

Regulatory News January-February 2020

BSEC instructions regarding the appointment/ renewal term of the MD/ CEO of a Merchant Banker

BSEC directs about the appointment of MD/ CEO of the Merchant Bankers where tenure of their appointment will be the further addition with existing rule. First appointment of MD/ CEO should be 3 (three) years or up to reaching age of 65 (sixty five) years, whichever come earlier; and for successive renewal it can be any period up to maximum of 3 (three) years.

BSEC has ammended Merchant Banker & Portfolio Manager Rules, 1996

On January 23, 2020 BSEC has declared some new addition of Merchant Banker & Portfolio Manager Rules in section 37(2).

BSEC further revised the auditors' panel

At the end of last half of the preceding year, BSEC approved an audit engagement partners of 39 audit firms for auditing financial statements of the issuers of the listed securities. This panel has been revised further and "Ata Khan & Co., Chartered Accountants" is now out of the panel.

BSEC directs regarding appointment or re-appointment of any member of the Board of Directors of any listed Company

BSEC instructs that in case of appointment or re-appointment of any member of the Board of Directors of any listed Company, there has to be disclosure in the resume of such member in "Directors' Report to the Shareholders" about their primary employment and other engagement such as directorship in other companies.

BSEC clarifies regarding Corporate Governance Code

BSEC declares directive regarding corporate governance code mentioning that it is a mandatory compliance; and any refusal or failure or contravention of any said provisions are punishable under the panel of provision of the Securities and Exchange Ordinance, 1969 and in case of non-compliance that listed company may be taken under disciplinary measures including delisting or suspension from trading in the exchange.

Capital Market Synopsis for January, 2020

Performance of Equity Markets of Bangladesh and Peer Countries

Bangladesh equity market closed the month of January in positive territory. During the month, the broad index DSEX rose by 0.4%, gaining 16.7 points. The blue chip index DS30 and the Shariah index DSES also increased by 0.7% and 2.8% respectively. Among the regional peers, Pakistan's index also rose by 2.2%, while Sri Lanka and Vietnam yielded a negative return of 3.3% and 2.5% during the month of January. Meanwhile, the MSCI Frontier Markets Index also gained a meager 0.2%. Over the long term, Vietnam showed the most encouraging track record with a 5 years' return of 62.6%.

Liquidity Condition in Equity Market of Bangladesh

During January, the total market capitalization increased by 0.4%, while free float market capitalization also increased by 0.6%. The daily average turnover of January 2019 was BDT 3.6 bn (USD 43.2 mn), increasing by 9.5% from that of last month. Accordingly, turnover velocity which represents overall liquidity of the market increased to 28.4% in January compared to 23.7% of last month. In 2019, turnover velocity of Bangladesh equity market was 33.5%, in comparison to 34.4% in 2018.

Historical Index Points and Market Participation Data

Sector Performance

Since its inception on January 27, 2013, DSEX yielded a holding period return of 10.2% till January, 2019. During the same period, daily average turnover of the market amounted to BDT 5.4 bn (USD 63.0 mn).

Market Valuation Level - P/E Ratio

The market P/E decreased to 11.73x in January compared to last month's 11.84x. It is also way lower than the 19 years' median market P/E of 15.07x. In terms of trailing 12 month P/E ratio equity market of Bangladesh is the cheapest among its regional peers.

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The market P/E decreased to 11.73x in January compared to last month's 11.84x. It is also way lower than the 19 years' median market P/E of 15.07x. In terms of trailing 12 month P/E ratio equity market of Bangladesh is the cheapest among its regional peers. During January, among the major sectors yielded mixed returns, Food & Allied, Fuel & Power and Pharmaceuticals yielded positive returns of 11.0%, 3.1% and 1.6% respectively, while Telecommunications, Life Insurance and Bank yielded the most negative returns of -9.4%, -4.1%, -3.7% respectively. The largest sector in terms of market capitalization, Bank is relatively undervalued in terms of P/E ratio. On the other hand, Fuel & Power sector has the highest dividend yield of 5.8% among all sectors.

Performance of 20 Largest Listed Companies in Bangladesh

Among the 20 largest listed companies in terms of market capitalization, LHBL (+49.7%) advanced the most in January, followed by OLYMPIC (+18.2%), MJLBD (+16.9%), BATBC (+10.7%). BXPBARMA (-12.4%) faced the highest selling pressure during the month. Majority of these companies yielded outstanding return over longer time horizon (5 years) such as BRACBANK (+161.6%), RENATA (+132.3%), EBL (+123.7%) and BERGERPBL (+111.8%). Among the scrips, SUMITPOWER, TITASGAS, MJLBD, ISLAMIBANK, EBL, GP, UPGDCL, PUBALIBANK and MARICO recorded a higher dividend yield compared to that of market.

Top Performing Mutual Funds

The top ten open end mutual funds based on 3 year CAGR outperformed the market during the same period. Among them, CAPM Unit Fund (+5.7%) yielded the highest return. On YTD 2020 basis, MTB Unit Fund, Third ICB Unit Fund, and CAPM Unit Fund generated the most positive returns of +3.6%, +3.3% and +3.1% respectively.

The top ten closed end mutual funds on the basis of 5 years (2015-2019) performance yielded mixed return on YTD basis. While, PHPMF1 (+0.3%), POPULAR1MF (+0.3%), AIBL1STIMF (+0.3%) and RELIANCE1 (+0.1%) posted positive returns, the rest yielded negative returns. All these funds are traded at a lucrative discount compared to their NAV. Besides, all the funds also offered higher dividend yields compared to market.

Foreign Participation in Equity Market of Bangladesh

Over last 5 years, Bangladesh equity market has seen a surge of foreign investment. As of December, 2019 total foreign ownership stood at 6.8% of the total equity market capitalization, which was only 1.7% in 2014.

Capital Market Synopsis for February, 2020

Performance of Equity Markets of Bangladesh and Peer Countries

Bangladesh equity market closed the month of February in positive territory. During the month, the broad index DSEX rose by 0.2%, gaining only 10.6 points. The Shariah index DSES also increased by 1.6%, while the blue chip index DS30 declined by 2.1%. Among the regional peers, Pakistan, Sri Lanka and Vietnam's index declined by 8.8%, 5.7% and 5.8% respectively. Additionally, the MSCI Frontier Markets Index also declined by 5.3%. Over the long term, Vietnam showed the most encouraging track record with a 5 years' return of 48.9%.

Liquidity Condition in Equity Market of Bangladesh

During February, the total market capitalization increased by 0.6%, while free float market capitalization also increased by 0.7%. The daily average turnover of February 2019 was BDT 6.2 bn (USD 73.1 mn), increasing by 69.4% from that of last month. Accordingly, turnover velocity which represents overall liquidity of the market increased to 43.5% in February compared to 28.4% of last month. In 2019, turnover velocity of Bangladesh equity market was 33.5%, in comparison to 34.4% in 2018.

Historical Index Points and Market Participation Data Sector Performance

Since its inception on February 27, 2013, DSEX yielded a holding period return of 10.5% till February, 2019. During the same period, daily average turnover of the market amounted to BDT 5.4 bn (USD 63.2 mn).

Market Valuation Level - P/E Ratio:

The market P/E decreased to 11.88x in February compared to last month's 11.73x. It is also way lower than the 19 years' median market P/E of 15.07x. In terms of trailing 12 month P/E ratio equity market of Bangladesh is the cheapest among its regional peers.

Sector Performance

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Market Valuation Level - P/E Ratio:

The market P/E decreased to 11.88x in February compared to last month's 11.73x. It is also way lower than the 19 years' median market P/E of 15.07x. In terms of trailing 12 month P/E ratio equity market of Bangladesh is the cheapest among its regional peers. During February, all the sectors yielded mixed returns.

Among the major sectors Textile, Engineering and Telecommunications yielded positive returns of 10.4%, 8.0% and 7.7% respectively, while Food & Allied, Bank and Non-Life Insurance yielded the most negative returns of -7.2%, -5.2% and -4.6% respectively. The largest sector in terms of market capitalization, Bank is relatively undervalued in terms of P/E ratio. On the other hand, Fuel & Power sector has the highest dividend yield of 5.8% among all sectors.

Performance of 20 Largest Listed Companies in Bangladesh

Among the 20 largest listed companies in terms of market capitalization, GP (+8.0%) advanced the most in February, followed by TITASGAS (+7.7%), MJLBD (+7.0%) and SUMITPOWER (+5.3%). BRACBANK (-25.8%) faced the highest selling pressure during the month. Majority of these companies yielded outstanding return over longer time horizon (5 years) such as EBL (+111.6%), RENATA (+99.2%), BERGERPBL (+95.6%) and BRACBANK (+87.0%). Among the scrips, SUMITPOWER, TITASGAS, MJLBD, EBL, ISLAMIBANK, GP, UPGDCL, PUBALIBANK, BATBC and MARICO recorded a higher dividend yield compared to that of market.

Top Performing Mutual Funds:

The top ten open end mutual funds based on 3 year CAGR outperformed the market during the same period. Among them, CAPM Unit Fund (+5.7%) yielded the highest return. On YTD 2020 basis, Third ICB Unit Fund generated the most positive returns of +13.8% respectively.

The top ten closed end mutual funds on the basis of 5 years (2015-2019) performance yielded mixed return on YTD basis. While, PHPMF1 (+0.3%), POPULAR1MF (+0.3%), AIBL1STIMF (+0.3%) and RELIANCE1 (+0.1%) posted positive returns, the rest yielded negative returns. All these funds are traded at a lucrative discount compared to their NAV. Besides, all the funds also offered higher dividend yields compared to market.

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Over last 5 years, Bangladesh equity market has seen a surge of foreign investment. As of January, 2020 total foreign ownership stood at 6.8% of the total equity market capitalization, which was only 1.7% in 2014.

International Capital Market Review
(01 January 2020- 29 February 2020)

Index	Country	Beginning(January 2020)	Ending (February 2020)	% Change in Index
S & P 500 INDEX	United States	3,257.85	2,954.22	-9.32%
Dow Jones Industrial Average	United States	28,868.80	25,409.36	-11.98%
NASDAQ COMPOSITE INDEX	United States	9,092.19	8,567.37	-5.77%
FTSE 100 INDEX	United Kingdom	7,604.30	6,580.60	-13.46%
DAX Index	Germany	13,385.93	11,890.35	-11.17%
HANG SENG	Hong Kong	28,543.52	26,129.93	-8.46%
NIKKEI 225	Japan	23,204.86	21,142.96	-8.89%
SSE COMPOSITE INDEX	China	3,085.20	2,880.30	-6.64%
S&P BSE SENSEX	India	41,626.64	38,297.29	-8.00%

(Source: finance.yahoo.com)

Global stock markets appear to be pricing in a longer-term economic downturn from the coronavirus outbreak, which has now spread rapidly from the world's second-largest economy, China, to the Middle East and Europe. Global stock markets plummeted drastically during January-February 2020 as the coronavirus (Covid-19) continued to spread, increasing fears that the epidemic will wipe out corporate profits and push some of the world's biggest economies into recession. From January to February 2020, US equities exposed negative returns in terms of S&P 500, Dow Jones Industrial Average and NASDAQ COMPOSITE INDEX. The losses on the Dow and S&P 500 in the US wiped out their gains for the year. Firms such as Nike, Apple and Walt Disney, which do major business in China and rely on it to make goods, were some of the hardest hit, with shares down more than 4%.

There was a 9.32% negative change in S&P 500 index over this timeframe whereas Dow Jones Industrial Average and NASDAQ COMPOSITE INDEX deteriorated enormously by 11.98% and 5.77% respectively.

Over this timeframe, HANG SENG index of Hong Kong and NIKKEI 225 index of Japan lost by 8.46% and 8.89% respectively. In addition to, DAX Index of Germany and S&P BSE SENSEX of India demonstrated negative returns as well and dropped by 11.17% and 8% respectively. Again, SSE COMPOSITE INDEX of China also plunged by 6.64% during this timeframe. Furthermore, FTSE 100 INDEX of United Kingdom showed pessimistic trend and collapsed immensely by 13.46%.

The following graph demonstrates the percentage change in index from January-February 2020:

