

### Academic Activities of BICM March-April 2020

#### *Investors Education Program*

To fulfill government's commitment of increasing awareness of general investors, BICM has been conducting day-long free "Investors Education Program" to disseminate the basic knowledge of capital market investment. General investors have been encouraged to assess the financial health of the listed companies prior to making investment decisions. BICM conducts this program on weekly basis in Dhaka and in regional cities on certain interval. During March-April 2020, the institute has conducted 1 "Investors Education Program", where total 47 investors participated.

#### *Certificate Courses and Workshop on Capital Market*

The Institute offers "Certificate Programs" of different duration for the sector professionals, market intermediaries, and related stakeholders. As we all know that the whole world is fighting against the global pandemic of COVID-19 as we do in Bangladesh. The outbreak of coronavirus disease (COVID-19) has been declared a Public Health Emergency of International Concern (PHEIC). While a lot is still unknown about the virus that causes COVID-19, we do know that it is transmitted through direct contact with respiratory droplets of an infected person. While COVID-19 continues to spread it is important that BICM take action to prevent further transmission, reduce the impacts of the outbreak and support control measures. Because of this emergency issues, there was no certificate courses held at BICM During May-June 2020. However, one workshop has been conducted on Bangladesh Finance and Investment Summit 2020 held on March 9, 2020 at Multipurpose Hall, BICM. The honorable speakers are Dr. M. Khairul Hossain - The Chairman of BSEC, Prof. Md. Helal Uddin Nizami, FCGIA - Commissioner of BSEC, Prof. Dr. Nitai Chandra Debnath, FCMA - Executive President of BICM (Current Charge) and Mr. Sandeep Kumar, FCGIA - Chairman, Global Council, CGIA Institute, USA.

### ***Postgraduate Diploma in Capital Market (PGDCM)***

BICM is offering PGDCM for the market intermediaries, full spectrum of market professionals and graduates who aspire to pursue career in the capital market. The Diploma provides a blend of theoretical and practical knowledge on market mechanism, legal framework, new instruments and techniques. The yearlong PGDCM program consists of 13 courses of 36 credit hours including internship. The program is divided into three trimesters. Till 30<sup>th</sup> April 2020, BICM has enrolled 14 ‘Evening’ and three ‘Day’ batches in the PGDCM program.

#### **Regulatory News March-April 2020**

### ***BSEC approved Envoy Textiles Ltd. to issue preference share***

BSEC approves Envoy Textiles Ltd. to raise a capital worth Tk.870 million issuing cumulative, non-convertible, fully redeemable and unlisted preference shares with a maturity of five years. Envoy Textiles will issue these cumulative preference shares to institutional investors, financial institutions and eligible investors through private placement. Purpose of the issue is to expand business and repay high cost debt while NDB Capital is working as issue manager. The offer price of the preference shares will be issued to Tk.10 million and Tk.5 million to institutional investors and eligible investors, respectively.

### ***BSEC sets floor price and lowest limit of the circuit breaker***

BSEC directs regarding calculation of opening price of the stock. It says that opening price of any listed security shall be set at the average of the closing price of immediately preceding 5 (five) trading days of 19 March 2020, and this average price calculated for each security shall be considered as the floor price and the lowest limit of the circuit breaker. However, upper limit of the circuit breaker and other conditions will remain unchanged as per order of 14 November 2019.

### ***BSEC approved IBBL to lead an open-ended mutual fund***

BSEC approves IBBL to be the sponsor of a new open-ended mutual fund, CEPITEC-IBBL Shariah Unit Fund, with a proposed size of the fund of Tk 250 million. An amount of Tk 37.50 million will be contributed by its sponsor - Islami Bank Bangladesh Ltd (IBBL) and rest of the amount will be collected from individual and institutional investors through sales of units. The offer price of the fund's units is Tk 10 each. The Capitec Asset Management Ltd will act as fund manager and Investment Corporation of Bangladesh will be the trustee of the Fund. The fund will be managed in a Shariah compliant manner.

### ***BSEC approved draft rules of “Trading Right Entitlement Certificate”***

BSEC approves the draft rule of “Trading Right Entitlement Certificate” and soon BSEC will circulate notice upon receiving public opinion on that draft.

### ***BSEC allowed use of digital platform to maintain social distancing to tackle Covid-19***

BSEC directs some changes to lower the risk of spreading Covid-19, such as, companies may use digital platform for their AGM/ EGM, Board of directors meeting and so on to maintain social distancing and to avoid large gathering. However, in case of using any such digital platform, proper recording of the meeting must be kept for further reference and verification.

### ***BSEC approved VIPB to lead an open-ended mutual fund***

BSEC approves VIPB to be the sponsor of a new open-ended mutual fund, VIPB Balanced Fund, with a proposed size of the fund of Tk 100 million. An amount of Tk 10 million will be contributed by its sponsor - VIPB Asset Management Company Limited and rest of the amount will be collected from individual and institutional investors through sales of units. The offer price of the fund's units is Tk 10 each. VIPB itself will act as fund manager, Sandhani Life Insurance Limited will be the Trustee and Brac Bank Limited will be the custodian of the Fund.

## Capital Market Synopsis for March, 2020

### *Performance of Equity Markets of Bangladesh and Peer Countries*

Bangladesh equity market closed the month of March in negative territory. Most global indices performed similarly due to the worsening situation of the global pandemic. During the month, the broad index DSEX fell by 10.5%, losing about 471.9 points. The blue chip index DS30 and the Shariah index DSES also declined by 10.8% and 11.9%, respectively.

Among the regional peers, Pakistan, Sri Lanka and Vietnam's index declined by 23.0%, 18.3% and 24.9% respectively. Additionally, the MSCI Frontier Markets Index also declined by 21.4%. Over the long term, only Vietnam showed the most encouraging track record with a 5 years' return of 20.2%.

### *Liquidity Condition in Equity Market of Bangladesh*

During March, the total market capitalization decreased by 9.0%, while free float market capitalization also decreased by 10.6%. The daily average turnover of March 2019 was BDT 3.7 bn (USD 43.5 mn), decreasing by 40.6% from that of last month. Accordingly, turnover velocity which represents overall liquidity of the market decreased to 25.5% in March compared to 43.5% 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*

Since its inception on January 27, 2013, DSEX yielded a holding period return of -1.2% till March, 2020. During the same period, daily average turnover of the market amounted to BDT 5.3 bn (USD 63.0 mn).

### *Market Valuation Level - P/E Ratio*

The market P/E decreased to 10.58x in March compared to last month's 10.88x. It is also way lower than the 19 years' median market P/E of 15.06x. In terms of trailing 12 month P/E ratio equity market of Bangladesh is one of the cheapest among its regional peers.

### *Sector Performance*

During March, all the sectors yielded negative returns. Among the major sectors Textile, Engineering and Telecommunications yielded the most negative returns of -16.1%, -15.5% and -13.1% 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 6.5% among all sectors.

### ***Performance of 20 Largest Listed Companies in Bangladesh***

Among the 20 largest listed companies in terms of market capitalization, only GLAXOSMITH (+10.2%) advanced the most in March, followed by BATBC (-3.9%), MARICO (-4.2%) and RENATA (-5.8%) that produced the least negative returns. OLYMPIC (-18.1%) faced the highest selling pressure during the month.

Majority of these companies yielded outstanding return over longer time horizon (5 years) such as DUTCHBANGL (+106.4%), EBL (+99.9%), RENATA (+86.3%) and BRACBANK (+71.2%).

Among the scrips, SUMITPOWER, TITASGAS, ISLAMIBANK, EBL, GP, UPGDCL, DUTCHBANGL, PUBALIBANK, BATBC, 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, all the funds generated negative returns. CAPM Unit Fund (-1.0%) generated the least negative returns.

The top ten closed end mutual funds on the basis of 5 years (2015-2019) performance yielded negative returns on YTD basis. AIBL1STIMF (-3.5%), RELIANCE1 (-5.2%), and GRAMEENS2 (-6.2%) yielded the least 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 February, 2020, total foreign ownership stood at 6.5% of the total equity market capitalization, which was only 1.7% in 2014.

Among all the companies with foreign ownership, BRACBANK had the highest foreign shareholding of 43.2% as of February 2020, followed by DBH with 41.2%.

\*\*N. B.: As there were no trading activities since April, this email only contains the synopsis for the month of March.

**International Capital Market Review**  
(01 March 2020- 30 April 2020)

<b>Index</b>	<b>Country</b>	<b>Beginning(March 2020)</b>	<b>Ending (April 2020)</b>	<b>1 month % Change</b>
S & P 500 INDEX	United States	3,090.23	2,939.51	<b>-4.88%</b>
Dow Jones Industrial Average	United States	26,703.32	24,633.86	<b>-7.75%</b>
NASDAQ COMPOSITE INDEX	United States	8,952.17	8,914.71	<b>-0.42%</b>
FTSE 100 INDEX	United Kingdom	6,654.90	6,115.30	<b>-8.11%</b>
DAX Index	Germany	11,857.87	11,107.74	<b>-6.33%</b>
HANG SENG	Hong Kong	26,291.68	24,643.59	<b>-6.27%</b>
NIKKEI 225	Japan	21,344.08	20,193.69	<b>-5.39%</b>
SSE COMPOSITE INDEX	China	2,970.93	2,822.44	<b>-5.00%</b>
S&P BSE SENSEX	India	38,144.02	32,720.16	<b>-14.22%</b>

(Source: finance.yahoo.com)

Since its outbreak in China in December, the coronavirus (Covid-19) has caused massive economic losses through unprecedented communication disruptions worldwide. The pandemic is going to have multiple negative effects on business operations, particularly industries, manufacturing facilities, financial services and supply chains all over the world, although they are yet to be fully understood. Investors have naturally been concerned and stock markets around the world suffered trillions of US dollars of losses in a single week (ending February 28) in what was the markets' worst week since the financial crisis of 2008. In consistent with that week, global stock markets plummeted drastically during March-April 2020 as the coronavirus continued to spread.

From March to April 2020, US equities exposed negative returns in terms of S&P 500, Dow Jones Industrial Average and NASDAQ COMPOSITE INDEX. There was a 4.88% negative change in S&P 500 index over this timeframe whereas Dow Jones Industrial Average and NASDAQ COMPOSITE INDEX deteriorated by 7.75% and .42% respectively.

Over this timeframe, HANG SENG index of Hong Kong and NIKKEI 225 index of Japan lost enormously by 6.27% and 5.39% respectively. In addition to, DAX Index of Germany and S&P BSE SENSEX of India demonstrated negative returns as well and dropped immensely by 6.33% and 14.22% respectively. Again, SSE COMPOSITE INDEX of China also fallen by 5% during this timeframe. Furthermore, FTSE 100 INDEX of United Kingdom showed pessimistic trend and collapsed vastly by 8.11%.

The following graph demonstrates the percentage change in index from March-April 2020:

