

Following is a summary of important business news published in the leading daily newspapers of Bangladesh. For the complete news, please follow the online link given below each news. Please note that the news summary doesn't reflect the opinion of BRAC EPL Stock Brokerage Limited.

Now banks' problem is too much liquidity

- At the end of September, excess liquidity in the banking sector stood at BDT 1.70 trillion, according to data from the Bangladesh Bank. The figure is the highest in recent times, said by a high official of the Bangladesh Bank. The surplus liquidity in the banking sector was close to BDT 2.0 trillion in three years ago, he added. The expansionary monetary policy announced by the central bank and the lower trend of private sector credit growth pushed up excess liquidity in the market, said the managing director and chief executive officer of Mutual Trust Bank.
- The BB also cut the reverse repo rate by 75 basis points to 4% and the bank rate by 100 basis points to 4%. The bank rate, which is another major tool of the central bank, was cut after 17 years as part of the expansionary monetary policy. The BB, on the whole, uses the rate while giving out money to banks under its refinance scheme. Earlier in March, the central bank had cut the cash reserve ratio and credit-deposit ratio to prevent the economy from crash landing for the countrywide shutdown enforced by the government to flatten the curve on coronavirus between March 26 and May 30.
- Besides, the BB is also injecting funds to the financial sector by way of implementing the stimulus packages. In September, private sector credit growth stood at 9.48%, way lower than the BB's target of 14.8% for this fiscal year. All in all, it appears the banking system is awash with liquidity now.

<https://www.dhakatribune.com/business/banks/2020/11/18/now-banks-problem-is-too-much-liquidity>

The Banks to be in trouble if big borrowers default

- Banks might plunge into a capital crisis if big borrowers default on loans, eventually leading the financial sector to an adverse condition, the Bangladesh Bank has warned in the Financial Stability Report for the second quarter (April-June) of 2020. At the end of the second quarter, the banks saw some improvement in their financial health while the conditions of non-bank financial institutions (NBFIs) showed no progress, according to the report published on Tuesday. However, the central bank thinks that the country's financial sector, in general, remained stable even at the time of the pandemic. Interest rates on lending and loan-deposit ratio or spread also declined in the second quarter of the year.
- The report says the overall capital position in the banking sector has improved. The capital to risk-weighted asset ratio (CRAR) rose 28 basis points to 11.63%. At the end of June, 49 out of 58 banks managed to keep the minimum CRAR limit at 10%. But, stress scenarios defined by default of top borrowers would have the most adverse effect on banks' capital position, in which case minor shock would result in the CRAR of the whole industry below the minimum requirement. The report says NBFIs had mixed performances in the second quarter of this year. Return on assets (ROA) and return on equity (ROE) were 0.57% and 5.32%, respectively at the end of June. The ROA and ROE were 0.14% and 1.27% respectively at the end of March and 0.21% and 1.75% by the end of June last year.
- Both capital adequacy ratio (CAR) and core capital ratio of financial institutions fell in the review quarter compared to the earlier quarter's, with CAR being 16.42% against the minimum requirement of 10.0% and core capital ratio being 14.63% against the minimum requirement of 5.0%. Pertinently, 27 out of 33 financial institutions maintained minimum CAR and 29 maintained core capital ratio. Aggregate liquidity of financial institutions stood at a new level as the Bangladesh Bank lowered the cash reserve ratio (CRR) requirement to 1.5% from 2.5% in pursuant to alleviate Covid-19 shocks on market liquidity. Quantitatively, total cash reserve of the industry decreased by 25.4% from the end-March 2020 quarter, recording at BDT 6,148.2 million. Also, the amount of statutory liquidity ratio (SLR) decreased by 4.6% from the previous quarter but remained far above the minimum requirement.
- According to the report, the amount of classified or default loans of NBFIs has increased significantly compared to those of banks. The default loans of NBFIs increased by 26.1% in the second quarter in contrast to the first quarter's. It says more than 13% of the total loans became defaulted at the end of June, up from 10.98% at the end of March.

<https://tbsnews.net/economy/banking/banks-be-trouble-if-big-borrowers-default-159358>

An extraordinary rise of remittance in extraordinary times

- The largely battered hundi system because of travel restrictions, the zero-interest rate on deposit products in western countries, repeated floods in Bangladesh, and a massive collapse in demand in many nations hosting migrant workers from this South Asian nation have taken the inbound remittance to a level that was never seen before. The stream of remittances, credited for alleviating poverty in lower- and middle-income countries, is so strong that it has baffled economists and made the World Bank reverse its forecasts about the flow of the remittance.
- Migrant workers remitted USD 2.11 billion last month, which was way higher than USD 1.64 billion flown to the

country in the same month a year ago. October's receipts were the third-highest monthly flow in history, behind July's USD 2.59 billion and September's USD 2.15 billion. Between July and October, remittance hit USD 8.82 billion, up from 43.24% year-on-year. Bangladesh received a record USD 1 billion in just 12 days of November, a rare feat in such a short span of time, according to the finance ministry. Remittance has been on the rise in recent months.

<https://www.thedailystar.net/business/news/extraordinary-rise-remittance-extraordinary-times-1996821>

Foreign currency repatriation

- The central bank has asked the scheduled banks to facilitate repatriation of funds, without creating any obstacle, from the balances held in the foreign currency accounts, officials said. All the three types of foreign currency account holders, private foreign currency (PFC) account, non-resident foreign currency deposit (NFCD) account and resident foreign currency deposit (RFCD) account, have been allowed to repatriate their balances freely in line with the existing guidelines for Foreign Exchange Transactions-2018 (GFET), according to officials of the central bank.

- The officials said the central bank has already been informed that the existing foreign exchange regulations are not being followed by the authorised dealer (AD) banks, resulting in unnecessary harassment for the account holders in repatriating funds from their foreign currency accounts. A Bangladesh Bank senior official said the central bank has taken the measure to expedite the inflow of foreign direct investment (FDI) in Bangladesh in the near future.

<https://today.thefinancialexpress.com.bd/first-page/foreign-currency-repatriation-1605636125>

<https://www.dhakatribune.com/business/banks/2020/11/17/bb-eases-fund-repatriation-for-foreign-currency-account-holders>

<https://tbsnews.net/economy/banking/banks-asked-ease-fund-repatriation-foreigners-159280>

Japan to invest USD 2.0 billion in Bangladesh: Japan Ambassador to Bangladesh

- Bangladesh is the future destination of Japanese investments, Japan will make an investment worth USD 2.0 billion in the country, said Japan's ambassador. Of the amount, USD 1.0 billion will be invested in Arahajar upazila of Naryanganj district and another USD 1.0 billion at the Mirsarai Economic Zone (MEZ) in Chattogram district. He said that the deep-sea port of Matarbari of Cox's Bazar district, which is an extension of the Chittagong Port, Bangladesh's prime seaport, will play a role of the 'game-changer' in the country's economy. Currently, a total of 315 Japanese companies are doing business in Bangladesh," he further said

<https://today.thefinancialexpress.com.bd/trade-market/japan-to-invest-20b-in-bd-ito-1605634596>

Time to expand the bailout for SMEs

- To haul them up, the government in April announced a BDT 200 billion bailout package. But seven months on, making sure the funds are in the hands of the parties that need them the most has turned out to be quite the challenge for all. As of October, banks have disbursed just 42% of the sum among the CMSMEs despite a repeated push from the central bank to complete disbursement at the earliest. One such push was the announcement in July of a credit guarantee scheme (CGS) worth BDT 20 billion for the micro and small enterprises for funds disbursed from the stimulus package

- A CGS provides a third-party credit risk mitigation to lenders through the absorption of a portion of the lender's losses on the loans made to SMEs in case of default, typically in return for a fee. Banks will get 80% coverage of a credit given to an individual or a company. The scheme is yet to become functional, meaning banks are continuing to drag their feet in channelling funds to the sector. Now, experts and bankers have suggested that the government and the central bank top up the stimulus for the CMSME sector by lifting parts of the Indian government's new emergency credit line announced last week.

- Called the Emergency Credit Line Guarantee Scheme-2.0 (ECLGS-2.0), the package allows pandemic-hit businesses to take collateral-free loans with five years repayment tenure including one-year moratorium facilities. The central bank should also extend the tenure of loan repayment like in India because borrowers cannot repay the working capital loans within a year given that the second wave of the deadly virus is knocking at the door.

<https://www.dhakatribune.com/business/banks/2020/11/18/is-it-time-to-expand-the-bailout-for-smes>

The liquidity situation in April to June was fine thanks to ease monetary policy

- There was no abrupt volatility in liquidity during the April to June quarter owing to the easy monetary policy adopted by the Bangladesh Bank, according to the central bank's financial stability assessment report that was released on Tuesday. The industry maintained a strong capital position, which is much higher than the minimum regulatory requirement, it said

- According to the report, the capital base known as capital to risk-weighted assets ratio of 23 banks would fall below the minimum regulatory requirement if the top three borrowers of the entities turn into defaulters. .

<https://www.dhakatribune.com/business/banks/2020/11/18/the-liquidity-situation-in-apr-jun-was-fine-thanks-to-easy-monetary-policy>

Bangladesh Securities and Exchange Commission (BSEC) to probe unusual spike in mutual fund prices

- The Bangladesh Securities and Exchange Commission (BSEC) on Tuesday formed an inquiry committee to investigate the recent and unusual price hike of mutual funds stock over the last two weeks. The prices of all 37 listed mutual funds had gone up irrationally. Although investors mostly aim for short-term profit, an extensive booking spree caused most of the funds to gain sharply in the recent rally.
- The inquiry committee, which will be led by BSEC Deputy Director was asked to submit a report within 30 working days. Sources at the commission said that the committee primarily will look into five mutual funds: CAPM IBBL Islamic Mutual Fund, SEML IBBL Shariah Fund, Vanguard AML Rupali Bank Balance Fund, NCCBL Mutual Fund-1 and Prime Finance First Mutual Fund.

<https://www.dhakatribune.com/business/stock/2020/11/18/bsec-to-probe-unusual-spike-in-mutual-fund-prices>
<https://tbsnews.net/economy/stock/bsec-committee-investigate-insane-price-hike-5-mutual-funds-159349>
<https://www.newagebd.net/article/121872/bsec-probing-abnormal-price-hike-of-5-mfs>
<https://tbsnews.net/economy/stock/bsec-committee-investigate-insane-price-hike-5-mutual-funds-159349>

Robi's CEO can't sell his shares for three years

- The Bangladesh Securities and Exchange Commission (BSEC) has imposed a three-year lock-in on the 2.6 million shares belonging to Robi's Managing Director and Chief Executive Officer. shares were initially locked in for two years like the rest of Robi employees. Since his holding is upwards of 10% of the operator's shares, which essentially makes him a sponsor, his lock-in duration was extended by another year. As per public issue rules, sponsors and directors of a newly listed company cannot sell their stakes in the first three years from the first trading day. The duration of the lock-in period will begin from the first day of Robi's trading in bourses.

<https://www.dhakatribune.com/business/stock/2020/11/18/bsec-imposes-3-year-lock-in-on-robi-ceo-s-shares>

City Bank to issue BDT 4.0 billion perpetual bonds

- City Bank is set to raise BDT 4 billion through issuance of perpetual bonds to meet its capital requirement under additional Tier-I Capital. Earlier in June, the bank got the approval from the Bangladesh Securities and Exchange Commission (BSEC) to begin issuing the bonds. In the third quarter of this year, City Bank posted a profit of BDT 3.08 billion, up 18% year-on-year.

<https://www.dhakatribune.com/business/stock/2020/11/18/city-bank-to-issue-BDT-400-crore-perpetual-bonds>

Dhaka Stock Exchange (DSE) to have pre-opening, post-closing sessions from tomorrow

- The Dhaka Stock Exchange (DSE) is set to introduce opening sessions, closing sessions and post-closing sessions from tomorrow with the view to creating the scope of determining justified opening and closing price of the listed companies.
- The pre-opening and opening session of DSE will be from 9:45 am to 10 am. Investors can only buy or sell shares in this session, where an ideal opening price can be determined in this session. The price determined by the highest number of investors will be the opening price of the shares. Meanwhile, the closing and post-closing sessions will begin at 2.30 pm after the end of normal transactions. Its duration will be 10 minutes. At this time, investors will not be able to offer a new share price. They will only get the opportunity to buy or sell shares at the closing price. The session will end at 2:40 pm.
- At the CSE, pre-opening is a 20-minute session while its Close Price Trading Session is a five-minute session. However, the circuit breaker the allowable limit for a price to move will be based on the closing price at the DSE instead of the new opening price.

<https://www.dhakatribune.com/business/stock/2020/11/17/dse-to-have-pre-opening-post-closing-sessions-from-tomorrow>

Bangladesh Securities and Exchange Commission (BSEC) seeks BDT 150.0 billion from Bangladesh Bank to revive stocks

- The Bangladesh Securities and Exchange Commission has sought BDT 150.0 billion from the Bangladesh Bank for the development of the country's capital market. The regulator sent a letter to the central bank in this regard on November 12. The BSEC sought BDT 50.0 billion at low interest rate for state-run Investment Corporation of

Bangladesh to strengthen the capital base and address the capital shortfall of the corporation. The securities regulator also requested the BB to create a BDT 100.0 billion fund for the stock market intermediaries including merchant banks, stockbroker and stock dealers to strengthen their capital bases and overall capacity. The ICB would act as the asset manager of the fund.

- The central bank would provide the funds at 3-4% interest rate for the tenure of 10 years. Interest rate for investment of fund would be 4% and 1% of interest would be reserved as sinking fund. The capital to be raised through the fund would be invested in corporate bonds or debt securities to be issued by merchant banks, stockbrokers and stock dealers.

<https://www.newagebd.net/article/121876/bsec-seeks-BDT-15000cr-from-bb-to-revive-stocks>

Apex goes global

- Apex Footwear has launched its first international outlet, finding its niche in Kathmandu, the capital of the Himalayan Kingdom of Nepal. The leading Bangladeshi footwear manufacturer, retailer and exporter, organised the launch of its "Venturini" store virtually on November 14. Customers in Nepal can now enjoy the exclusive collections offered by Venturini along with Apex's other private labels – Maverick, Sprint, Moochie, Nino Rossi, Sandra Rosa, and a wide range of accessories from internationally renowned brands Cross and Police, said Apex in a Facebook post.

- Apex continues to expand its footprint beyond Bangladesh as a brand that truly is "Born in Bangladesh, worn around the world", read the post. Apex came about on January 4, 1990, and is listed on both stock exchanges of Bangladesh. It has 260 sales points across the country. The company is already present in all major export markets, albeit behind the scenes in the form of its 135 global customers, including major shoe retailers in Europe, North America and Japan. Nowadays it lays claim to being the largest shoemaker in South Asia, responsible for approximately 15% of the leather footwear export from Bangladesh.

<https://www.thedailystar.net/business/news/apex-goes-global-1996817>

World Stock and Commodities*

Index Name	Close Value	Value Change YTD	% Change YTD
Crude Oil (WTI)*	USD 41.18	(USD 20.45)	-33.18%
Crude Oil (Brent)*	USD 43.75	(USD 24.69)	-36.08%
Gold Spot*	USD 1,881.68	USD 360.21	23.68%
DSEX	4,905.10	452.17	10.15%
S&P 500	3,609.53	378.75	11.72%
FTSE 100	6,365.33	(1,221.72)	-16.10%
BSE SENSEX	43,952.71	2,310.57	5.55%
KSE-100	40,652.67	(82.41)	-0.20%
CSEALL	6,108.93	(20.28)	-0.33%

Exchange Rates

USD 1 = BDT 84.71*
 GBP 1 = BDT 112.24*
 EUR 1 = BDT 100.44*
 INR 1 = BDT 1.14*

*Currencies are taken from XE Currency Converter and Commodities are taken from Bloomberg.

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BRAC EPL Stock Brokerage Limited

Research

Ayaz Mahmud, CFA	Head of Research	ayaz.mahmud@bracepl.com	01708 805 221
Sadman Sakib	Research Associate	sadman.sakib@bracepl.com	01730 727 939
Md. Rafiqul Islam	Research Associate	mrafiqulislam@bracepl.com	01708 805 229
Md Mahirul Quddus	Research Associate	mmahirul.quddus@bracepl.com	01709 636 546

International Trade and Sales

Ahsanur Rahman Bappi	CEO (Acting)	bappi@bracepl.com	01730 357 991
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BRAC EPL Research www.bracepl.com

Symphony, Plot No.: S.E.(F) – 9(3rd Floor), Road No.: 142
 Gulshan Avenue, Dhaka – 1212
 Phone: + (880)-2-9852446-50
 Fax: + (880)-2-9852451-52
 E-Mail: research@bracepl.com