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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.

“
Bangladesh is Conveniently Growing as a Developing Economy Where GDP Growth is Consistent. However, Inflation and Forex Reserves are the Key Challenges to be Addressed.
”

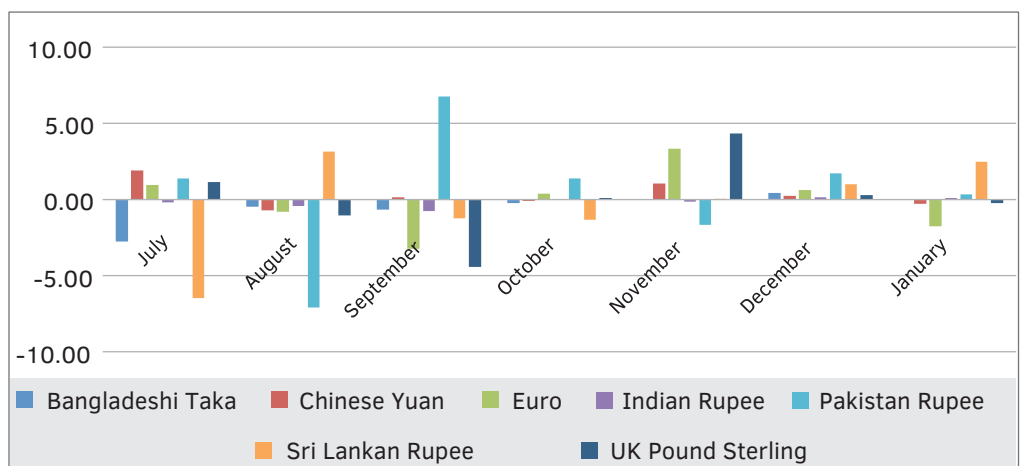
— Gourav Roy, Lecturer, BICM



Key Economic Indicators at a Glance

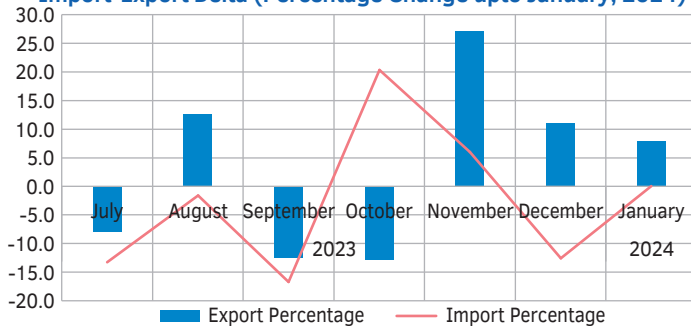
Countries	GDP at Current Price (USD in Billion)	Real GDP Growth	Inflation Point to Point (as of Feb '24)	Currency Appreciation/Depreciation against USD	Reserve (USD in Billion)	Currency Exchange Rates (Per USD)
Bangladesh	426.85	6.03%	9.86%	0.00%	19.96	109.53
Emerging Economies						
India	3,750.00	7.20%	5.10%	0.11%	617.23	82.90
China	19,373.00	4.50%	-0.80%	-0.30%	3,220.00	7.20
Developed Economies						
USA	23,618.00	2.90%	3.09%	0%	244.00	1
UK	3,080.00	1.90%	4.00%	-0.25%	116.90	0.79

Appreciation or Depreciation of Different Currencies against USD (In Percentage)

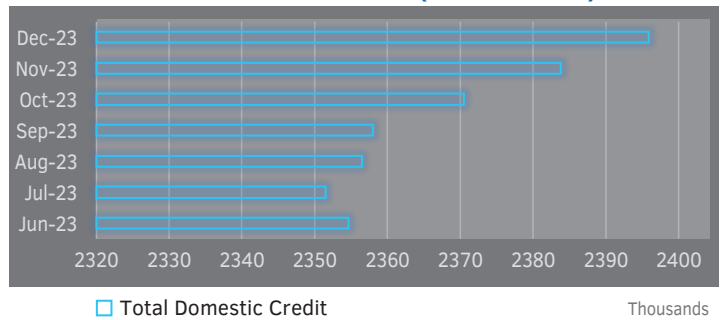


A Visual Tour of the Key Statistics

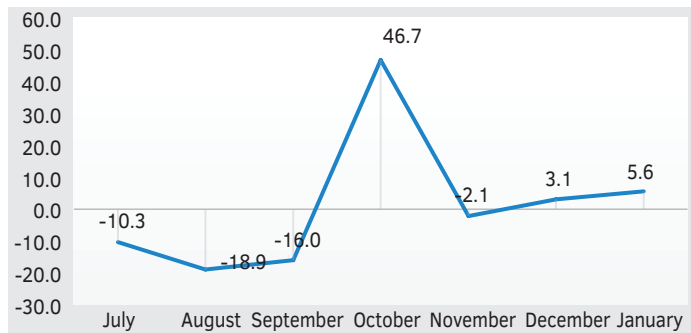
Import-Export Delta (Percentage Change upto January, 2024)



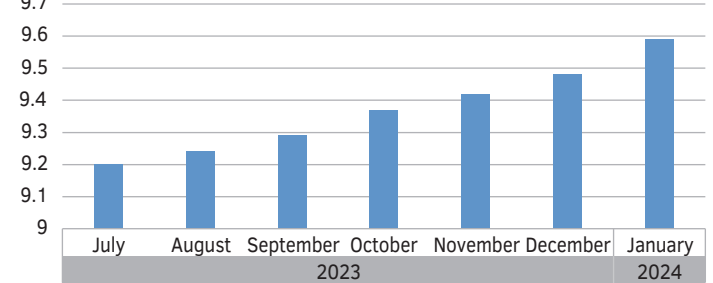
Total Domestic Credit M3 (In Crore of BDT)



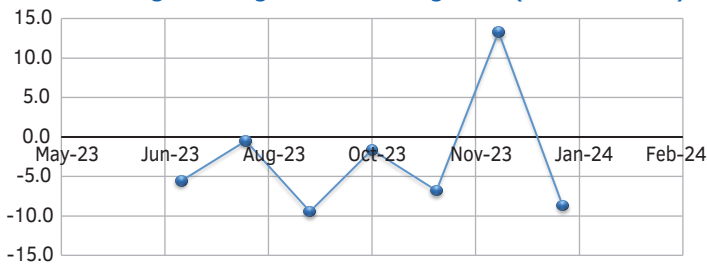
Foreign Remittance Growth of FY 2023-24 (Month to Month)



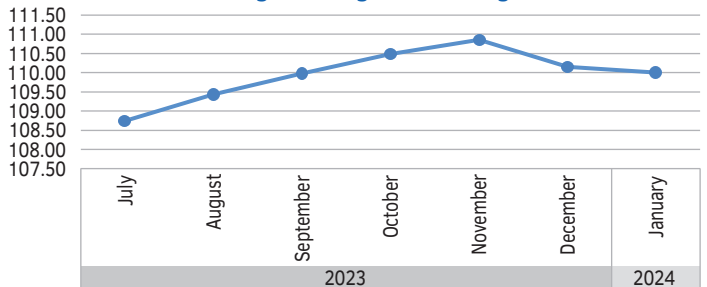
Twelve Month Average Inflation (In Percentage)



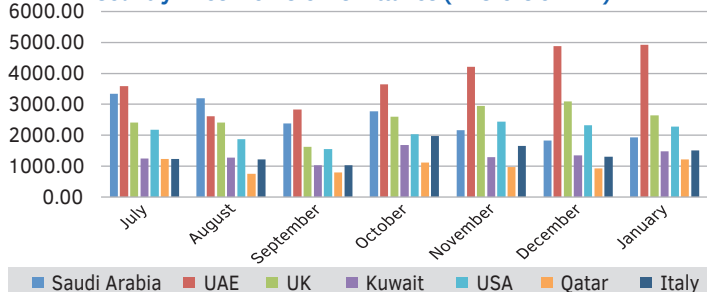
Percent Change of Foreign Reserve of Bangladesh (Month to Month)



Period Average Exchange Rate of Bangladesh



Country-Wise Workers' Remittance (In Crore of BDT)



Salient Statistics

1. BDT has remained unchanged in relation to USD, which is a good sign of currency stability.
2. Exports increased by 7.8%, which is far higher than the change in imports.
3. After a small increase of 3.1% in last month's foreign remittances, this month has also experienced 5.6% growth.
4. The Forex reserve is now 19.96 billion USD, down from 21.87 billion USD in the last month.
5. The average monthly exchange rate is now Taka 110 per USD, which was 110.15 last month.
6. The debt-to-GDP percentage in 2023 is 38%, up from 37.5% in the previous year.
7. The 12-month average inflation rate is now 9.59%, which was 9.48% in the last month.

Economic Challenges Ahead

1. The government needs to bring more state-owned enterprises to the capital market for sourcing of funds to mitigate the burden of public debt.
2. The upcoming months may face foreign exchange reserve dilution due to the payment of foreign loans and debt service charges.
3. The capital market may be more dynamic to mobilize funds for the long run so that liquid money can be replaced more by long-term investment, thus fighting inflation.
4. The rising inflation and domestic credit per capita are daunting economic growth and burdening the country with a lack of purchasing power with additional loans.
5. The government may focus on strengthening international relationships with two types of countries: countries that contribute to foreign remittances, and countries where the majority of our exports are destined.

In February, the Capital Market Index Increased by 40 Points



Capital Market

Imran Mahmud, Lecturer, BICM
& Faima Akter, Lecturer, BICM

In February 2024, the securities market experienced a considerable increase of 0.65% in the DSEX index when compared to the previous month. However, despite this setback, the lifting of floor price rule, and resilient investor confidence have set the stage for a potential boost shortly for the capital market.

Upon analyzing the stock market snapshot for February 2024, it is evident that the DSE market indices (DSEX & DSE30) have demonstrated a positive change from the previous month. Despite the number of scripts with a price fall is higher than the number of scripts that have prices up when compared to the previous month. However, DSES has decreased when compared to January. During February, on average, only 161 issues advanced, 188 issues declined, and the remaining 51 issues closed unchanged. The AD ratio, which compares the number of stocks that increased in value to the number of stocks that decreased in value, revealed that the 19 trading days of February denoted a somewhat volatile trend in the market throughout the month.

At the start of the month, the stock market showed a relatively stable trend, but things started to change in the second week with a significant downturn. Despite this, the total traded value increased by 75.86%. The average number of trades and trade volume also saw an increase of 56.33% and 83.09%, respectively. However, the average market capitalization decreased by 1.03% in February. There may be several factors contributing to the lower investment in the market, such as higher inflationary pressure, and volatile exchange rate. There was news about the lax response from India-Bangladesh bilateral trade in rupee resulting in lower expected benefits from foreign exchange transactions. The agriculture sector also suffered since the agriculture raw material price index increased marginally month-on-month by 1%. The government's decision to increase electricity prices by BDT 0.34 a unit also gave a shock to consumers and investors. This resulted in chaos for the country's capital market as a domino effect. On a positive note, the central bank's suggestion for streamlining the account opening process for foreigners and non-resident Bangladeshis is set to boost the dollar inflows and enhance of nation's reserve.

In February, all 22 stocks newly labeled as Z-category securities experienced a decline in value on the Dhaka Stock Exchange (DSE) on 4th Sunday. Market insiders attribute this to the stock market watchdog's decision to downgrade non-performing shares to the junk category, which is believed to have reduced the scope of manipulation. Z-category stocks, unlike others, do not qualify for margin loans, necessitating investors to use cash for trading. Four of these 22 companies were shifted to the Z category due to being inactive for more than six months. Consequently, these shares face liquidity challenges, as they are unable to attract trading interest due to the extended settlement cycle from T+2 to T+3.

Moreover, the Bangladesh Bank issued a new currency swap mechanism that allowed exchanging over BDT 6500 crore to commercial banks in exchange for nearly USD600 million aggravating liquidity challenges. It poses an uncertainty to the future interest rate structures also. Overall 13 IPOs are in the pipeline waiting for approval from BSEC. Techno Drugs Ltd is conducting its roadshows to penetrate the market and Webcoals PLC has recently got its approval.

On average, the market PE ratio of the Dhaka Stock Exchange Limited this month was 15.26. BESTHLDNG emerged as the top company with the highest turnover, while FINEFOODS was the top gainer with a staggering 39.10% increase in price over the month. On the other hand, KPPL was the top loser. In terms of sector return, textile, jute, ceramic, and bank showed impressive performance this month.

Analyzing the returns of the world's major indices it is apparent that the major indexes of Japan and India showed a higher positive return in February compared to that of the USA, the UK, and Bangladesh. Among those, Japan's NIKKEI 225 index had a positive return of more than 7% greater than any other country in comparison. However, the UK's FTSE 250 experienced a negative return of 1.5% in February compared to the previous month. In terms of global commodity future markets, cotton, and crude oil commodity futures showed a positive change. Natural gas lost a maximum value of 12.62% whereas gold and soybean prices decreased by more than 0.70% and 2.26% respectively in February.

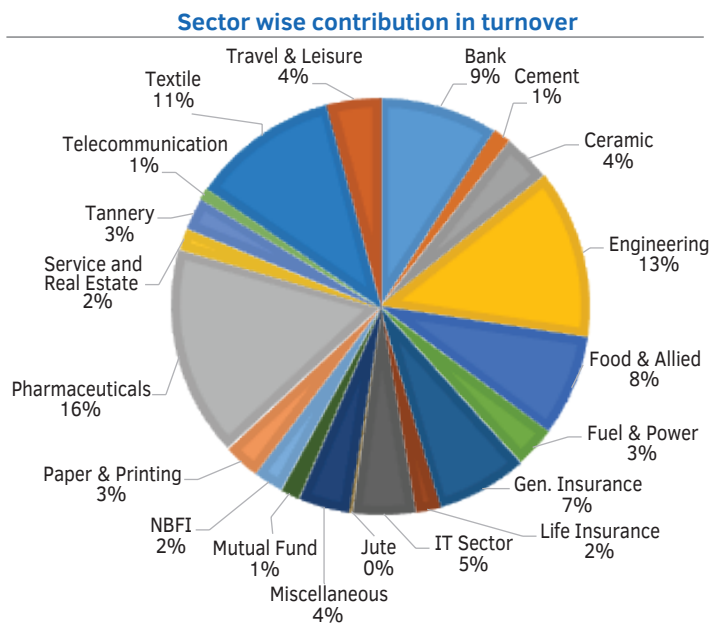
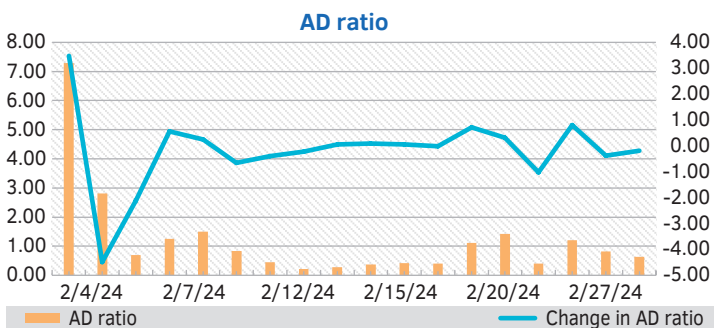
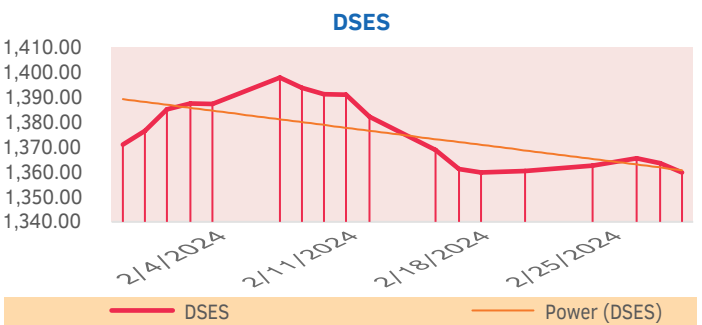
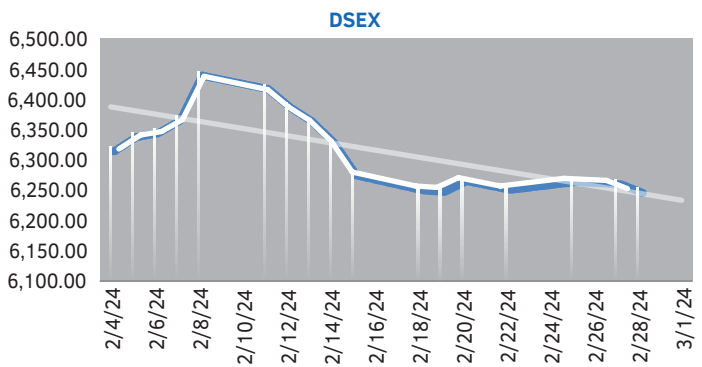
The only regulator of the country's capital market is working to ensure good governance in the stock market. Investors are regaining their confidence in the capital market which is noticeable in the increasing trade volume. It can be concluded that the country's capital market is expected to perform well in the coming days.

DSE Market Indices

Index Name	1 Feb, 24	29 Feb, 24	Change	% Change
DSEX	6,213.99	6,254.54	40.55	0.65%
DSES	1,362.93	1,359.82	-3.11	-0.23%
DS30	2,116.78	2,126.80	10.02	0.47%
CDSET	1,186.16	1,178.28	-7.88	-0.66%
DSMEX	1,280.91	1,481.56	200.65	15.66%
Scripts Movement (Monthly Average)	Advanced 161		Declined 188	
			Unchanged 51	

Market Aggregates

	29 Feb, 2024	31 Jan, 2024	Change	% Change
Average Market Capital (TK Million)	7,662,478.34	7,742,476.19	-79,997.85	-1.03%
Average Traded Value (TK Million)	12,587.49	7,157.83	5,429.66	75.86%
Average Number of Trades	294,588.84	188,438.82	106,150.02	56.33%
Average Trade Volume	399,960,587.84	218,445,286.45	181,515,301.39	83.09%



Top 5 Gainers and Losers

Turnover			Gainer		Loser	
Sl	Stock	Turnover	Total (%)	Sl	Stock	Return(%)
1	BESTHDNG	670.39	8.29%	1	FINEFOODS	39.10%
2	FUWANGCER	638.57	34.87%	2	MONNOFABR	35.94%
3	ORIONINFU	603.23	-8.08%	3	FUWANGCER	34.03%
4	CENTRALPHL	578.24	3.93%	4	ANLIMAYARN	31.04%
5	FORTUNE	437.72	-16.06%	5	JUTESPINN	30.96%
				1	KPPL	-32.31%
				2	AAMRANET	-28.00%
				3	BIFC	-25.84%
				4	RINGSHINE	-27.03%
				5	ARAMITCEM	-25.07%

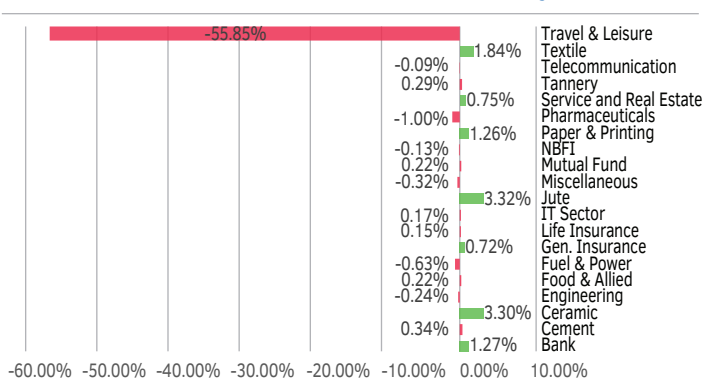
Performance Comparison of World's Major Indices

Country	Index Name	Return
India	BSESENSEX	1.04%
USA	DOWJONES	0.94%
Japan	Nikkei 225	7.94%
UK	FTSE 250	-1.57%
Bangladesh	DSEX	0.65%

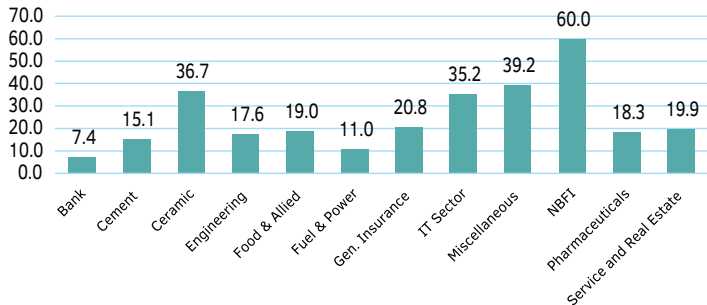
Performance Comparison of Commodity Futures

Commodity name	Return
SUGAR	-8.53%
NATURAL GAS	-12.62%
COTTON	17.68%
SOYBEAN	-2.26%
GOLD	-0.70%
CRUDEOIL	3.82%

Sector-Wise Return for the Month of February'24



Sectoral PE Ratio



Data Source: DSE, LankaBangla Financial Portal

Call Money Rate in February Remained High with a Monthly Average of 9.30 Percentage



— Md Adnan Ahmed, Lecturer, BICM

Scheduled banks' deposits witnessed 11.05% YoY where demand deposits and time deposits contributed to 6.85% and 11.64% respectively. Banks' credits increased by 10.83% as of December 2023. Advances, Bills and Investments grew by 10.63, 4.45 and 12.3 percentages respectively. [Table-01]

Scheduled Banks' Deposits and Credits

Deposits held in DMBs			(Taka In Million)		
Items	Dec' 23	Nov' 23	Dec' 22	Percentage Changes	
				Dec' 23 vs Nov' 23	Dec' 23 vs Dec' 22
Demand Deposits	1,963,251	1,898,025	1,837,414	3.44	6.85
Time Deposits	14,574,196	14,506,840	13,054,277	0.46	11.64
Total Deposits	16,537,447	16,404,865	14,891,691	0.81	11.05

Banks' Credit			(Taka In Million)		
Items	Dec' 23	Nov' 23	Dec' 22	Percentage Changes	
				Dec' 23 vs Nov' 23	Dec' 23 vs Dec' 22
Advances	15,616,966	15,363,960	14,116,520	1.65	10.63
Bills (Import & Inland)	308,591	282,252	295,445	9.33	4.45
Investments	3,560,942	3,596,860	3,170,979	-1	12.3
Total Credits	19,486,499	19,243,072	17,582,944	1.27	10.83

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.

Call money rate in February remained high with a monthly average of 9.30 percentage [Figure-01]. The nominal interest rates on loans and deposits have increased to 7.89% and 4.55%, respectively. [Figure-02]

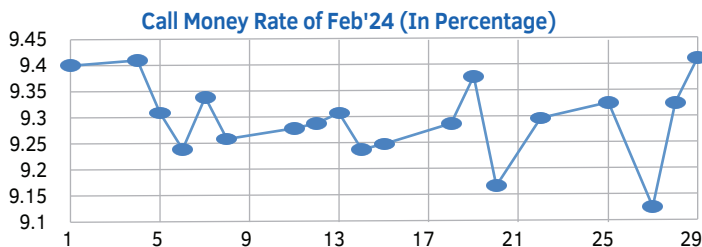


Figure 01: Call Money Rate of Feb'24

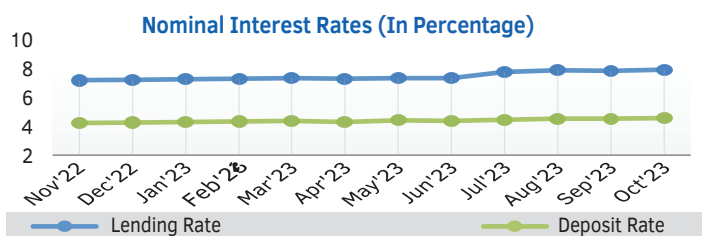


Figure 02: Nominal Interest Rates

The government borrowed Tk31,274 crore from July to November of FY24 and paid back Tk27,635 crore to the central bank. Therefore, government borrowing decreased by 88% in the first five months of FY24 [Figure-03]. Private sector credit growth increased to 10.20 percentage in December 2023. [Figure-04]

Government Borrowing from Banking System (In Crore)

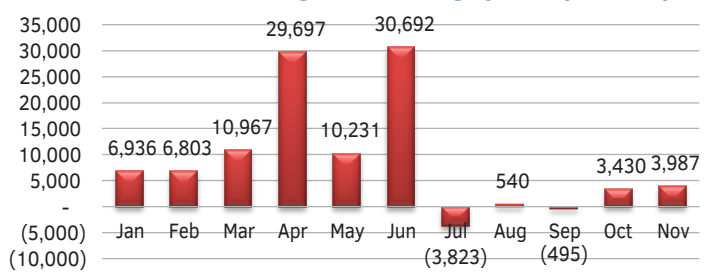


Figure 03: Govt. Borrowing from Banking System

Private Sector Credit Growth (In Percentage)

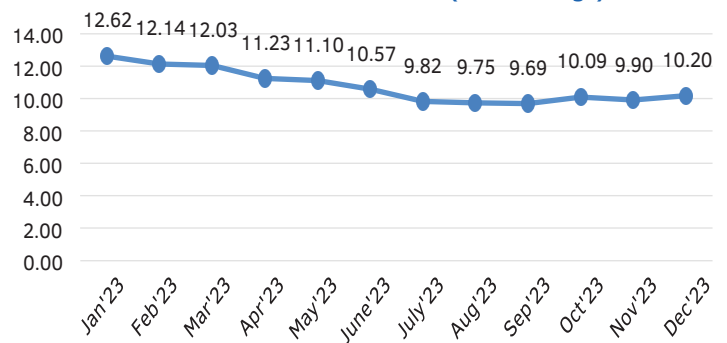


Figure 04: Private Sector Credit Growth

Both bills and bonds rate of treasury securities continued to increase compared to January, 2024. Treasury bills of 91, 182 and 364-days' maturities became 11.40, 11.45, and 11.60 percentage respectively in February. Whereas treasury bonds of 2, 5, 10, 15, and 20 years' maturities became 11.80, 11.95, 12.05, 12.18, and 12.27 percentage respectively. [Figure 5]

Yield Curve (In Percentage)

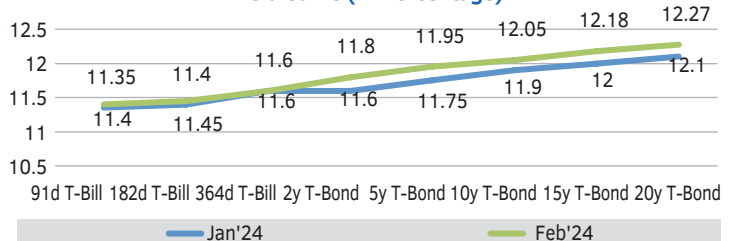


Figure 05: Yield Curve

Trends in Financial Inclusion and Digital Finance Statistics

As of December 2023, 8.33 million individuals utilized internet banking, representing a YoY rise of roughly 33.28 percent. [Figure-06] As of December 2023, there were around 220 million MFS account holders, representing a 15.38 percent YoY rise. [Figure-07] Transactions through ATM, POS, CRM, and e-commerce increased by 18.77, 19.12, 92.85 and 38.28 percentage respectively. [Figure-08]. Transactions through agent banking such as utility bill payments and inward foreign remittance have declined by 15.55 and 7.06 percentage respectively whereas deposit balance and loan disbursements have increased by 20.94 and 3.90 percentage respectively [Figure-09].

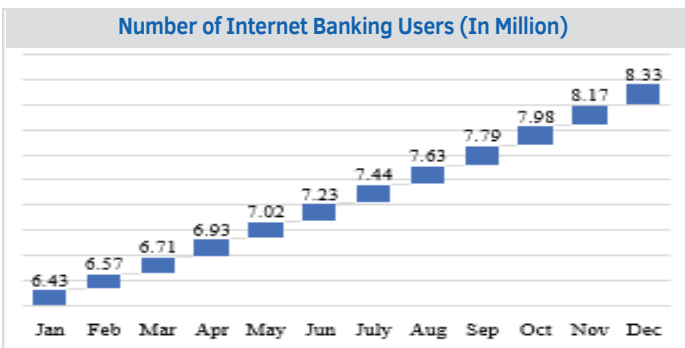


Figure 06: Number of Internet Banking Users

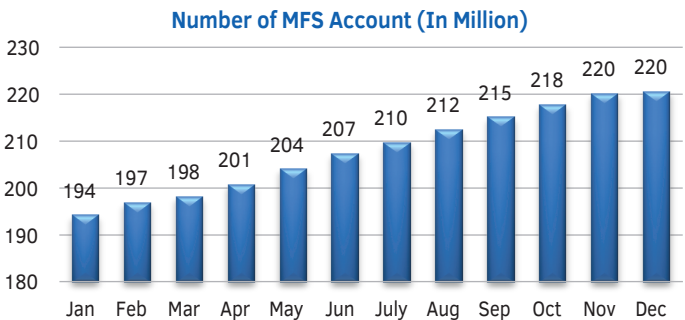


Figure 07: Number of MFS Account

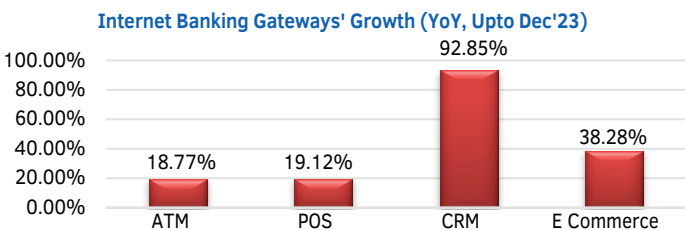
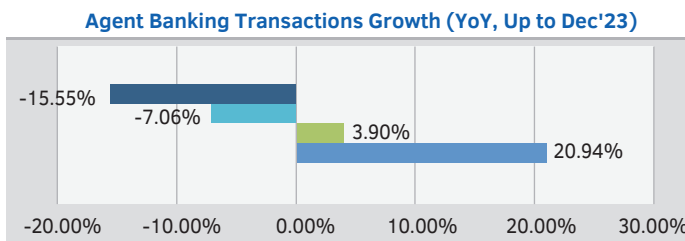


Figure 08: Growth of Internet Banking Gateways



Legend:
■ Inward Foreign Remittance
■ Loan Disbursements
■ Utility Bill Payments
■ Deposit Balance

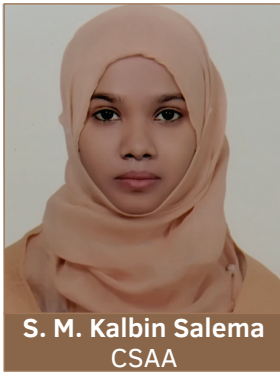
Figure 09: Agent Banking Transaction Growth

Key Takeaways

- > Since lending rate cap was lifted and policy rates were raised, banks have been turning to pursue funds to help them through the liquidity constraint. As a result, interest rates on deposits are rising in line with lending rates. This has fostered the deposit growth rates of the banks.
- > Banks were permitted to add margin using the six-month moving average interest rate (SMART) after the central bank reduced the interest rate corridor margin from 3.75 percent to 3.50 percent. With the current SMART of 9.61 percent, the maximum bank lending rate for March is set at 13.11 percent while it was 12.38 percent in February.
- > Call money rates remained high in February though it was much higher in January. Industry sources claimed that while high inflation was undermining consumer confidence, the economic slowdown was making it harder to collect loans from debtors. In the current fiscal year, the central bank has already liquidated around \$6 billion in reserves, which has caused almost Tk66,000 crore to move from the money market to the central bank's vault. This has further made the market dry.
- > In the first half of the current fiscal year, the government's bank borrowing fell by 88%. The government has borrowed only 2.76% of its annual target from banking system. It is encouraging that the government is borrowing less from the banking industry. Stopping the central bank's money printing to finance the government is also a wise move. Undoubtedly, these actions will help to tame inflation.
- > However, this fiscal year has been witnessing increased involvement of commercial banks to treasury securities. The burgeoning increment of treasury security's yields has prompted commercial banks to purchase bills or bonds instead of lending to private sector.
- > This rise in internet banking is ascribed to the growing population of tech-savvy people, especially the younger generation who prefer the convenience of digital platforms for their banking requirements. The growth of such banking took place during the Covid-19 period. Amidst the global pandemic in March 2020, the country had 2.7 million internet banking customers, witnessing a remarkable 203% growth to reach 8.1 million by November 2023.
- > The MFS sector has seen a significant increase in cashless purchase by consumers over the past few years due to the convenience of digital transactions. Based on Bangladesh Bank data, the total transactions made through MFS at the end of December 2023 increased by 30% year over year to Tk 124,548 crore.
- > The increasing popularity of agent banking suggests that there is a significant opportunity to include the unbanked residents of rural areas in formal banking services. Most notably, the deposit growth of agent banking indicates the wide acceptability of rural people to park their fund into banking channel.

Data Source: Bangladesh Bank Website

POS: Point of Sale
 ATM: Automated Teller Machine
 MFS: Mobile Financial Service
 CRM: Cash Recycling Machine
 YoY: Year on Year



S. M. Kalbin Salema
CSAA

Shari'ah Compliant Capital Market Instruments in Bangladesh



Even though 91.04% of people in Bangladesh are Muslims (Bangladesh Bureau of Statistics, 2022), the capital market of the country offers comparatively fewer options for Shari'ah-compliant investing. Due to the scarcity of Shari'ah-compliant asset classes in Bangladesh's capital market, investors rarely get the opportunity to diversify their investment portfolios. Like other Muslim countries, Bangladesh has the opportunity to develop the Islamic Capital Market (ICM) alongside the established conventional capital markets.

The Shari'ah-compliant capital market instruments that are currently available in this market include Islamic bonds, Takaful, Sukuk, and Shari'ah-compliant equity securities. There are two Islamic indexes in Bangladesh. In January 2014, Bangladesh's first Islamic index, the "DSEX Shariah Index (DSES)," was introduced by the Dhaka Stock Exchange (DSE), making it a trailblazing move. Adhering to pace, the Chittagong Stock Exchange (CSE) launched the "CSE Shariah Index (CSI)" in October, 2014. Out of the two, the list of CSI is accessible to the public and is reviewed and updated twice a year. Out of 373 listed stocks, 130 listed businesses have been chosen for the latest CSE Shariah Index, which is in effect from August 03, 2023. The unavailability of required information regarding the Shari'ah-indexed equity securities is challenging for the Shari'ah-concerned investors of the market.

Only four (04) of the 36 mutual funds that are listed on the DSE as of 09 February 2024 are Shari'h-based. Furthermore, only fourteen (14) of the ninety-five open-ended mutual funds are based on Shari'ah (Bangladesh Securities and Exchange Commission, 2024).

The first-ever Islamic bond of the country was issued by Islami Bank Bangladesh PLC in 2007. The Mudaraba Perpetual Bond (MPB) was issued to raise funds to maintain the capital adequacy requirement ratio. At present, there are four (04) listed Islamic bonds available in the market. Islami Bank Bangladesh PLC, Al Arafah Islami Bank PLC, and Shahjalal Islami Bank PLC

are the issuers of these Mudaraba Perpetual Bonds. There are some other Islamic bonds in the pipeline. The 500 crore taka Mudaraba Floating Rate, Non-Convertible, Unsecured Subordinated Bond of Shahjalal Islami Bank PLC has been approved lately (Bangladesh Securities and Exchange Commission (BSEC), 2023).

According to the Insurance Development and Regulatory Authority (IDRA, 2024), there are 81 insurance companies in the country; 35 of which provide life insurance, and the remaining 46 offering non-life. Sixteen (16) of them are fully operational Takaful operators, offering a variety of family and general takaful products (eleven being life and five being non-life). Since all the insurance companies are not listed in the capital market, out of these sixteen (16) Takaful operators, only nine (09) are listed (5 life and 4 non-life) in the capital market.

Bangladesh witnessed the issuance of its first Sukuk (sovereign Sukuk) titled "Safe Water Supply to the Whole Country", worth 8,000 crore taka, in December 2020. In the next year, BEXIMCO made history by issuing the first corporate Sukuk, titled "Beximco Green-Sukuk Al Istisna'a", worth 3,000 crore taka. The government launched the "Need Based Infrastructure Development of Government Primary Schools Project (1st Phase)" in the same year, which was the second sovereign Sukuk of 5,000 crore taka. The "Important Rural Infrastructure Development Project (IRIDP)-3 Social Impact Sukuk" is the name of another sovereign Sukuk that was issued in April 2022 for 5,000 crore taka (Bangladesh Bank, 2020, 2021 & 2022). Banga Building Materials Limited issued the latest Sukuk, 2nd Corporate Sukuk of the market, in 2023 worth 300 crore taka. Only one of these five (05) Sukuk is currently traded on the secondary market. January 2022 is the listing year for Beximco Green-Sukuk. At present, some other companies are waiting for applications to be approved to issue Sukuk.

The aforementioned capital market instruments offer a variety of avenues for expanding product offerings.

Additionally, there is space for the introduction of new instruments like Islamic Exchange-traded Funds (ETFs), Islamic Private Equity Funds, Investment-based Crowdfunding, and so on. Also, existing and potential investors need to be aware of the features of these instruments. Bangladesh Institute of Capital Markets (BICM) is the only government-mandated Institute for imparting capital market education, training, and research and is working relentlessly to spread the required knowledge.

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