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AT CAPITAL RESEARCH



## AT Capital Market Update

### *Taking a more defensive DSEX stance on terrorist nerves...*

- The two major themes currently for the Bangladesh stockmarket are the recent murders of two foreign citizens as well as the ongoing global pressures on EM and whether redemption pressures and forced selling by foreign investors may be a drag on Bangladesh stocks.
- The Islamic State (ISIS) claimed responsibility of the shootings, while some believe it is a local political move. Bangladesh as a result stepped up security forces for foreign diplomats and citizens in the country.
- The potential negative impact on FDI and economic growth could be potentially significant and in this context, a more defensive stance on Bangladesh stocks in the next month is justified. In this recent downtrend multinational companies in Bangladesh lost 7.9% of its total market capitalization in the last 10 trading days.
- Although this past week has seen a relief rally in global risk assets which has benefitted EM, the overall tone of caution about the prospects for EM in 2016 that has been evident at the IMF-World Bank meetings in Lima appears justified.
- The prospects for a further marked slowdown in the Chinese economy, renewed weakness in global commodity prices and structural challenges in a number of EM countries suggests that fears of ongoing substantial EM redemptions is likely to be realized.
- However foreign investors only constitute 2% of stock and around 5% of turnover in the Bangladesh market so the overall impact on the market of global market developments is likely to be limited. A further correlation matrix of the Bangladesh market with other markets based on monthly major index returns for the last five years shows that the Bangladesh market is uncorrelated with the developed and emerging market.
- We discuss the recent Terrorist attacks and potential solutions in more detail in the special focus article on page 8.

### EDITORS

#### **Ifty Islam**

Managing Partner  
ifty.islam@at-capital.com

#### **Syed Khan**

Partner  
syed.khan@at-capital.com

#### **Md. Minhaz Zia, CFA**

Partner  
minhaz.zia@at-capital.com

#### **Mir Mahfuz Ur Rahman**

Partner  
mahfuz.rahman@at-capital.com

### **Asian Tiger Capital Partners**

Road No: 113/A, Plot No: 03  
Celebration Point (5<sup>th</sup> floor)  
Gulshan - 2, Dhaka - 1212  
Tel: (880-2)-9852111  
Fax: 9852110  
www.at-capital.com

