

Bangladesh Institute of Capital Market (BICM)



Newsletter

Issue 11

January, 2019

Academic Activities of BICM November-December 2018

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 November-December 2018, the institute has conducted 2 "Investors Education Program", where total 398 investors participated.

Certificate Courses on Capital Market

The Institute offers "Certificate Programs" of different duration for the sector professionals, market intermediaries, and related stakeholders. During November-December 2018, BICM arranged total 5 courses on topic named "Financial Statement Analysis", "Securities Laws of Bangladesh", "Basic of Technical Analysis", "Fundamentals of Portfolio Management" and "Capital Raising and Investment in Primary Market". Total number of participants in all these courses was 239. The main purpose of these courses is to enable the investors to review and analyze financial statements, to help them perform Technical Analysis, gather knowledge about Securities Laws of Bangladesh and efficient Portfolio Management for taking better economic decision.

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 31st December 2018 BICM has enrolled 10 PGDCM batches and in 10th batch and there are 23 students in this batch.

Certificate Course on “Financial Statements Analysis”

BICM conducted a certificate course titled “Financial Statements Analysis (Chittagong)” in December 2018. The objective of the course was to enable the participants to familiarize and understand with various components of financial statement and different approaches to analyze them. It was a day long course where total 29 investors participated. The class was taken by Dr. Nasir Uddin, Associate Professor and Md. Habibullah, ACCA Affiliate, Assistant Professor of BICM.

Module	Module Details
Module 1	Understanding The Statement Of Profit Or Loss And Other Comprehensive Income <ul style="list-style-type: none">- Components And Format Of Profit Or Loss- Substance Over Form- EPS (IAS 33) Understanding The Statement Of Change In Equity <ul style="list-style-type: none">- Statement Of Change In Shareholder’s Equity- Cash Dividend, Stock Dividend And Stock Split.
Module 2	Understanding The Cash Flow Statement <ul style="list-style-type: none">- Components And Format Of The Cash Flow Statement- Classification Of Cash Flows And Noncash Activities- Direct And Indirect Cash Flow Formats For Reporting Operating Cash Flow- Free Cash Flow To The Firm And Free Cash Flow To Equity
Module 3	Understanding The Statement Of Financial Position (Balance Sheet) <ul style="list-style-type: none">- Components And Format Of The Balance Sheet- Measurement Bases Of Assets And Liabilities- Equity And Its Components
Module 4	Financial Analysis Techniques <ul style="list-style-type: none">- The Financial Analysis Process- Comparative Analysis: Intercompany, Intra-Company, And Industry Average- Analysis Tools And Techniques: Ratio Analysis Horizontal And Vertical Analysis, Use Of Graphs As An Analytical Tool

Certificate Course on “Securities Laws of Bangladesh”

BICM conducted the course titled “Securities Laws of Bangladesh”, a 10 day long training program, from October 30 to November 15, 2018. The training aimed to enlighten the participants to interpret securities laws and listing regulations of capital market of Bangladesh. Total 9 executives from different market intermediaries participated in this course. Executive from BSEC and from DSE conducted the training session.

Topics covered in the session
<ul style="list-style-type: none"> • Bangladesh Securities and Exchange Commission ACT, 1993 • Securities and Exchange Ordinance, 1969
<ul style="list-style-type: none"> • Securities and Exchange Commission (Prohibition of Insider Trading) Rules, 1995 • Margin Rules, 1999 • Securities and Exchange Commission(Over-the-Counter) Rules, 2001
<ul style="list-style-type: none"> • Securities and Exchange Commission (Stock Dealer, Stock Broker and Authorized Representatives) Rules, 2000 • Credit Rating Companies Rules, 1996
<ul style="list-style-type: none"> • Dhaka Stock Exchange (Listing) Regulations, 2015
<ul style="list-style-type: none"> • Securities and Exchange Rules, 1987
<ul style="list-style-type: none"> • The Dhaka Stock Exchange (TREC Holders’ Margin) Regulations, 2013 • Dhaka Stock Exchange (Short-Sale) Regulations, 2006 • Dhaka Stock Exchange Investors’ Protection Fund Regulations, 2014 • Dhaka Stock Exchange (Settlement of Transactions) Regulations, 2013 • Dhaka Stock Exchange Automated Trading Regulations, 1999
<ul style="list-style-type: none"> • Securities and Exchange Commission (Asset Backed Securities Issue) Rules, 2004 • Securities and Exchange Commission (Public Issue) Rules, 2015 • Securities and Exchange Commission (Rights Issue) Rules, 2006
<ul style="list-style-type: none"> • Depositories Act, 1999 • Depositories Regulations, 2000

Certificate Course on “Basic of Technical Analysis”

BICM conducted the course titled “**Basic of Technical Analysis**”, a daylong training program on 17th November 2018 to familiarize participants with technical analysis tools and enable them to make projection and apply quantitative analysis and other techniques to improve quality of investment decisions. Mr. Shibly Amran, AVP & Senior Portfolio Manager, City Bank Capital Resources Ltd and Mr. Md. Ahsan Ullah Raju, Portfolio Manager, PLFS Investment Limited conducted the session. Total 24 executives from different market intermediates participated in this course.

Module	Module Details
Module 1 (Session-1)	Introduction: Background and Basics <ul style="list-style-type: none"> - Technical analysis as an integral part of market analysis - History of technical analysis - Principals of Technical Analysis - Application of Technical Analysis - Basics and Formation of Charts and Candlesticks
Module 2 (Session-2)	Trend Analysis <ul style="list-style-type: none"> - Support and Resistance Lines - Trends - Direction - Duration - Trend lines - Channel lines
Module 3 (Session-3)	Technical Indicators <ul style="list-style-type: none"> - Lagging and leading indicators - Breadth indicators - Price-based indicators - Volume-based indicators - Volatility indicators
Module 4 (Session-4)	Construction & Interpretation of Charts, Candlesticks, and Price Pattern Recognition <ul style="list-style-type: none"> - Pattern recognition on bar charts - Pattern recognition on point and figure charts - Pattern recognition on candlestick charting
Module 5 (Session-5)	Technical Theories <ul style="list-style-type: none"> - Dow theory - Elliott wave theory - Fibonacci sequence - Gann analysis - Cycle analysis

Certificate Course on “Fundamentals of Portfolio Management”

BICM conducted the course titled “**Fundamentals of Portfolio Management**”, a daylong training program in Dhaka, Sylhet, Chottogram and Rajshahi during the month November- December to familiarize the participants to theories and strategies of Portfolio Management. Executives from different organization and the semifinalists along with the finalists of Invest Maestros, season 01 participated in the daylong training. Faculties of BICM Tasruma Sharmeen Chowdhury, Faysal Ahmad Khan, Kashfia Sharmeen and head of research Kazi Monirul Islam from IDLC conducted the whole session. Total 206 participants were present in the training sessions held in different location.



After the sessions participants are awarded with course certificates. Fatama Yesmin Khan, a faculty of Leading University Bangladesh facilitated the training program conducted in Sylhet.

The contents of this course will enable the participants to take better decision regarding their portfolio. This training will also help them to match their objectives with their investments.



Module Details

Introduction to Portfolio Management

- Introduction to the concept of portfolio management
- Client objectives and constraints
- Asset classes allocation

Determining Return and Risk of Portfolio

- Portfolio return calculation
- Variance, Standard deviation, Coefficient of variation
- Covariance, correlation
- Mean variance analysis
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Efficient portfolio & Optimization of Portfolio

- Efficient frontier with riskless lending and Borrowing with or without short sell
- Global Minimum Variance Determination (determining MVP with & without short sale)
- Maximize Theta (excess return with per unit of risk) with or without riskless lending and borrowing-with or without short sell allowed
- Maximize portfolio return for a given risk with & without short sale.
- Minimize risk for a given return with & without short sale

Equity Portfolio Management Strategies

- Passive Equity Portfolio Management Strategies
 - Indexing
- Active Equity Portfolio Management Strategies
 - Tactical asset allocation
 - Sector rotation
 - stock undervaluation/overvaluation
 - Contrarian investment strategy
 - Price momentum strategy
 - Investment styles (value, growth)
 - Treynor-Black Model
 - Black-Litterman Model

Evaluation of Portfolio Performance

- Peer group comparison method of evaluating an investor's performance
- Treynor portfolio performance measure
- Sharpe portfolio performance measure
- The Jensen portfolio performance measure and multifactor models of risk and expected return
- M-Squared (M^2)
- Information ratio and its relation to the other performance measures
- Fama portfolio performance measure
- Attribution analysis
- Benchmark error problem

Certificate Course on “Capital Raising and Investments in Primary Market”

BICM completed a Day Long Certificate Course on “**Capital Raising and Investment in Primary Market**” on December 8, 2018 in Dhaka. The objective of the program was to familiarize the participants with the ins and outs of capital raising and investment in primary market in Bangladesh. Students and Executives from different market intermediaries participated in this course. The training session had been conducted by market professionals. Total number of participants was 12.

Module	Module Details	Instructor
Session 1	Regulatory issues regarding capital raising <ul style="list-style-type: none">• Responsibility of BSEC and Stock Exchange• Listing requirements• Securities and Exchange Commission (Public Issue) Rules, 2015• Securities and Exchange Commission (Rights Issue) Rules, 2006	Mr. Mohammad Rezaul Karim , Director, BSEC
Session 2	Capital raising scenario of Bangladesh <ul style="list-style-type: none">• Securities and Exchange Commission (Issue of Capital) Rules, 2001• Performance of Primary Market in Bangladesh	Mr. Mohammad Rezaul Karim , Director, BSEC
Session 3	IPO preparation by issuer and issue manager <ul style="list-style-type: none">• IPO Flotation Methods (Fixed Price Method and Book Building Method)• Underwriting the IPO, IPO execution process	Mr. Kazi Monirul Islam, CFA Head of Research IDLC Securities Ltd.
Session 4	Investment in primary market <ul style="list-style-type: none">• Economy, Industry and Company Analysis• Financial Statement Analysis	Mr. Kazi Monirul Islam, CFA Head of Research IDLC Securities Ltd.
Session 5	Valuation of IPO <ul style="list-style-type: none">• Pricing of IPO following Relative Valuation Method• Pricing of IPO following Fixed Price Method• Pricing of IPO following Book Building Method	Mr. Kazi Monirul Islam, CFA Head of Research IDLC Securities Ltd.

Regulatory News

The Bangladesh Securities and Exchange Commission (BSEC), in exercise of the power conferred by section 20A of the Securities and Exchange Ordinance, 1969 (ordinance No. XVII of 1969), directs all the registered Merchant Bankers to comply with the following instructions regarding the maintenance of provision against unrealized losses arising from investment in mutual fund units:

A. For Close-end Mutual Funds

1. Merchant Bankers need not to maintain any provision when the average cost price (CP) of a mutual fund is lower than or equal to the fair value (FV) I.E. $CP \leq FV$; or lower than or equal to 85% of the net asset value at current market price (NAV cmp) i.E. $CP \leq NAV \text{ cmp} * 85\%$; which one is applicable.
2. If the average cost price (CP) of a mutual fund unit is greater than fair value (FV) i.e. $(CP > FV)$; or greater than 85% of net asset value at current market price (NAV cmp) i.E. $(CP > \text{cmp} * 85\%)$; which one is applicable, Merchant Bankers shall have to maintain the provision as following:
 - a. when $FV \geq NAV \text{ cmp} * 85\%$ then- Required Provision (RP) = Average cost price (CP)- Fair Value (FV)
 - b. when $FV < NAV \text{ cmp} * 85\%$ then- Required Provision (RP) = Average cost price (CP)- $NAV \text{ cmp} * 85\%$

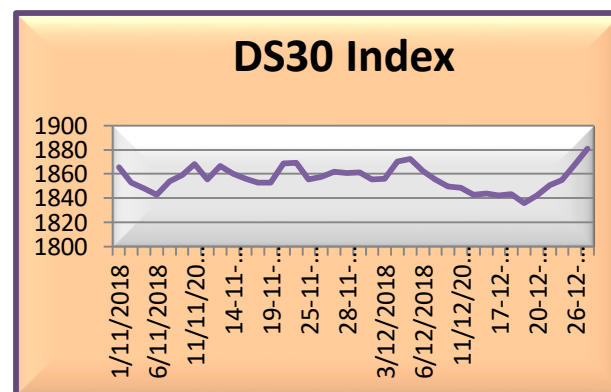
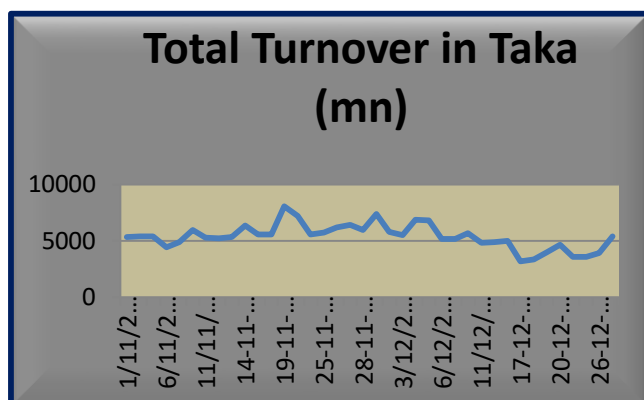
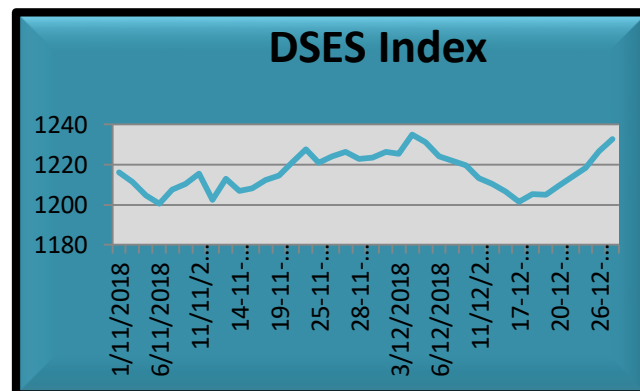
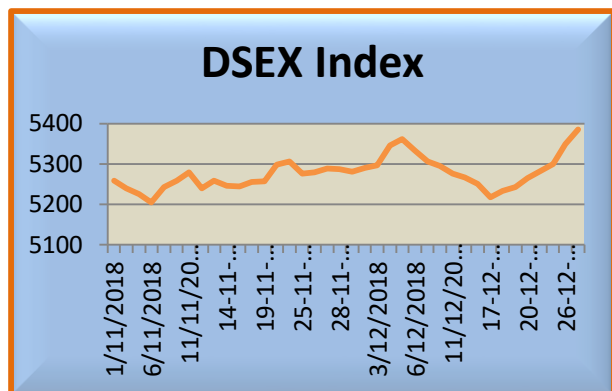
In order to access the fair value of the mutual funds, the Merchant Bankers shall follow the BAS, BFRS along with the সিকিউরিটিজ ও একচেঞ্জ কমিশন (মডিচুয়ালফান্ড) বধিমিলা, 2001.

B. for Open-end Mutual Funds

1. Merchant Bankers need not to maintain any provision when the average cost Price (CP) of a mutual fund is lower than or equal to the latest repurchase price (RP)/ surrender value (SV) of the open-end funds
2. Merchant Bankers shall maintain provision when the average cost price (CP) of a mutual fund is greater than latest repurchase price (RP)/ surrender value (SV) of the open-end funds.
 - i.e. Required provision (RP) = Average cost price (CP) – Latest Surrender Value (SV) (i.e. Not over 5% discount of NAV cmp)

Merchant Bankers shall have to consider the latest NAVcmp calculated and disclosed by mutual funds as per wewa 60 and wewa সিকিউরিটিজ ও একচেঞ্জ কমিশন (মডিচুয়ালফান্ড) বধিমিলা, 2001.

Capital Market Statistics
(01 November 2018-31 December 2018)



Performance of Indices at a Glance			
	DSEX	DSES	DS30
As on 01/11/2018	5258.48	1216.05	1865.36
As on 27/12/2018	5385.64	1232.82	1880.78
% Change	2.42%	1.38%	0.83%
Highest Value	5385.64	1234.96	1880.78
Lowest Value	5204.36	1200.43	1836.25
Average	5276.90	1216.25	1856.46

Performance of Indicators at a Glance		
	Turnover in Taka (mn)	Market Cap. In Taka (mn)
As on 01/11/2018	5299.60	3831683.90
As on 27/12/2018	5383.42	3872952.84
% Change	1.58%	1.08%
Average	5363.01	3819117.58

Capital Market Overview (01 November 2018-31 December 2018)

During November-December average price of DSEX was 5,276.92 and average change was 1.92%, average price of DSES was 1,216.24 and average change was .85%. Overall the capital market was in positive mode. There was an increase in Foreign Direct Investment (FDI) and overall performance of banking sector helped the market indices to boost up.

DSE Turnover crosses 8 billion marks

On 19th November, DSEX settled at 5,257 advancing 0.02% over the previous day. Turnover crossed TK 8.0 billion-mark after 6 weeks as investors put fresh stakes on stocks. Turnover amounted to TK 8.03 billion which is 44% higher than 18th November's turnover of 5.56 billion. The same trend follows on November 20, 2018 where DSEX index exhibited an upward trend. The upward shift in the index is mainly due to the significant positive change by the financial stocks, pharmaceutical and miscellaneous sector. The banking sector posted the highest gain, 1.76%, followed by pharmaceuticals with 1.10%. United Power Generation & Distribution Company tops the DSE turnover with Square Pharmaceuticals placing 2nd and Wata Chemicals 3rd position in terms of turnover.

CSE Shariah Index to be revised

The CSE Shariah Index has been revised based on its performance. The revised index will be effective from November 29, 2018. New 6 companies have been included in this index. Currently, there are 117 companies in this index.

FDI to boost up the economy

With the support of the government Bangladesh has been able to attract the increasing amount of Foreign Direct Investment (FDI). Bangladesh's openness to foreign investment, competitive labor costs, and rapid economic growth are rapidly turning it into one of the most promising markets in the world. According to Bangladesh Bank (BB), the country received \$961 million in the fiscal year 2008-09, while FDI inflow increased to \$2.54 billion in FY16-17. Bangladesh received \$2.60 billion worth of foreign investment from July to May in FY17-18, according to the latest data of BB.

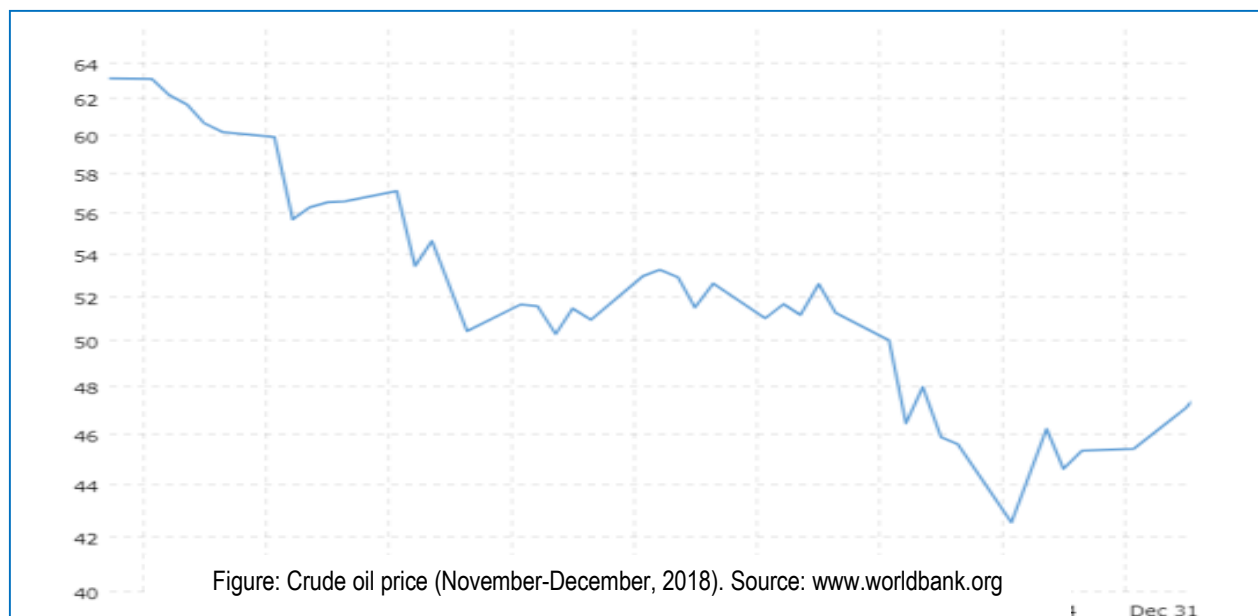
Liquidity crisis in Share Market during election period

Just before the National election share market faced liquidity problem. On December 17 DSEX price index decreased by 14%. Share market expertise believed that lack of confidence was created among the general investors due to the election. On that day 183 companies' share price decreased, 112 companies' share price increased and 44 companies' share price remained same.

International Capital Market Overview (01 November 2018-31 December 2018)

In the event of a full-blown global trade war, Euro zone shares would suffer more than their US counterparts but emerging markets would likely take an even bigger hit. Trade tensions have risen this year as the United States imposed a plethora of protectionist measures, mostly tariffs on China, raising the risk of escalation that could exacerbate an already notable slowdown in worldwide trade. US equity prices would fall by about 10 percent and US corporate bond spreads would increase by up to 100 basis points where in euro area equity prices would fall by 15 percent and corporate bond spreads would increase by 150 basis points in the first year.

During a high-stakes talk between China and the United States in Argentina, both the countries agreed to a ceasefire in their bitter trade war. The US president Donald Trump has decided to leave tariffs on \$ 200 billion worth of Chinese imports at 10 percent at the beginning of the New Year, agreeing to not raise them to 25 percent. China will purchase a substantial amount of agricultural, energy, industrial and other product from the United States to reduce the trade imbalance between these two countries. The two countries also agreed to start discussions on structural changes with respect to forced technology transfers, intellectual property protection, non-tariff barriers, services, cyber intrusions and agriculture very soon. Both countries agreed they will try to have this 'transaction' completed within the next 90 days, but if this does not happen then 10 percent tariffs will be raised to 25 percent. The two sides would step up negotiations toward full elimination of all additional tariffs.



International Capital Market Overview
(01 November 2018-31 December 2018)

Negative change was observed in international capital market during November-December 2018. US equities gained negative returns. There was a 9.18% negative change in S & P 500 index over this period. Dow Jones Industrial Average and NASDAQ Composite Index had 8.66% and 9.48% negative returns respectively. UK equities ended the period with 3.61% positive return. Overall all the major indices had negative returns over this period

Index	Country	Beginning on 1st November	Ending on 31st December	2 month % change
S & P 500 Index	United States	2,760.17	2,506.85	-9.18%
Dow Jones Industrial Average	United States	25,538.46	23,327.46	-8.66%
NASDAQ Composite Index	United States	7,330.54	6,635.28	-9.48%
FTSE 100 Index	United Kingdom	6,980.24	6,728.13	3.61%
DAX Index	Germany	11,257.24	10,558.96	-6.20%
HANG SENG	Hong Kong	26,506.75	25,845.70	-2.49%
Nikkei 225	Japan	22,351.06	20,014.77	-10.45%
Shanghai Composite Index	China	2,588.19	2,493.90	-3.64%
S &P BSE SENSEX 50	India	11,364.07	11,367.43	.03%
CSE All Share	Sri Lanka	5,992.70	6,052.37	1.00%
Karachi 100	Pakistan	40,496.03	37,066.67	-8.47%
Budapest SE	Hungary	40,109.37	39,138.95	-2.42%

Figure: Changes in major indices (November-December, 2018). Source: www.investing.com