FINANCIAL MARKET REVIEW

March 2026

BICM
Endeavour Education Excellence

Contents

The BICM Financial Market Review provides analytical insights about the performance of the financial market in Bangladesh on a monthly basis.

Economy of Bangladesh

"February Witnesses Reserves Crossing $30bn on Remittance Strength, but Weak Credit and Rising Debt Pressures Temper Recovery"

— Imran Mahmud, Lecturer, BICM &
Md. Adnan Ahmed, Lecturer, BICM

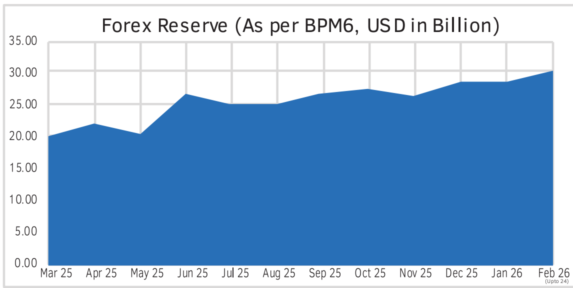

Figure-01 Forex Reserve

Bangladesh's gross foreign exchange reserves (as per BPM6) rose to USD 30.3 billion as of 24 February 2026, up from USD 28.75 billion in January and USD 28.51 billion in December 2025. Reserves have now recovered significantly from the March 2025 low of USD 20.29 billion, reflecting a steady upward trend since mid-2025 [Fig-01].

Remittance inflows stood at USD 3.02 billion in February 2026, a 4.70% month-on-month decline from USD 3.17 billion in January. Despite this monthly dip, remittances have remained above the USD 3 billion mark for three consecutive months, recovering from the mid-2025 low of USD 2.42 billion recorded in August [Fig-02].

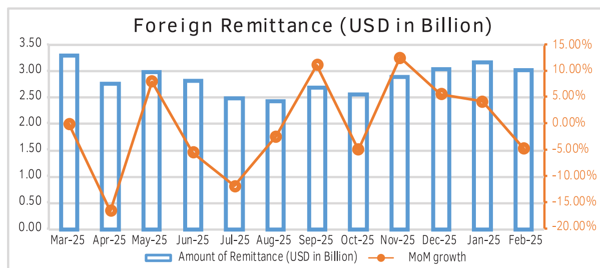

Figure-02 Foreign Remittance

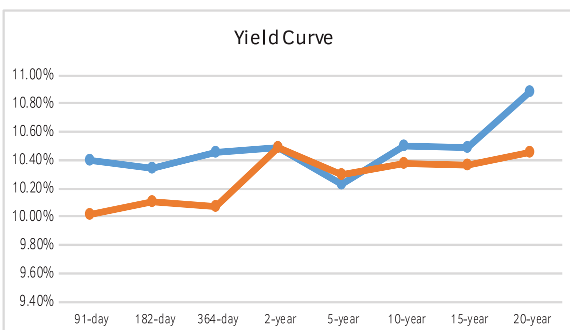

Figure-03 Yield Curve

Government securities yields declined across most maturities in February 2026 compared to January. The 91-day T-bill fell from 10.40% to 10.02%, while the 182-day and 364-day yields eased to 10.11% and 10.07%, respectively. Long-term yields also moderated, with the 10-year bond declining to 10.38% and the 20-year to 10.45%, while the 2-year maturity remained unchanged at 10.49% [Fig-03].

In February 2026, the call money rate remained broadly stable at 9.89%, slightly lower than January's rate of 9.90%, while the interbank repo rate stayed unchanged at 10.00% [Fig-04].

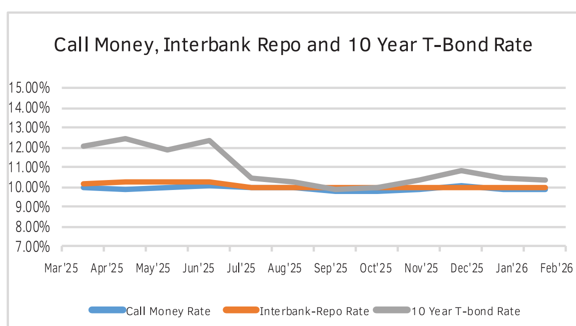

Figure-04 Call Money, Interbank Repo and 10 Year T-Bond Rate

A Visual Tour of the Key Statistics

According to the most recent report from Bangladesh Bank, private sector credit growth declined to 6.03% in January 2026 from 6.10% in December 2025, remaining significantly below its March 2025 peak of 7.57%. Credit expansion has remained below 7% for most of the past year, indicating a sustained slowdown in private borrowing [Fig-05].

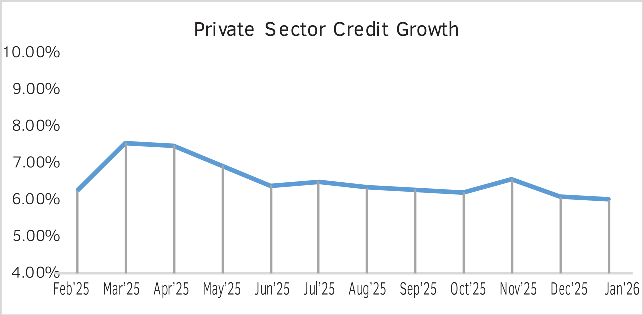

Figure-05 Private Credit Growth Rate

Point-to-point inflation increased to 8.58% in January 2026, up from 8.49% in December 2025. After gradually declining from a February 2025 peak of 9.85% to a low of 8.17% in October, inflation has trended upward over the subsequent three months [Fig-06].

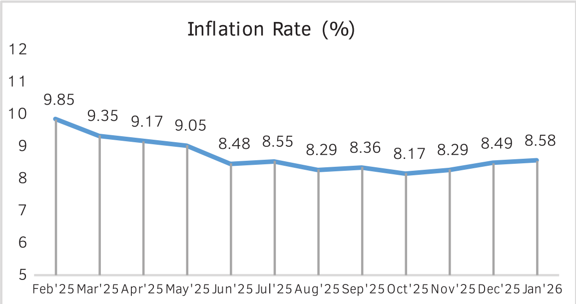

Figure 06- Point-to-Point Inflation Rates

During July–January FY26, foreign loan disbursement declined to USD 2.64 billion from USD 3.93 billion in the same period of FY25. Meanwhile, debt servicing rose to USD 2.67 billion from USD 2.40 billion, and loan commitments edged down to USD 2.27 billion from USD 2.35 billion. [Fig-07].

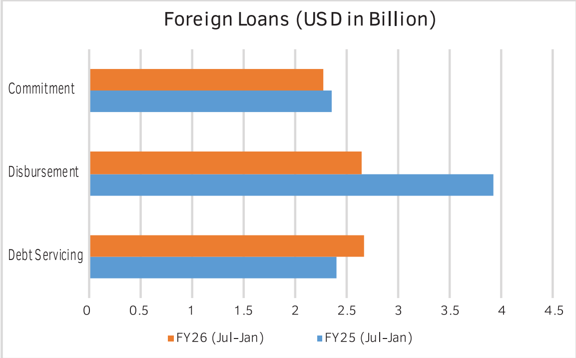

Figure-07 Foreign Loans Positions between 2025 and 2026

In December 2025, total deposits in banks increased by 1.06% month-on-month and 11.10% year-on-year, reaching Tk 19.74 trillion. Demand deposits rose by 4.21% month-on-month, while time deposits grew modestly by 0.69%. Total bank credit expanded by only 0.31% month-on-month, with advances rising 0.65%, bills increasing 2.22%, and investments posting a slight decline of 0.75%. On a year-on-year basis, total credit grew 10.32%, largely driven by a 25.97% surge in investments [Table -01].

Items	Dec, 2025	Nov, 2025	Dec, 2024	Percentage Changes	
				Dec, 2025 over Nov, 2025	Dec, 2025 over Dec, 2024
Deposits held in Banks (TK in mllions)					
Demand Deposits*	2,107,437	2,022,236	1,979,856	4.21	6.44
Time Deposits*	17,632,141	17,510,722	15,787,623	0.69	11.68
Total	19,739,578	19,532,958	17,767,479	1.06	11.10
Bank Credit (TK in mllions)					
Advances	17,788,660	17,673,622	16,737,262	0.65	6.28
Bills (Import & Inlands Bills)	255,571	245,539	291,150	2.22	-12.22
Investments	5,975,767	6,021,104	4,743,726	-0.75	25.97
Total	24,019,998	23,940,265	21,772,138	0.31	10.32

Table-01 Trend of Amount of Deposits and Credit in Banks

Insights from Numbers

► The crossing of the USD 30 billion threshold marks a notable strengthening of Bangladesh's external buffer position. The sustained reserve buildup since mid-2025 reflects robust remittance inflows, moderated import demand, and a more flexible exchange rate regime that has improved management. While this improvement eases short-term balance-of-payments pressures and bolsters market confidence, the durability of the recovery will depend on reviving export growth and attracting investment-driven foreign currency inflows beyond remittances.

► Although February recorded a mild correction, remittance inflows remain structurally strong, sustaining the momentum that began in late 2025. This steady remittance performance has been the principal driver behind the recent surge in foreign exchange reserves, pushing them beyond USD 30 billion.

► The broad-based decline in yields during February 2026 reflects easing liquidity pressures, driven by rising foreign exchange reserves and sustained remittance inflows. These factors have improved system-level foreign currency stability and reduced near-term financing stress. The sharper drop in short-term yields points to improved interbank liquidity and lower immediate borrowing pressures, while the moderation in long-term yields signals a modest softening of inflation and fiscal risk expectations.

► The stability in overnight and repo rates indicates continued tight liquidity management by Bangladesh Bank, with short-term funding conditions anchored within the policy corridor. The softening of long-term rates also reflects subdued private credit demand, as banks continue reallocating liquidity toward government securities rather than expanding loan books.

► The continued deceleration in private sector credit underscores persistent weakness in investment demand, despite improving external sector indicators. Elevated lending rates, political uncertainty ahead of elections, and energy supply constraints continue to dampen business expansion plans. While liquidity conditions have eased and government bond yields have moderated, banks remain risk-averse amid rising non-performing loan (NPL) concerns and subdued industrial activity.

► The recent uptick in inflation suggests renewed price pressures following a period of gradual disinflation through mid-2025. Persistently high inflation continues to justify Bangladesh Bank's cautious monetary stance, limiting scope for immediate policy easing despite improving external buffers and declining bond yields. Until inflation shows a sustained downward trajectory, borrowing costs are likely to remain elevated, which in turn constrains private investment recovery and prolongs the slow credit growth cycle.

► The narrowing gap between disbursement and debt servicing signals tighter net external financing conditions in FY26. Unlike FY25, when inflows comfortably exceeded repayments, FY26 shows almost equal disbursement and servicing, implying limited net foreign resource inflow. The slowdown in disbursement may reflect project implementation delays, stricter conditionalities, or cautious borrowing strategy amid macro adjustments. While rising foreign exchange reserves provide short-term stability, weaker external loan inflows and higher servicing obligations increase reliance on remittances and domestic borrowing.

► The trend in deposits and lending portfolio in banking industry of Bangladesh reflect continued liquidity accumulation within the banking system, supported by strong deposit growth, particularly in demand deposits. However, credit expansion remains subdued, consistent with weak private sector borrowing and cautious lending behavior. The marginal monthly growth in total credit, alongside a slight reduction in investments, suggests portfolio rebalancing amid falling government bond yields.

The ongoing geopolitical conflict between Iran on one side and the United States and Israel on the other has increased risks to global energy markets, particularly due to instability in the Strait of Hormuz, a critical maritime oil chokepoint. The situation has intensified following Iran's attacks targeting strategic interests in the Gulf Cooperation Council (GCC) countries, raising fears of wider regional conflict and disruptions to energy infrastructure and shipping routes. As nearly 20% of global crude oil and a significant share of LNG pass through this corridor, the conflict has triggered volatility in global oil prices. For South Asian economies such as Bangladesh, which imports about 7.5 million tonnes of fuel annually, such disruptions pose significant risks to energy security. Rising oil prices could also increase the country's import bill and create additional pressure on foreign exchange reserves, potentially affecting macroeconomic stability.

Data Source: Bangladesh Bank, ERD Finance Ministry

"DSEX Surges Amid Robust Blue-Chip Performance and Rising Market Activity"

In February 2026, the Bangladesh stock market recorded strong broad-based gains, with the DSEX rising 7.84 percent, driven primarily by large-cap and blue-chip stocks.

Faima Akter [Lecturer, BICM] &
Gourav Roy [Lecturer, BICM]

During February 2026, the Dhaka Stock Exchange (DSE) recorded broad-based positive performance across all major indices, indicating strengthened investor confidence and improved market breadth which is summarized in the following table. The benchmark DSEX advanced by 406.91 points, or 7.84 percent, closing at 5,600.27, reflecting substantial gains in large-cap and diversified stocks. The DS30 index outperformed the broader market with an 8.62 percent increase, suggesting strong demand for fundamentally sound blue-chip securities. The Shariah-based DSES rose by 7.03 percent, while the CDSET gained 7.44 percent, demonstrating synchronized growth across both conventional and Islamic market segments. In contrast, the SME-focused DSMEX increased by a modest 1.30 percent, indicating relatively subdued momentum among smaller-cap enterprises. Overall, February was characterized by robust market-wide appreciation, led predominantly by high-capitalization and institutionally favored stocks.

Index Name	1-Feb-26	26-Feb-26	Change	% Change
DSEX	5,193.36	5,600.27	406.91	7.84%
DSES	1,042.87	1,116.19	73.32	7.03%
DS30	1,997.23	2,169.46	172.23	8.62%
CDSET	1,094.58	1,175.99	81.41	7.44%
DSMEX	939.75	951.92	12.17	1.30%

Table-02 Performance of DSE Market Indices in February, 2026

The daily movement of DSEX and DSES in February 2026 in figure 8 reflects synchronized volatility with similar directional trends. Both indices exhibited moderate positive momentum in the first half of the month, peaking around mid-February, indicating short-term bullish sentiment. A sharp correction followed around 16–18 February, suggesting profit booking or external market pressure. Subsequently, the indices stabilized and gradually recovered toward month-end. The close co-movement implies broad-based market participation, with Shariah-compliant and conventional segments responding similarly to prevailing market dynamics.

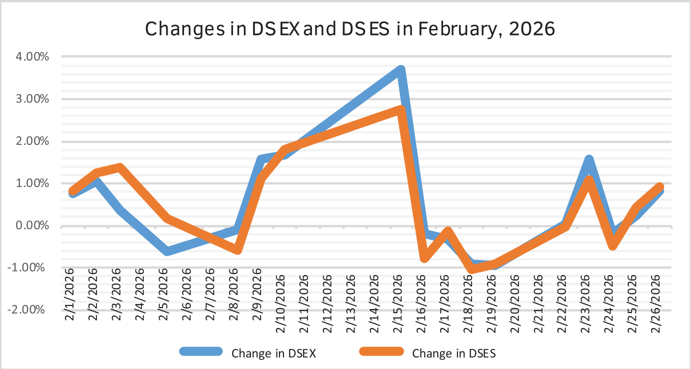

Figure-08 Percentage Changes in DSEX and DSES in February, 2026

On the other hand, both CASPI and CSE30 displayed a highly volatile pattern throughout February 2026 (Fig-09), marked by sharp mid-month gains followed by an immediate correction. Although a secondary rebound appeared in the latter part of the month, it remained relatively modest. Overall, the indices closed with slight positive movement, but short-lived rallies and abrupt reversals continued to dominate market behavior

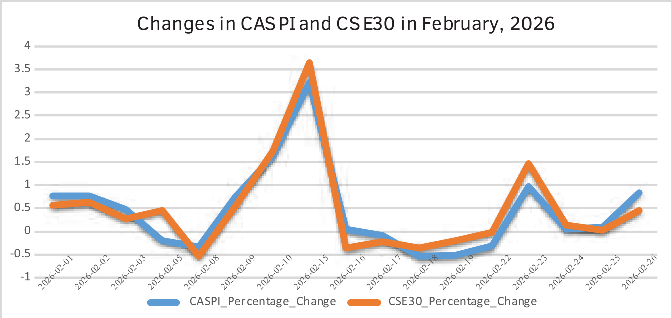

Figure-09 Percentage Changes in CASPI and CSE30 in February, 2026

The Advance–Decline (AD) ratio in figure 10 indicates fluctuating market breadth in February 2026. A significant spike around mid-month reflects strong participation from advancing stocks, signaling broad-based buying pressure. However, the sharp decline immediately afterward suggests temporary distribution or profit-taking. Toward month-end, the ratio stabilized, indicating improved equilibrium between advancing and declining securities.

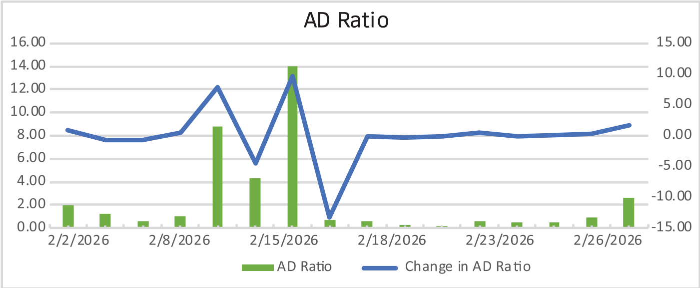

Figure 10: Advance Decline Ratio in February, 2026

Table 3 indicates a substantial improvement in market liquidity and trading activity in February 2026 compared to January. While average market capitalization increased moderately by 3.40 percent, trading indicators surged significantly. Average traded value rose by 59.63 percent, trade volume expanded by 81.80 percent, and the number of trades grew by 29.48 percent, reflecting heightened investor participation and stronger market turnover.

Parculars	31 January 2026	26 February 2026	Change	% Change
Average Market Capital (TK Million)	6863605.7	7,096,625.2	233,019.4	3.40%
Average Traded Value (TK Million)	4960.8	7,918.9	2,958.0	59.63%
Average Number of Trades	154038.2	199,448.8	45,410.6	29.48%
Average Trade Volume	159428668	289,843,979.5	130,415,311.4	81.80%

Table-03 Market Aggregates in February, 2026

The turnover data in Table 4 indicates that trading activity in February 2026 was concentrated in a few large-cap and fundamentally strong stocks. CITYBANK led market turnover with Tk 470 million, accompanied by a 14.58% price appreciation, suggesting strong investor accumulation. ROBI and BRACBANK also recorded substantial turnover, reflecting sustained liquidity in the telecom and banking sectors. On the performance side, BIFC emerged as the top gainer with a 52.78% return, followed by PRIMEFIN and GSPFINANCE, indicating speculative or recovery-driven momentum in financial stocks. Conversely, EXIM1STMF registered the highest decline at 9.09%, while BDWELDING, MEGHNACEM, ASIATICLAB, and NBL posted moderate losses, reflecting selective selling pressure in specific stocks.

Turnover				Gainer			Loser		
SI	Stock	Turn Over	Total (%)	SI	Stock	Return (%)	SI	Stock	Return (%)
1	CITYBANK	470	14.58%	1	BIFC	52.78%	1	EXIM1STMF	-9.09%
2	ROBI	295.1	6.82%	2	PRIMEFIN	48.15%	2	BDWELDING	-6.06%
3	BRACBANK	277.48	5.55%	3	GSPFINANCE	36.11%	3	MEGHNACEM	-6.35%
4	KBPPWBIL	212.64	10.10%	4	UNIONCAP	34.15%	4	ASIATICLAB	-6.19%
5	OLYMPIC	171.37	1.61%	5	ICBIBANK	32.00%	5	NBL	-5.66%

Table-04 Top Turnover Leaders, Gamers and Losers

The overall market P/E stands at 11.14, but sectoral valuations vary significantly (Fig. 11). Sectors such as Tannery and Paper & Printing are trading at very high multiples, reflecting either strong growth expectations or a weaker earnings base. The NBFI and Jute sectors also show relatively high valuations. In contrast, Fuel & Power and Banking are priced below the market average, indicating comparatively lower growth expectations or stable earnings.

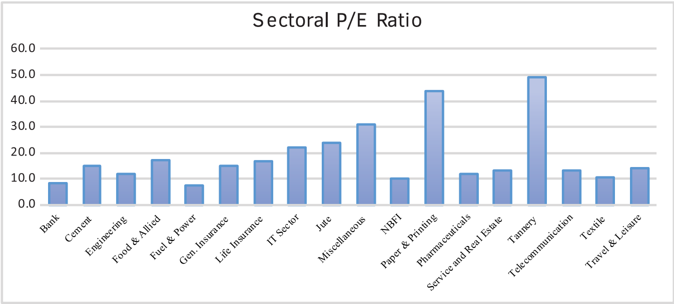

Figure-11: Sectoral P/E Ratios

The sector return profile in Figure 12 indicates a predominantly bullish market environment, with nearly all sectors delivering positive performance. NBFI, Paper & Printing, and Banking recorded the strongest gains, reflecting positive momentum in financial and industrial sectors. In contrast, Travel & Leisure absorbed a sharp decline, signaling a severe industry-specific downturn, while investors found stability across virtually every other category.

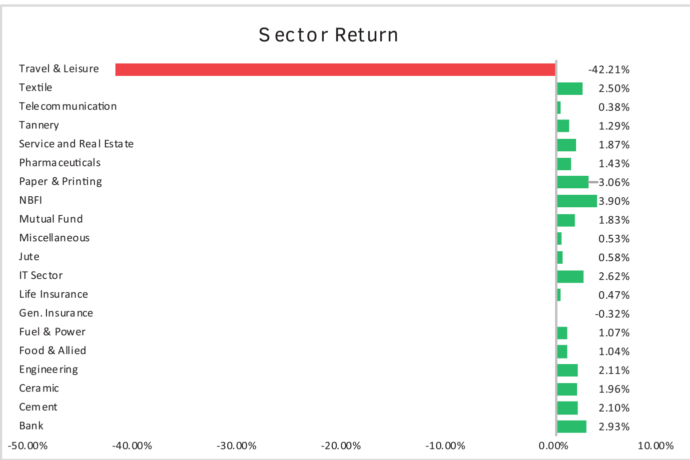

Figure-12 Sector Return

The sector turnover profile is dominated by Banking, Pharmaceuticals, and Textiles, which together drive nearly half of the market's trading activity (Figure 6). This concentration suggests that liquidity is heavily anchored in large-cap financial and industrial sectors. Conversely, Travel & Leisure, Tannery, and Ceramics contributed minimally, at 1% each, reflecting significantly lower investor engagement.

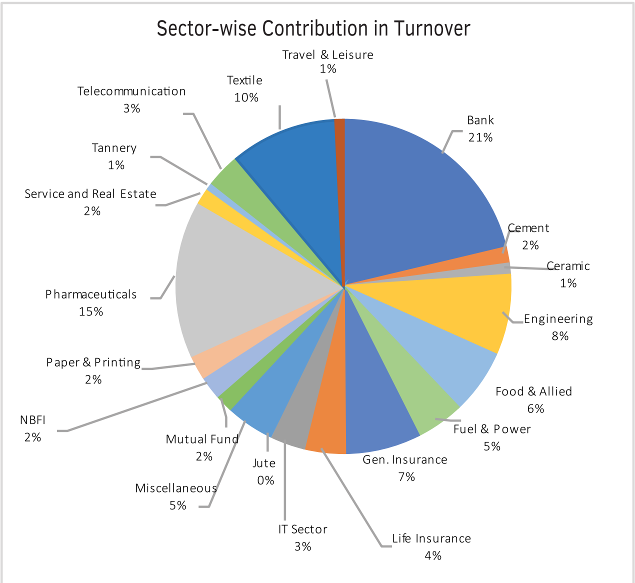

Figure-13: Sector-wise Contribution in Turnover

In February 2026, Bangladesh's DSEX outperformed major emerging market indices with a strong return of 7.84 percent. In contrast, India's BSESENSEX, Japan's Nikkei 225, and Turkey's BIST 100 recorded negative returns, while China's A50 posted a modest gain of 0.84 percent, highlighting Bangladesh's relative market resilience.

Performance Comparison of the World's Emerging Indices		
Country	Index Name	Return
India	BSESENSEX	-2.04%
China	China A50	0.84%
Japan	Nikkei 225	-1.35%
Turkey	BIST 100	-3.70%
Bangladesh	DSEX	7.84%

Table-05 Performance Comparison of the World's Major Index in February, 2026

Commodity futures displayed mixed performance in February 2026. Energy and precious metals led gains, with crude oil rising sharply by 15.48 percent to USD 73.95 per barrel and gold increasing 9.31 percent to USD 5,415 per troy ounce, reflecting inflationary and geopolitical sensitivities. Agricultural commodities showed divergence: soybean advanced 8.95 percent and cotton gained 4.48 percent, while sugar declined 4.86 percent. Natural gas posted the steepest fall at 9.16 percent, indicating softer demand or supply adjustments.

Performance Comparison of Commodity Futures			
Commodity name	Return	Price (USD)	Parameter
SUGAR	-4.86%	13.92	Lbs
NATURAL GAS	-9.16%	3	MMBtu
COTTON	4.48%	65.13	Lbs
SOYBEAN	8.95%	1157.08	Bu
GOLD	9.31%	5415	t.oz
CRUDEOIL	15.48%	73.95	Barrel

Table-06 Performance Comparison of Commodity Futures

In February 2026, the capital market navigated a "wait-and-see" phase following the national elections. While the DSEX initially surged by 170 points in a pre-election rally, approaching 5,600 points by late February, trading activity cooled significantly, with daily turnover plunging by 31% to an average of Tk 565 crore. Macroeconomic stability provided a buffer, as foreign currency reserve increases to approximately $30.3 billion. However, persistent inflation at 8.58% and high lending rates kept many retail investors cautious, as the central bank maintained a tight monetary policy to stabilize the Taka and control consumer prices.

On the regulatory front, the BSEC prioritized transparency and structural modernization through several high-impact initiatives. key highlight was the implementation of the Public Offer of Equity Securities Rules, 2025, which streamlined the IPO process and granted stock exchanges more authority to approve listings, aiming to end the long-standing "listing drought." BSEC also took firm enforcement actions, such as rejecting non-compliant dividend proposals and reconstituting boards of underperforming companies like the to restore governance and protect minority shareholder interests.

Overall, February 2026 marked a constructive turning point for the capital market, blending short-term recovery with long-term reform momentum. While macroeconomic pressures like inflation persist, proactive regulatory measures and renewed investor confidence have laid a stronger foundation for gradual stabilization and sustainable growth ahead.

Data Source: DSE, CSE, Lanka Bangla Financial Portal, Investing.com & Trading Economics

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“Toward an Organized Commodity Futures Market in Bangladesh”

Commodity futures markets are organized platforms where standardized contracts for future delivery or cash settlement of commodities are traded. These commodities typically include energy products (such as crude oil and natural gas), precious and industrial metals, and agricultural products. The primary economic rationale for such markets is twofold: efficient price discovery and risk management for producers, consumers, and investors.

A futures contract obliges the buyer and seller to transact a specified quantity and quality of an underlying commodity at a predetermined price on a specified future date. Although physical delivery is possible in some contracts, a large share of global futures trading is ultimately cash-settled, with positions closed before expiry or settled against a reference price. This framework allows participants to transfer and manage price risk without necessarily handling the physical commodity.

How the Commodity Futures Market Works Worldwide

At the global level, commodity futures trading is concentrated on a set of large exchanges such as the CME Group in the United States, Intercontinental Exchange (ICE) in the US and UK, and several major Asian exchanges. These platforms provide standardized contracts, clearing and settlement services, and risk management infrastructures such as central counterparties (CCPs). The global ecosystem has evolved over decades and now supports highly liquid markets across energy, metals, and agricultural products.

Trading mechanics generally follow a similar model:

Standardized contracts: Each contract specifies the underlying commodity, contract size, quality, delivery month, price quotation, and settlement method.

Margining and leverage: Participants post an initial margin and are subject to daily variation margin, allowing them to control large notional exposures with relatively small capital outlays, while the clearing house manages counterparty risk through robust margining and default procedures.

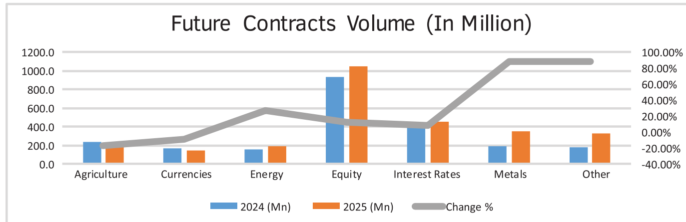
Order driven markets: Modern commodity exchanges employ electronic order books where buy and sell orders are matched according to price–time priority, with real time dissemination of quotes and trades.

Clearing and CCPs: After trades are matched, a central counterparty steps in as the buyer to every seller and the seller to every buyer, significantly reducing bilateral credit risk and enabling multilateral netting of exposures.

Exchange traded commodity derivatives also coexist with over the counter (OTC) derivatives, but regulatory reform after the global financial crisis has increased the role of clearing and transparency in both segments. Today, the global commodity derivatives landscape is characterized by deep liquidity, sophisticated risk management tools, and increasing participation from financial institutions and corporates seeking to hedge cross border exposures.

Global Statistics on Commodity Futures

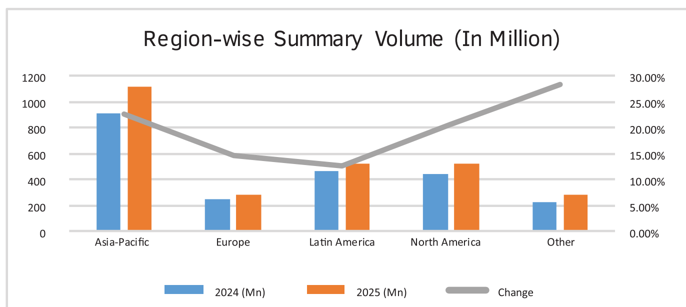
Recent data highlight the scale and growth of global derivatives markets, including commodities. The graph below (Fig-1) provides a detailed analysis of the projected future contracts volume across various sectors for the years 2024 and 2025. The data highlights a strong growth trajectory in the future contracts market from 2024 to 2025. While Agriculture and Currencies see slight declines, sectors like Energy, Equity, Metals, and other experience robust growth. Notably, Metals and Other categories stand out with impressive increases of 87.50% and 88.60%, signaling a positive shift in market focus. Overall, the future contracts market is set to grow by 19.90%, driven by remarkable gains in key sectors like Energy, Equity, and Metals, indicating a dynamic and optimistic outlook for the market's future.



Source: Futures Industry Association

Fig 1. Futures Contracts Volume

The following graph (Fig-2) presents the region-wise future contracts volume for the years 2024 and 2025, reflecting both the volumes in millions and their percentage changes. The overall future contracts market is projected to grow by 19.9% from 2024 to 2025, rising from 2,279.08 million to 2,732.60 million. Regionally, the Asia-Pacific region leads with the highest growth rate of 22.7%, increasing from 907.17 million in 2024 to 1,112.91 million in 2025. This highlights the region's significant market expansion. The other regions also show a robust increase of 28.4%, from 220.55 million to 283.3 million, indicating a strong rise in contracts outside the major markets. North America follows with a 20.7% increase, while Europe and Latin America show more moderate growth at 14.7% and 12.5%, respectively. This data suggests that while all regions experience growth, Asia-Pacific and Other regions stand out with the most substantial increases, reflecting a dynamic global shift in the future contracts market.



Source: Futures Industry Association

Fig 2. Region-wise Summary Volume

Within this broader derivatives universe, commodity contracts form a substantial and growing segment. Intercontinental Exchange (ICE) reported that a record 2 billion futures and options contracts traded on its venues in 2024, including a record 1.2 billion commodity contracts. ICE also reported a record 655 million oil futures and options contracts traded in 2024, with 346 million Brent futures and options and 92.8 million Gasoil contracts, underscoring the centrality of energy derivatives in global commodity risk management.

South Asian Statistics and Regional Context

South Asia has seen significant development in commodity derivatives, particularly in India, which operates multiple commodity exchanges and integrated commodity segments within stock exchanges. The National Stock Exchange of India (NSE), for example, reports large and growing turnover in its commodity derivative segment. The Multi Commodity Exchange of India (MCX) remains one of the leading platforms for commodity trading in India, offering a broad spectrum of futures contracts across various commodities, including precious metals, base metals, energy, and agricultural products. Gold and Silver are among the most actively traded futures on MCX, with large daily volumes indicating high liquidity and investor participation. For example, on 23 February 2026, Gold Petal contracts traded around ~83,704 units and Silver contracts traded ~57,172 units by volume, reflecting strong market activity in precious metals. Silver futures have shown record price rallies in recent months, with March 2026 Silver futures reaching all-time highs above ₹1.78 lakh/kg on strong global demand and price momentum in late 2025.

Pakistan also has commodity futures and related instruments. In Pakistan, the commodity futures market is centrally organized and regulated through the Pakistan Mercantile Exchange (PMEX), which is the country's only licensed and regulated commodity futures exchange overseen by the Securities and Exchange Commission of Pakistan (SECP). Between 2024 and 2025, PMEX has exhibited strong daily and monthly activity, including achieving a single trading day value of PKR 177 billion, a milestone reflecting rising market participation and liquidity. According to market reports, PMEX's value traded reached roughly PKR 7 trillion in 2024, with April 2025 alone seeing about PKR 1.2 trillion in monthly trading, marking record volumes and a nearly 70% increase from the same period last year.

Bangladesh has historically lacked a fully operational commodity derivatives exchange, relying instead on physical and informal markets for commodities. In this context, the initiative of the Chittagong Stock Exchange (CSE) to establish a regulated commodity derivatives platform represents a structural shift toward aligning Bangladesh with regional peers.

Current Status the CSE Commodity Exchange Initiative

CSE's approach can be framed along three pillars: regulatory preparedness, technological readiness, and ecosystem development.

The Bangladesh Securities and Exchange Commission (BSEC) has granted CSE a license to operate a commodity derivatives exchange, and subsequent regulations have been issued through official gazettes to provide a legal framework for commodity derivatives trading. Pending steps include the approval of commodity derivatives brokers, the formal approval of underlying products (such as gold, silver, and crude palm oil), and regulatory approval of the contract specifications for futures on these underlying.

On the technology side, CSE has developed a dedicated commodity derivatives segment integrated into its existing exchange infrastructure. This includes:

►A separate segment in the matching engine for commodity derivatives orders.

►Integration with Order Management Systems (OMS) for brokers.

► A central counterparty (CCP) clearing system with real time risk and collateral management, the first of its kind on this scale in Bangladesh.

The CCP will act as the buyer to every seller and the seller to every buyer, providing centralized risk management through margining and default procedures akin to global best practice. CSE intends to initially launch cash settled futures contracts on a small set of globally benchmarked commodities, notably gold, silver, and crude palm oil. Gold and silver are widely understood by Bangladeshi investors, while crude palm oil is highly relevant given Bangladesh's position as a significant consumer. Using cash settlement against reference prices derived from international benchmarks reduces the complexity of physical delivery logistics in the initial phase.

Investors will access the commodity derivatives market through separate commodity accounts opened with licensed brokers. These accounts will not be traditional Beneficiary Owner (BO) accounts used for equities but dedicated derivatives accounts whose positions and margin profiles are recorded and risk managed at the CCP level. This structure aligns Bangladesh's nascent commodity derivatives market with international practices and ensures that risk management is centralized, transparent, and subject to regulatory oversight.

From an analytical angle, CSE's infrastructure focused approach is consistent with global and regional experience, particularly India's progression from cash settled contracts on benchmark commodities toward more complex agricultural and delivery based products.

Importance of Stakeholders' Education in Materializing Commodity Futures Market

Establishing a commodity futures market is not solely a technical or regulatory project; it is fundamentally an educational and cultural one. In this regard, institutions such as the Bangladesh Institute of Capital Market (BICM) are critical. BICM was established in 2008 as a specialized institution for imparting practical capital market education, training and research, with the objective of emerging as a center of excellence for capital market professionals and intermediaries. Over the years, BICM has conducted extensive Investors' Education Programs and other training initiatives, reaching thousands of existing and potential investors. BICM has already started integrating commodity market concepts into its curriculum, even before full fledged commodity derivatives trading becomes operational in Bangladesh. By systematically enlightening investors and stakeholders, a national institute such as BICM can materially reduce the likelihood of misuse or misunderstanding of leveraged products, thereby supporting the stability and credibility of the new market.

Feasibility in Bangladesh: Price Discovery and Risk Mitigation

Analytically, the feasibility and potential impact of a commodity futures market in Bangladesh can be assessed along at least three dimensions: Economic rationale, Institutional capacity, and Risk management benefits.

1. Economic Rationale and Price Discovery

Bangladesh is a net importer of several essential commodities, including edible oils, fuels, and metals. Domestic prices for these commodities are heavily influenced by global benchmarks and exchange rates. In the absence of a domestic commodity derivatives exchange, local businesses and importers often lack direct access to standardized hedging tools and must bear price volatility or hedge informally through ad hoc arrangements. A regulated commodity futures market can provide a transparent, centralized platform where local prices are linked to global benchmarks through cash settled contracts.

2. Institutional Capacity and Infrastructure

The CSE initiative, with its CCP based clearing system, separate derivatives segment, and coordinated regulatory framework with BSEC, suggests that institutional capacity has reached a level where such a market can be sustained. The deliberate choice to start with a limited set of highly standardized, cash settled contracts on widely traded commodities reduces operational and legal complexity.

3. Risk Mitigation and Market Stability

From a risk management perspective, a domestic commodity futures market offers several benefits such as hedging for importers, diversification for investors, systemic risk control via CCP.

Considering Bangladesh's commodity import profile, the desire to deepen capital markets, and the existence of an evolving regulatory and institutional framework, the introduction of a commodity futures market appears economically feasible and potentially beneficial. It can enhance price discovery by linking domestic prices to global benchmarks in a transparent manner and can provide structured risk management tools to a broad set of stakeholders.

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