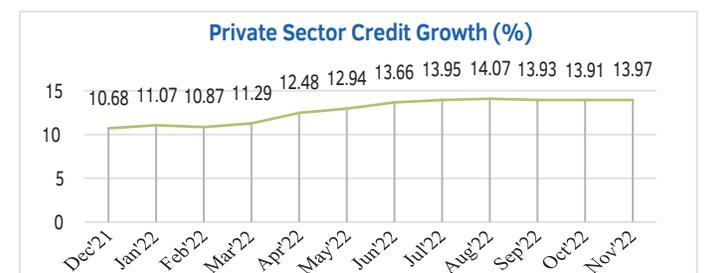


Figure 05: Private Sector Credit Growth

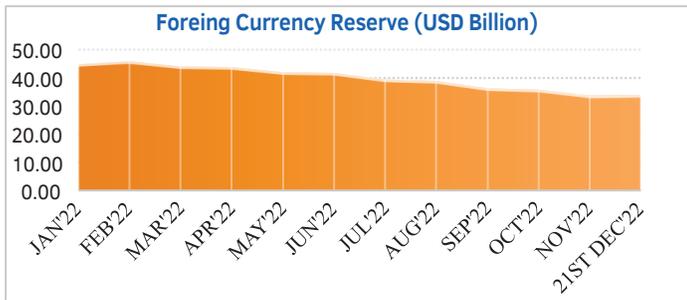


Figure 06: Foreign Exchange Reserve

The yields on both T-Bills and T-Bonds have both sharply increased since last year. As of December 2022, the yields on T-Bills with terms of 91, 181 and 364 days were 7.30%, 7.50%, and 8%, respectively. [Figure-07]. The yields on the 2, 5, 10, 15 and 20 year T-Bonds hit 7.57%, 7.91%, 8.33%, 8.79% and 8.95%, respectively, continuing the same trajectory. [Figure-08].

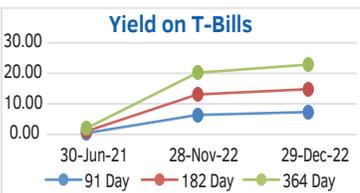


Figure 07: Yields on T-Bills

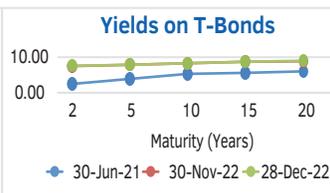


Figure 08: Yields on T-Bonds

Trends in Financial Inclusion and Digital Finance Statistics

The number of internet banking users has reached at around 60,19,687 as of October 2022, representing 2.22% monthly growth. [Figure-09]. The reachability of MFS irrespective of gender is well reflected where male and female users share almost equal portion of the pie [Figure-10]

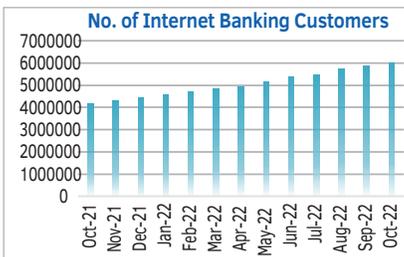


Figure 09: Number of Internet Banking Users

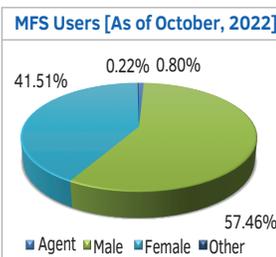


Figure 10: MFS Users (Rural to Urban)

To identify the interaction with e-banking and e-commerce, we plotted the month-by-month growth of four gateways, namely ATM, POS, CRM, and E-Commerce. These four gateways increased by 3.12%, 2.78%, 7.36% and 3.00 respectively on an average in every month from November 2021 to October 2022 [Figure-11]. When we compared the proportion of rural to urban clients using agent banking services, we found that rural people outpaces urban in every modes of services offered by agent banking. [Figure-12].

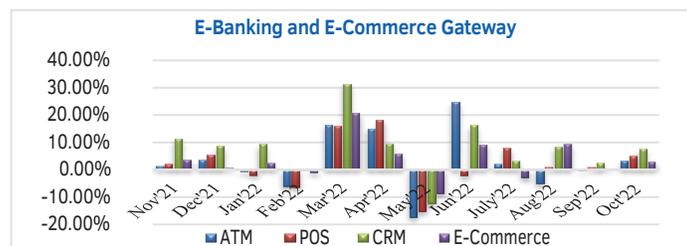


Figure 11: E-Banking and E-Commerce Transactions

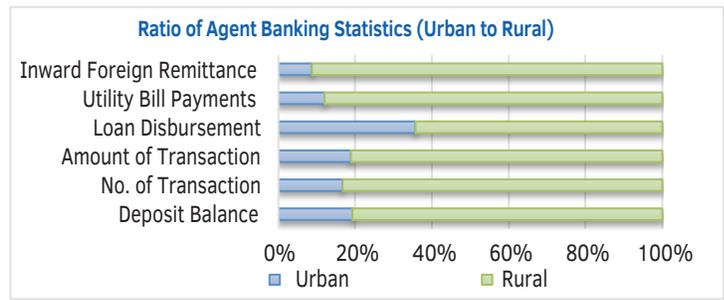


Figure 12: Ratio of Agent Banking Statistics

Key Takeaways

- The growth of bank deposits has been around 7.35% which is the lowest in last five years. High cost of living resulting from escalated inflation along with low interest rates offered by banks limits the consumers' savings in banks. This has further aggravated by the rumor that banks do not have enough funds. However, the fall in deposits limits the banks' ability to lend.
- The call money rate escalated to 5.78% on average resulting from the cash withdrawals pressure. This indicates the persistent high demand for liquidity in money market.
- Due to the controlled range of interest rates, both lending and deposit interest rates are steady.
- Since last year, non-bank financial institutions (NBFIs) have seen a consistent decline in deposits as customers withdrew their savings to manage expenses in the face of rising living costs. A portion of savers are also transferring their savings to alternative sectors, such as real estate. Thus, NBFIs need to offer high rates to attract the deposits which further fueled their cost of funds.
- Government net borrowing from the banking sector stood at BDT 31,972 crore from July 2022 to 15th December 2022. According to expert, such high borrowing results from rising government's expenditures against its significantly low income as well as decline in selling of national savings certificates.
- The banking sector has been undergoing a slowdown in credit growth since September 2022. Credit growth slowed as a result of banks' continued caution in lending during the liquidity crisis brought mostly on by the escalated dollar price.
- Amid the dollar crisis which aggravated the forex reserve, commercial banks find it difficult to settle the import payment obligations. This has further propelled the banks to refuse to open new LCs which has decreased by 8.57 per cent in July-September FY23.
- The yield on both treasury bills and bonds increased significantly as a result of tight liquidity. This makes borrowing expensive for the government from banking sector.
- The steady growing tendency of internet banking results from the massive usage of internet as well as banks' eagerness to help adopt the customers use their applications and websites.
- Regardless of gender, mobile financial services (MFS) have facilitated payments and increased access to financial services across the country.
- Consumers in every gateways (ATM, POS, CRM and E-commerce) demonstrated positive trends on average. However, the wide acceptability of CRM is significant, with an average monthly growth of 7.36% and a YoY of 123.15%.
- To help alleviate the shortage of traditional banking facilities, agent banking is providing financial services to rural and to poor populations. This has also fostered the deposit growth, peaking at Tk. 30,626 crore as of October 2022. Increased agent banking activity in rural areas demonstrates how marginal people are included in the financial system.

Source: Bangladesh Bank Website

POS: Point of Sale
ATM: Automated Teller Machine
MFS: Mobile Financial Service

CRM: Cash Recycling Machine
YoY: Year on Year



Faima Akter

Blockchain in Capital Market

The Roadmap to Financial Freedom



Capital markets around the world are going through significant changes due to regulation, technology-led market disruption, and the changing economics of core business areas. With the advent of Blockchain, capital markets around the world are getting extra benefits. The capital market of Bangladesh is also trying to incorporate Blockchain technology to increase trade efficiency and preserve investors' interest.

What is Blockchain?

Blockchain is a method of storing data that makes it difficult or impossible to update, hack, or defraud the system. Blockchain technology is mainly based on cryptography and distributed ledger technology that works as an important tool for asset administration. It stores data in blocks, and every block is differentiated from each other through a unique hash ID. All blocks are linked in such a way that they can cross-reference each other like a chain. Blockchain's innovation is that it ensures the accuracy and security of a data record and produces trust without the requirement for a trusted third party. Blockchain's purpose is to enable digital information to be recorded and distributed, but not altered. In this sense, a blockchain, serves as the foundation for immutable ledgers, or records of transactions that cannot be changed, erased, or destroyed. The main attributes of Blockchain can be shown in the following figure:

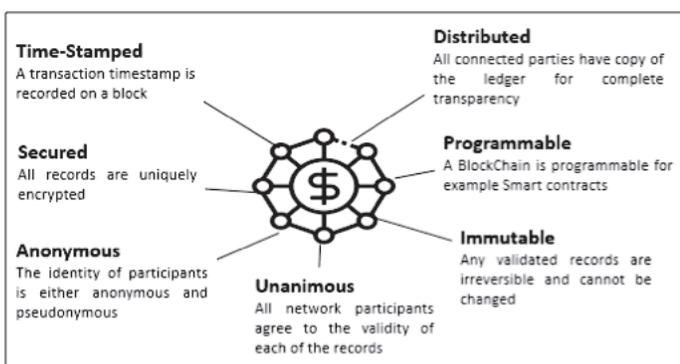


Figure 20: Attributes of Blockchain (Source: Author's Development)

Capital markets around the world were facing long-standing difficulties with several issues, such as lengthy settlement cycles, high transaction costs due to asset exchanges and intermediaries in payments, inefficiencies in the reconciliation process, etc. With the advent of new

technologies, these issues are being addressed. These technologies are being used to reduce the inefficiencies in the trading and settlement processes of the capital market. With the introduction of Blockchain, financial market organizations are already anticipating the next level of disruption, and many of the previous difficulties may be handled by the technology behind bitcoin. Three basic functions of the Blockchain are that transaction/asset data is stored in a decentralized way, data immutability is ensured through hashing principles, and transactions are executed based on business rules automatically through smart contracts. Blockchain technology has changed the traditional way of exchanging values by financial institutions. Thus, this technology is enabling the development of new industrial processes based on the utilization of transparent real-time data, immediate transaction settlement, and the proliferation of auto-executing "smart" contracts with business logic encoded into the ledger.

Uses of Blockchain Technology in Capital Market

Current methods used in the capital market of Bangladesh are quite complex, and the data architecture lacks common standards. As a result, there is a constant requirement to reconcile data with enormous systems, as well as process duplication, resulting in expensive costs and lengthy execution times. Blockchain can play a vital role in increasing market efficiency. Blockchain's benefits and impact in capital markets might be far-reaching, spanning the buy side, sell side, and market infrastructure, with the possibility of removing or minimizing the role of intermediaries. Possible applications of Blockchain technology in the case of capital markets are –

Clearing and Settlements: Blockchain technology can act as a single source of data that is easily accessible to both parties who are going to enter into a transaction. Thus, it allows real-time settlement of transactions and reduces processing redundancies without any help from intermediaries.

Payments: Blockchain technology can provide a swift and secure payment facility through encrypted ledger technology. Thus, it helps to reduce the intermediaries and lowers the transaction cost, which is beneficial to the investors.

Reporting and Compliance: All transactions and other records are kept in an immutable format in the Blockchain architecture. Any business unit or regulatory body can easily

perform audits on those records. A node can even be built to perform the audit in real time. It can make the reporting process more efficient, and regulatory bodies will be able to check whether listed companies are complying with the rules and regulations or not.

Transfer of Instruments: The Blockchain technology allows all financial institutions to issue instruments in digital format and trade them on person-to-person basis without any help from intermediaries. There is no need to keep a separate clearing house to execute the trade.

Digital Identity: Blockchain technology provides digital identity to individuals and corporate identity to different corporate bodies over the network and shares these identities with the banks. This makes it easier for banks, as it minimizes their efforts for KYC (Know Your Customer).

Collateral: Different corporate actions like dividend interest payments and dividend payments can be easily settled through programming on smart contracts. Execution through this process does not require so much time; rather, do the task on a real-time basis.

Collateral Management: Blockchain technology can also solve new collateral requirements. It allows the utilization of unused assets. As a result, operational complexity and costs decrease with increased flexibility. The technology does this through a faster settlement process and the sharing of information related to assets.

All the above use cases can be executed using a public, private, or permissioned Blockchain configuration. It considers all the requirements of the participants connected to the network. Currently, most of the operations in the capital market are conducted through the use of several intermediaries, which makes the transaction process time-consuming and expensive. With the help of Blockchain technology, this problem can be easily solved. Many developed countries are already trying to implement Blockchain technology in capital market operations. From real-time trade settlement processes to tri-party collateral management in every process, Blockchain can play a vital role in increasing market efficiency. All the investors will be well-informed during the process of taking their decisions. How this technology can perform the real-time trading system in the capital market is illustrated in the following figure.

From the above picture, it can be seen that in the traditional settlement system of the capital market, different intermediaries are required to execute the trading process. It stretches settlement cycle timelines, which may result in losses for the investors. On the other hand, once a trade is completed on an exchange in a Blockchain system, the trade information is sent to a smart contract that is kept on a permissioned network. The Blockchain-based instrument ledger positions are synchronized by the smart contract, which also performs a real-time availability check on the exchanged instruments. This promotes confidence and transparency for the trading entities and enables real-time transaction settlement because the rules specified on smart contracts and the position record on Blockchain cannot be altered. Thus, counterparty risk can be reduced through this process, and settlements, reconciliations, and communication errors can also be eliminated by using this amazing technology.

Potential Benefits for Capital Market

The idea of "Blockchain" certainly represents a significant transformation in the structure of capital markets. Why would the industry want to go down this path? The capital market can get so many benefits from implementing Blockchain technology in its operations. These benefits can be noticed in different phases of operation, such as pre-trade, trade, post-trade, and custody and security services, which are shown in the following figure.

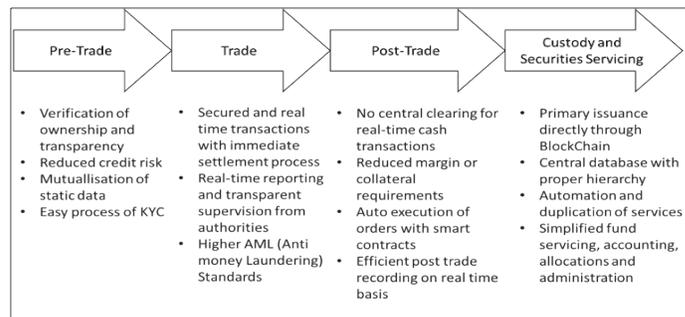


Figure 3: Potential Benefits for Capital Markets (Source: Author's Development)

It is undeniable that blockchain technology has the potential to transform the Bangladeshi capital market. Different related bodies of capital markets are already trying to incorporate this technology, but it is in the preliminary phase. To get the maximum benefits from this technology, the regulatory bodies of the capital market and money market should come forward to welcome it as soon as possible. Organizations within the capital market will have a competitive advantage if they can absorb the technology earlier than those who are not. Though Bangladesh is not fully ready to accept this technology due to some security issues, the benefits of this technology cannot be avoided. Sooner or later, efficiency will capture the whole system, whether we accept it or not. Therefore, for ensuring an optimum level of efficiency and financial freedom in our capital market, Blockchain technology is a crying need now.

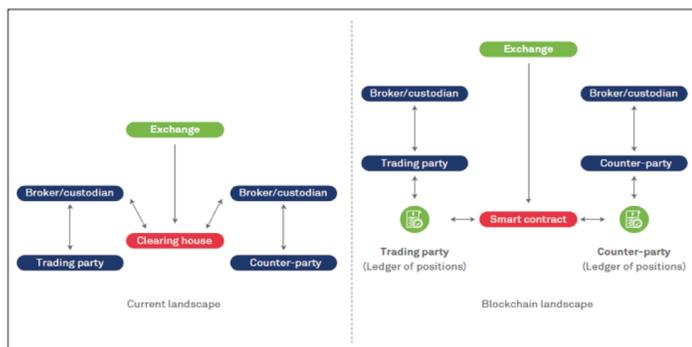


Figure 2: Blockchain Uses in Capital Market (Source: Goldman Sachs Insights)