



BANGLADESH CAPITAL MARKET SENTIMENT SURVEY 2024

By LankaBangla Securities Ltd.

BANGLADESH CAPITAL MARKET SENTIMENT SURVEY 2024

SUMMARY OF RESPONSES

The survey was conducted online from December 13, 2023, to January 20, 2024, with 100 diverse participants responding to the questionnaire.

About Economy

In FY 2023-24, the majority expects moderate GDP expansion, with 47% foreseeing growth between 5.5% to 6.5%, while 27% anticipate growth in the 4.5% to 5.5% range. Diverse views exist, with 12% optimistic about growth exceeding 6.5%, 8% anticipating growth between 3.5% to 4.5%, and 6% expecting it to be lower than 3%. Notable risks in 2024 include a potential banking sector crisis (66%), foreign exchange crisis (69%), and high inflation (62%). A majority (56%) foresees an increase in the inflation rate, and the liquidity situation is expected to deteriorate (78%). Exchange rate expectations vary, with 50% anticipating USD appreciation, while 7% foresee depreciation. Concerns about global crude oil prices impacting Bangladesh's economy are echoed by 58% of respondents. Expectations for foreign reserves are split, with 36% foreseeing it crossing USD 20 billion, 35% expecting it between USD 15-20 billion, and 29% foreseeing it below USD 15 billion. Foreign Direct Investment (FDI) expectations are evenly split at 50%. A majority (81%) anticipates a further hike in electricity and gas prices. Concerns about food safety improvement are expressed by 86%. Opinions on post-election reforms are divided (59% not expecting drastic reforms, 29% expecting reforms). Diverse opinions exist on the

government's capability to manage the Universal Pension Scheme (USP), with 50% expressing doubt. The majority (68%) expects more austerity measures to curtail demand for US dollars. Repo rate expectations vary, with 49% anticipating an increase by 50-100 bps. Geopolitical risk is anticipated to increase by 72%. Current account balance expectations are diverse, with 28% anticipating a deficit between \$10 billion - \$15 billion, and 14% anticipating a surplus. Views on the government's approach to pulling the economy from collapse are varied (44% skeptical). Views on the probability of Bangladesh heading towards a default-like situation vary, with 51% estimating it to be less than 30%.

About Capital Market

In 2023, the majority of respondents (37%) deemed the capital market's performance as "Really Bad," with 29% considering it "Bad" and only 5% finding it "Very Good." Notable negative impacts included "Fear of Manipulation" (78%), "Decreased investor confidence" (66%), and "Floor Price" (55%). Looking ahead to 2024, the primary risk identified by the majority is a lack of investor's confidence (51%), followed by the continuation of floor price (46%), and equally concerning are the lack of good stocks/stories and high interest rates, each at (43%). The removal of the floor price is anticipated to

have a positive impact, according to the majority (76%), along with factors like "Increased market transparency" (39%) and the "Launch of Alternative Trading Board" (30%). Expectations for the DSE Broad Index (DSEX) place the majority (30%) in the "6500-7000" range, and the predominant sentiment for the Bangladesh capital market in 2024 is "Moderately bullish" (55%). In stock investment management during 2023, the majority (31%) followed a "Mid Term" approach. Sectors expected to outperform the index in 2024 include "Pharmaceuticals" (61%), "IT" (46%), and "Insurance" (37%). The majority (58%) wants to see more IPOs in "Pharmaceuticals." Factors expected to influence the stock market in 2024 include "Floor Price Removal" (67%) and "Broad macro-economic factors" (57%). Average daily market turnover expectations in 2024 indicate a majority (36%) anticipating a range of "400-600 crore." The survey results point to the depreciation of the Bangladeshi Taka against the US Dollar (67%) as the top reason for low foreign investor participation in the capital market. Other significant factors include a lack of corporate governance in listed companies (53%) and regulatory weaknesses (52%). Opinions on the derivative market show a split, with the majority (55%) believing "Our market is too immature to absorb derivatives." Equities are predicted to be the best-performing asset class at 24%,

followed by Bonds at 21% and Gold at 20%, according to survey respondents. The most prominent feature of the Bangladesh capital market in 2023, according to the majority (54%), was the "Floor price." Opinions on the effectiveness of the SME market are divided. The majority of respondents, at 57%, do not believe the SME market is effective, while 31% do think it is effective, and 12% provided different answers or opinions. The majority (81%) believes that the OMS based trading app has improved market breadth. A substantial majority, 72%, of respondents are not satisfied with the current state of the bond market, while only 28% express satisfaction. The establishment of ATB in Bangladesh has not significantly boosted investor confidence, according to the majority (65%). The majority (52%) believes the establishment of the Commodity Exchange will reduce the volatility of the food market. The majority (87%) thinks the floor price has lost its effectiveness. The majority (88%) believes the price discovery mechanism of the existing IPO regulation needs revision. If the floor price is removed, the majority (68%) believes DSEX will fall immediately. The expected timeline for floor price removal is H1 2024, as indicated by the majority (61%) of respondents. The majority (56%) views the formation of the Counterparty Clearing Company (CCP) positively, stating that it has "Improved the clearing and settlement infrastructure."

About Financial Market Integrity and Restoring Trust

In 2023, the majority of respondents (43%) rates the integrity of local capital markets as "1 (Poor)," with 38% choosing "2 (Below Average)." Only 1% considers it "5 (Excellent)." Looking ahead to 2024, opinions are divided, with 44% expecting the integrity to be "Better," another 44% anticipating it to remain "About the same," and only 12% believing it will be

"Worse." The majority (28%) identifies "Improved transparency of financial reporting and other corporate disclosures" as the most needed regulatory or industry action to improve investor trust and market integrity in 2024. Regarding the most critical ethical issue facing the Bangladesh capital market in 2024, the majority (64%) points to "Market fraud/manipulation." The majority (58%) believes that the Bangladesh Securities & Exchange Commission (BSEC) still has capacity constraints as a regulator. Additionally, the majority (88%) attributes the generally low level of financial education among most traders, herd instinct, and poor certification requirements for trading eligibility as the main reasons for current market volatility. Regarding the impact of financial projections through equity research publications, the majority (85%) believes it will improve investment decision-making in the market under strict supervision of the regulator. Corporate governance of local companies in 2023 is predominantly rated as "2 (Below Average)" by the majority (45%), followed by "1 (Poor)" at 34%. Only 1% considers it "5 (Excellent)."

About this Survey

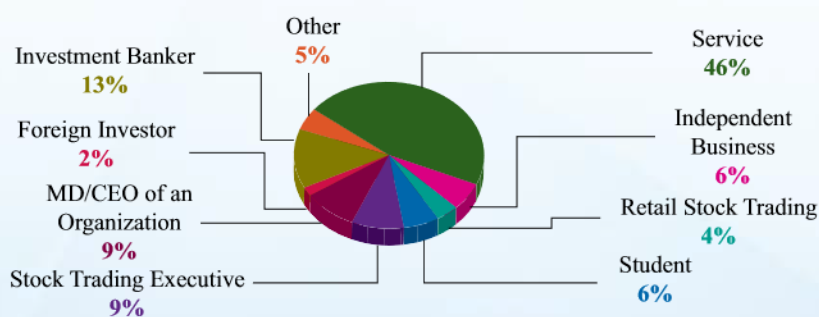
The Bangladesh Capital Market Sentiment Survey 2024 is the 12th iteration of an

ongoing survey initiated by LankaBangla Securities Ltd in December 2012. This survey is designed to elicit responses from individuals across various backgrounds. Its primary objective is to gather informed opinions on a range of subjects, including the current market performance, macroeconomic indicators, general issues within the capital market, and expectations for the current year regarding investment avenues, with a specific emphasis on the capital market.

Methodology: The survey employed an online format and was conducted over the period from December 13, 2023, to January, 20, 2024. A total of 100 respondents from diverse backgrounds participated in the survey, providing their responses to the questionnaire.

Limitation: It is essential to note that the results obtained from this survey are solely reflective of the opinions expressed by the 100 participants who voluntarily participated. The survey's findings may not necessarily be representative of the broader population, and there is no guarantee that similar results would be obtained if the survey were conducted on a larger scale.

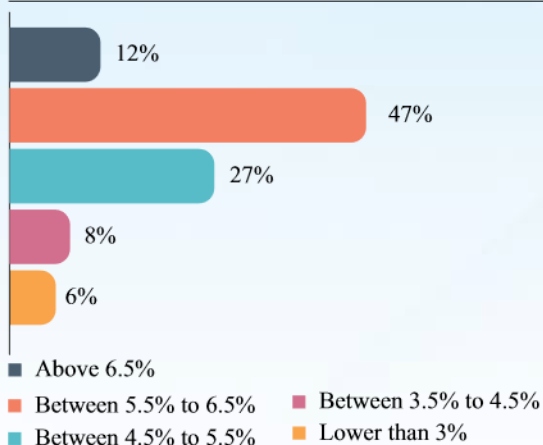
Profile of Respondents



The survey sought input from respondents hailing from various backgrounds to derive opinion against queries on the passing year's market performance, macroeconomic performances and expectations, general issues about the capital market, and expectation for the next year on investment avenues (especially the capital market).

ECONOMY

1. In FY 2023-24, do you expect real GDP growth of Bangladesh to be



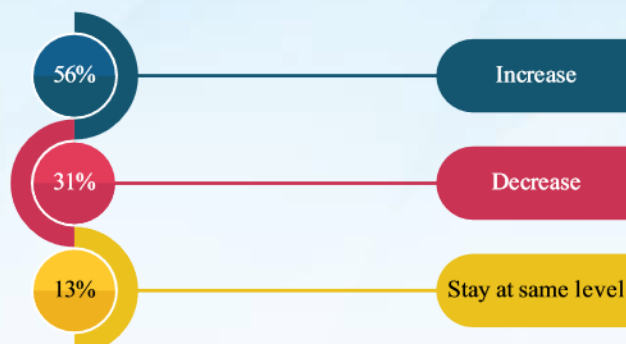
In FY 2023-24, 47% anticipate Bangladesh's GDP growth between 5.5% to 6.5%, indicating a majority expecting moderate expansion. Another 27% foresee growth in the 4.5% to 5.5% range, while 12% are optimistic about growth exceeding 6.5%. However, 8% anticipate growth between 3.5% to 4.5%, and 6% expect it to be lower than 3%, reflecting diverse viewpoints.

2. What do you see as the biggest risk to Bangladesh Economy in 2024?



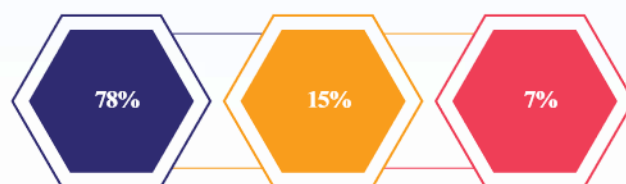
In 2024, the primary risks to the Bangladesh economy are identified as a foreign exchange crisis (69%), a potential crisis in the banking sector (66%), and high inflation (62%). Additionally, lower remittance inflows (38%) and local political instability, particularly due to elections (34%), present notable challenges. Weak global economic conditions (31%) and issues such as weak exports (31%) are also recognized as significant risks.

3. In 2024, do you expect inflation rate to



In 2024, the majority of respondents, 56%, anticipate an increase in the inflation rate. Meanwhile, 31% expect a decrease, and 13% foresee it staying at the same level.

4. In 2024, what is your expectation about the liquidity situation?



- Deteriorate and private borrowing will be more costly
- Improve and private borrowing will be cheaper
- Remain the same

In 2024, the prevailing expectation for the liquidity situation is pessimistic, with 78% foreseeing a deterioration leading to increased private borrowing costs. Conversely, 15% anticipate an improvement and cheaper private borrowing, while 7% expect the situation to remain the same.

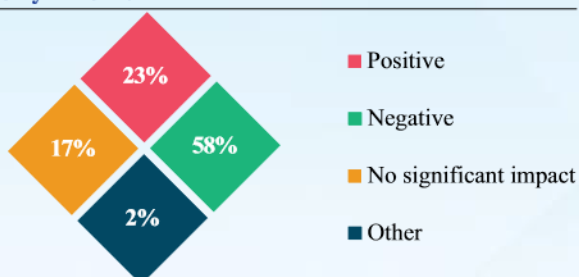
5. Where do you see the exchange rate by the end of 2024?



- USD will appreciate further against BDT reaching above BDT 150 per USD
- USD will depreciate against BDT falling under BDT 100 per USD
- USD will remain at current level of BDT 120 per USD

In 2024, expectations for the exchange rate vary, with 50% anticipating further appreciation of the USD against BDT, reaching above BDT 150 per USD. Conversely, 7% expect depreciation, falling under BDT 100 per USD, while 43% foresee the USD remaining at the current level of BDT 120 per USD.

6. Oil prices remained on the higher side in the global market during 2023. According to you, what sort of impact the change in global crude oil prices can have on the Bangladesh economy in 2024?



According to the survey, 58% of respondents foresee a negative impact on the Bangladesh economy in 2024 due to the higher global crude oil prices experienced in 2023. Conversely, 23% anticipate a positive impact, while 17% believe there will be no significant impact. A small percentage (2%) indicated "Other" responses.

7. What is your expectation about the Foreign Reserve in Bangladesh in 2024?



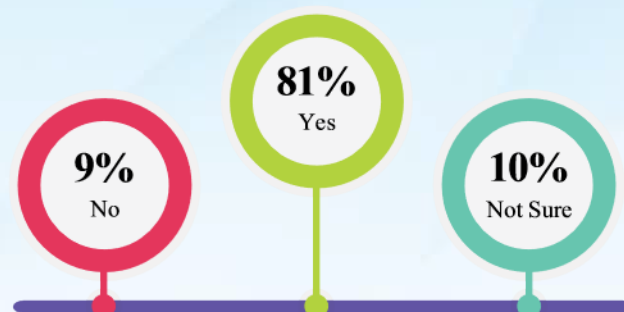
In 2024, the majority, 36%, expects the Foreign Reserve in Bangladesh to cross USD 20 billion. About 35% anticipate it to remain between USD 15-20 billion, and 29% foresee it going down below USD 15 billion.

8. What is your expectation about FDI in 2024?



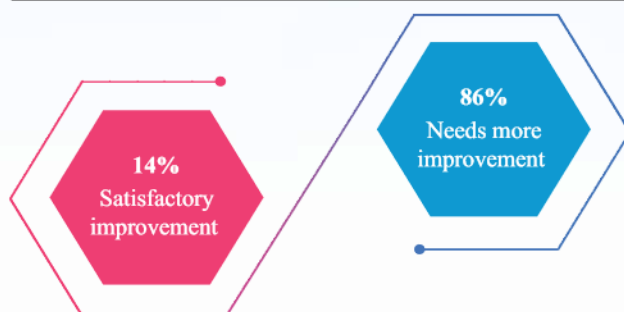
Expectations for Foreign Direct Investment (FDI) in 2024 are evenly split, with 50% anticipating a decrease in FDI volume and another 50% foreseeing an increase.

9. Do you expect further hike in electricity and gas price in 2024?



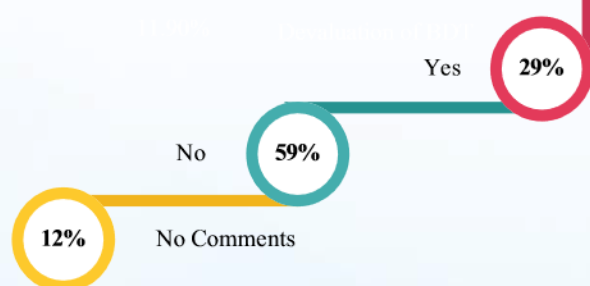
A significant majority, 81%, expects a further hike in electricity and gas prices in 2024. Meanwhile, 10% are uncertain about the possibility, and 9% believe there will be no increase.

10. What is your opinion about the food safety scenario in Bangladesh?



The majority, 86%, believes that the food safety scenario in Bangladesh needs more improvement, while 14% perceive a satisfactory improvement.

11. Do you think the government will take drastic reforms after election?



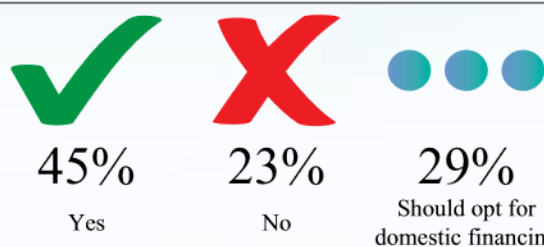
Opinions on post-election reforms are divided, with 59% holding the view that the government won't undertake drastic reforms, 29% expressing confidence that it will, and 12% choosing not to provide comments.

12. Do you think the government is capable enough to manage the Universal Pension Scheme (USP)?



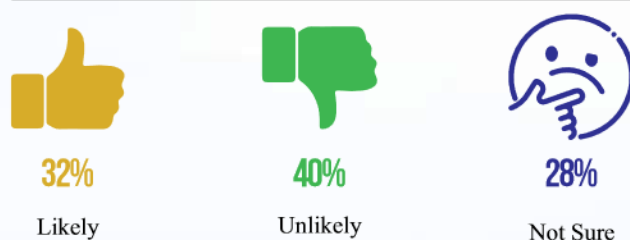
Diverse opinions exist on the government's capability to manage the Universal Pension Scheme (USP). Approximately 50% express doubt, 28% believe the government is capable, and 22% refrain from providing comments.

13. Do you think the government should continue building large infrastructural projects using foreign debt?



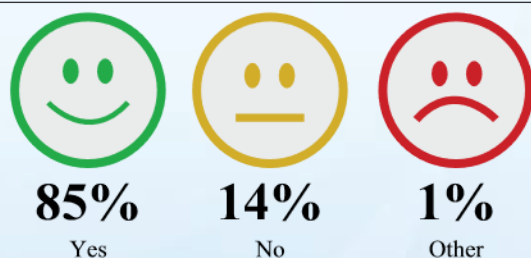
Opinions on the government continuing to build large infrastructural projects using foreign debt are varied. About 45% oppose it, 29% suggest opting for domestic financing instead, and 23% support it.

14. What is the possibility of US to take harsher actions towards BD in 2024 after elections?



Opinions on the possibility of the US taking harsher actions towards Bangladesh in 2024 after elections are divided. Approximately 40% find it unlikely, 32% consider it likely, and 28% are uncertain.

15. Do you feel the rise of digitalization will have positive impact on the economy?



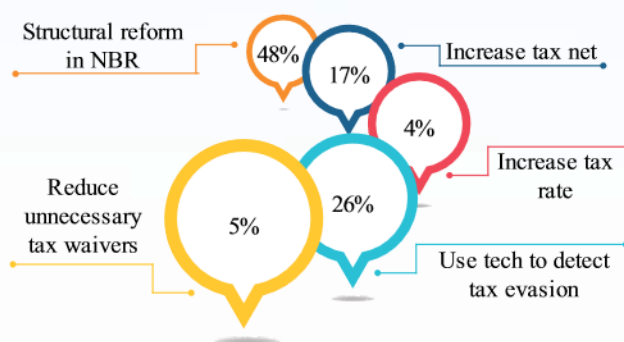
The overwhelming majority, 85%, expresses optimism that the rise of digitalization will have a positive impact on the economy. Meanwhile, 1% provide other responses, and 14% hold a contrary view.

16. Will private credit growth improve in 2024?



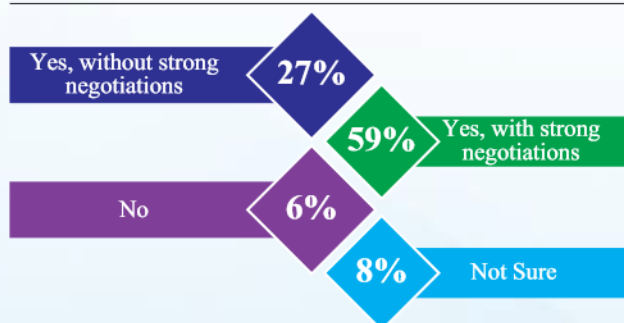
Opinions on private credit growth in 2024 are split, with 57% expressing the view that it will not improve, and 43% anticipating improvement.

17. What can be done to improve NBR tax collection?



To enhance NBR tax collection, respondents suggest various measures. The majority, 48%, advocates for structural reforms within the NBR. Additionally, 26% recommend utilizing technology to detect tax evasion, 17% propose expanding the tax net, 4% consider increasing tax rates, and 5% suggest reducing unnecessary tax waivers.

18. Do you think Bangladesh will be able to receive the IMF loan installments in 2024?



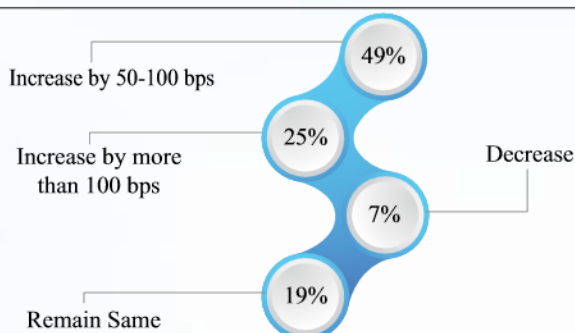
Opinions on Bangladesh receiving IMF loan installments in 2024 vary. Approximately 59% think it can be achieved with strong negotiations, 27% believe it can happen without strong negotiations, 6% are pessimistic about it, and 8% are uncertain.

19. Do you expect more austerity measures from the government to curtail demand for US dollars?



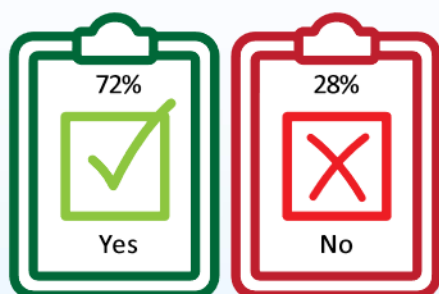
A significant majority, 68%, expects more austerity measures from the government to curtail demand for US dollars, while 32% hold the opposing view.

20. Where do you see our repo rate by the end of December 2024?



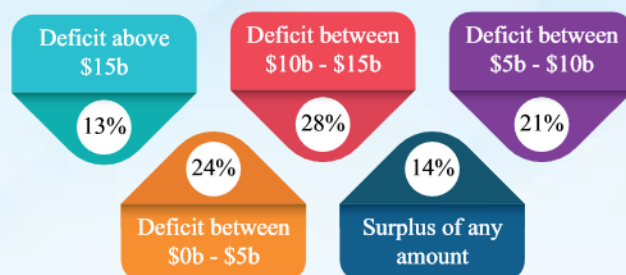
Expectations for the repo rate by the end of December 2024 vary. Approximately 49% anticipate an increase by 50-100 basis points (bps), 25% expect an increase by more than 100 bps, 19% believe it will remain the same, and 7% foresee a decrease.

21. Do you expect geopolitical risk to go up in 2024 for Bangladesh?



The majority, 72%, anticipates an increase in geopolitical risk for Bangladesh in 2024, while 28% hold the opposite view.

22. What's your expectation regarding our current account balance for FY24?



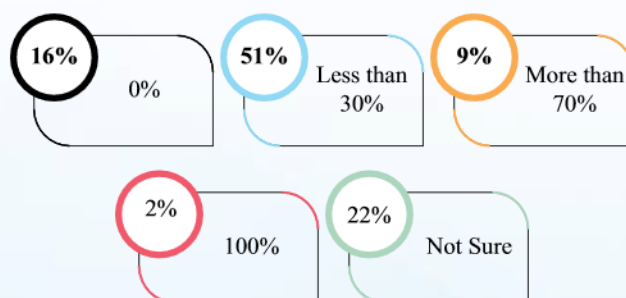
Expectations for the current account balance in FY24 are diverse. Approximately 28% expect a deficit between \$10 billion - \$15 billion, 24% anticipate a deficit between \$0 billion - \$5 billion, 21% foresee a deficit between \$5 billion - \$10 billion, 14% anticipate a surplus of any amount, and 13% anticipate a deficit above \$15 billion.

23. Do you think the government is on the right track to pull the economy from collapse?



Opinions on whether the government is on the right track to pull the economy from collapse are varied. Approximately 44% are skeptical, 33% are unsure about the current trajectory, and 23% express confidence in the government's approach.

24. What's the probability that Bangladesh is going towards a default like situation within next two years?



Opinions on the probability of Bangladesh heading towards a default-like situation within the next two years vary. Approximately 51% estimate it to be less than 30%, 22% are unsure about the likelihood, 16% believe there is a 0% probability, 9% believe it is more than 70%, and 2% think it is 100%.

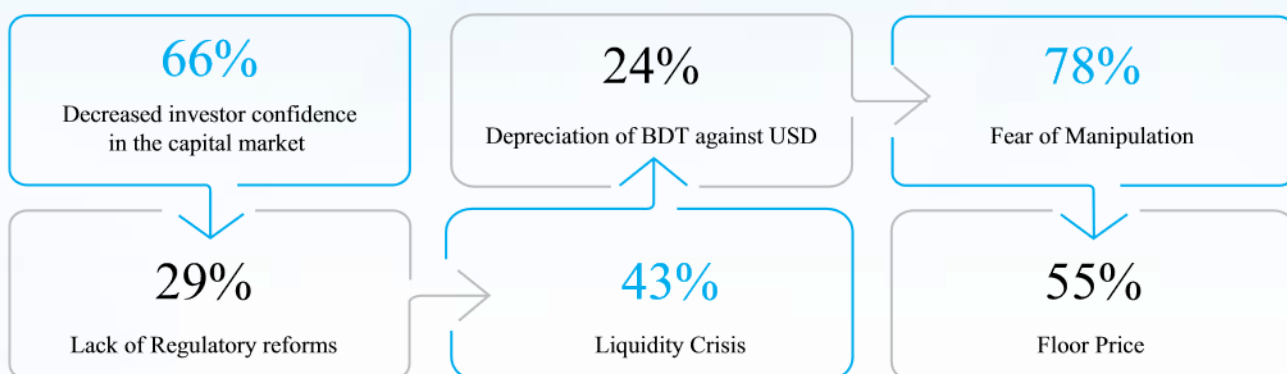
CAPITAL MARKET

1. What is your opinion about the capital market's performance in 2023?



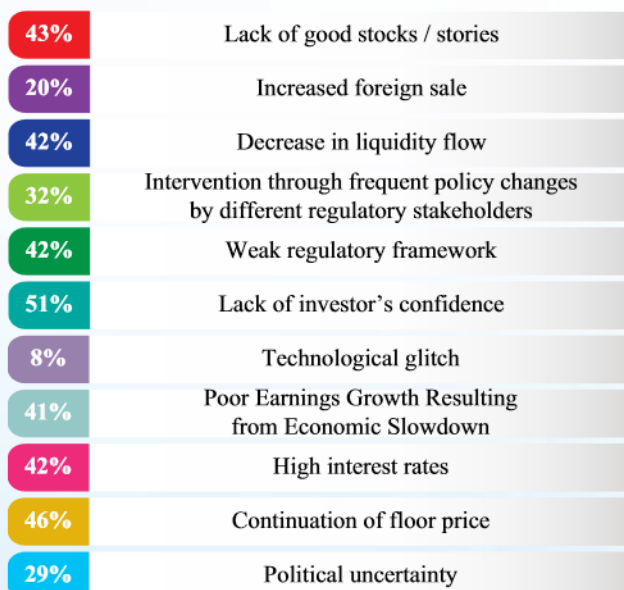
The majority of respondents (37%) view the capital market's performance in 2023 as "Really Bad," followed by 29% considering it "Bad," and only 5% finding it "Very Good."

2. In 2023, Bangladesh capital market was negatively impacted due to



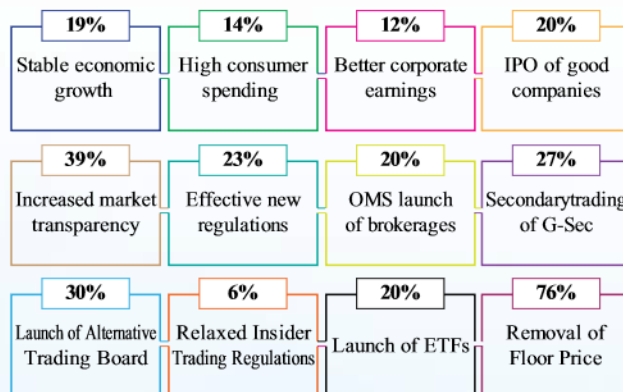
Among the negative impacts on the Bangladesh capital market in 2023, the most significant factors include "Fear of Manipulation" (78%), "Decreased investor confidence" (66%), and "Floor Price" (55%).

3. According to you, what's the biggest risk to local capital market in 2024?



The leading risks to Bangladesh's economy in 2024 are a foreign exchange crisis (69%), banking sector instability (66%), and high inflation (62%), with concerns also around low remittances (38%) and political instability (34%). Global economic challenges and weak exports, both at 31%, are additional risks.

4. What do you see as having the biggest positive impact on Bangladeshi capital markets in 2024?



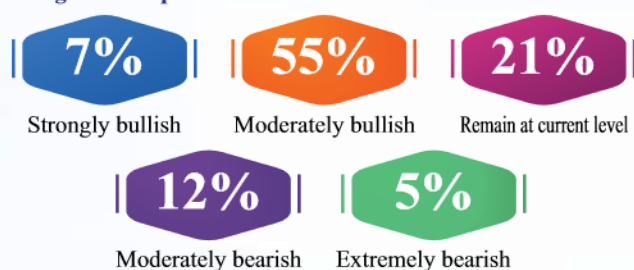
The removal of the floor price is expected to have the most positive impact on the Bangladeshi capital market in 2024, as indicated by the majority (76%). Other factors include "Increased market transparency" (39%) and the "Launch of Alternative Trading Board" (30%).

5. Where do you see DSEX (DSE Broad Index) to be at the close of business 31 December 2024?



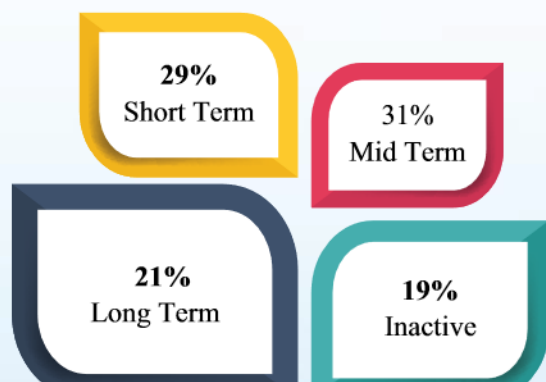
The majority of expectations for the DSE Broad Index (DSEX) by the end of 2024 fall into the "6500-7000" range (30%), followed by "Above 7000" (16%) and "6000-6500" (28%).

6. In 2024, what is your expectation about the Bangladesh capital market?



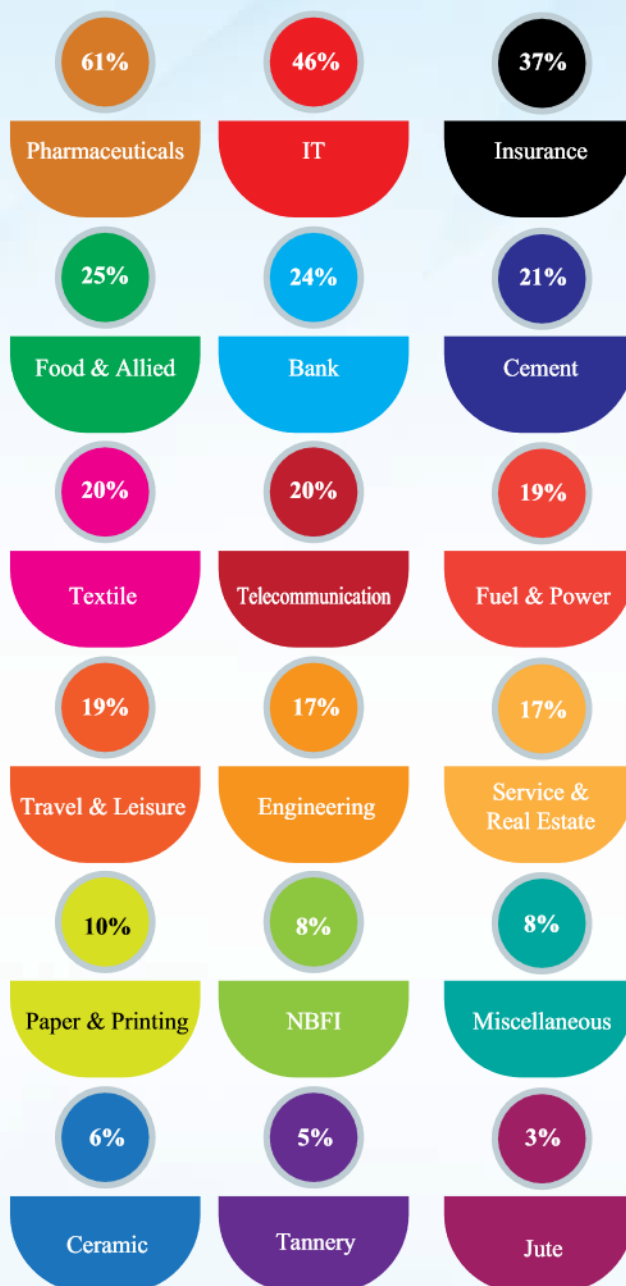
The predominant sentiment for the Bangladesh capital market in 2024 is "Moderately bullish," with the majority (55%), while 21% expect it to "Remain at the current level."

7. Which approach did you use in stock investment management in 2023?



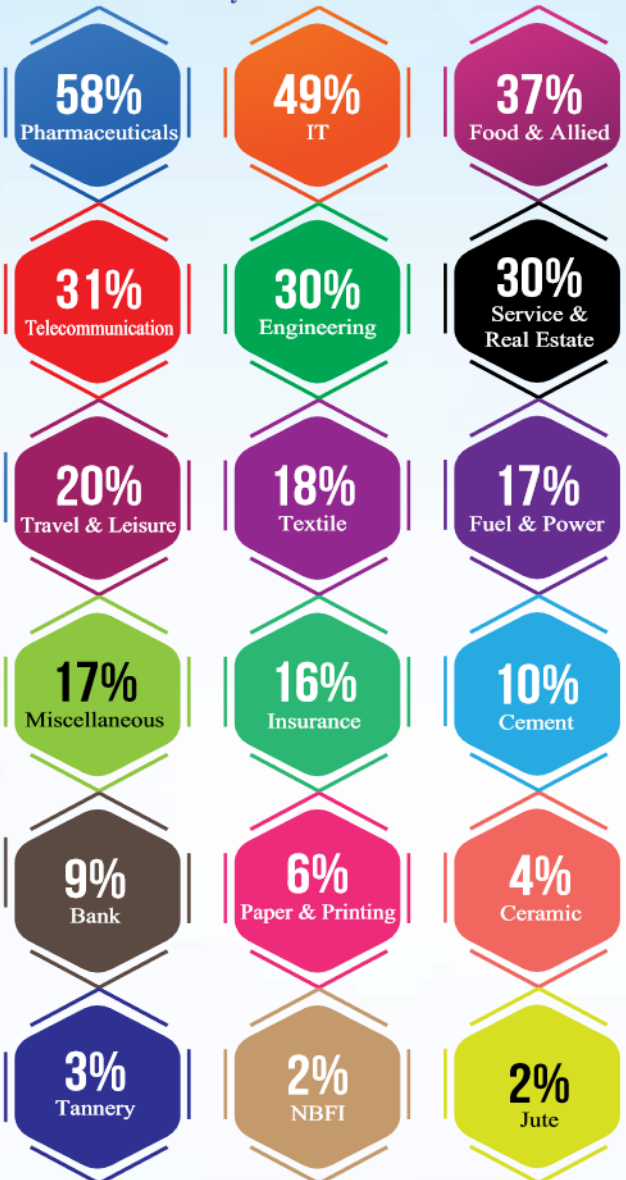
In stock investment management during 2023, the majority of respondents (31%) followed a "Mid Term" approach, followed by "Short Term" (29%) and "Long Term" (21%).

8. Which sector/sectors do you think will outperform the index in 2024?



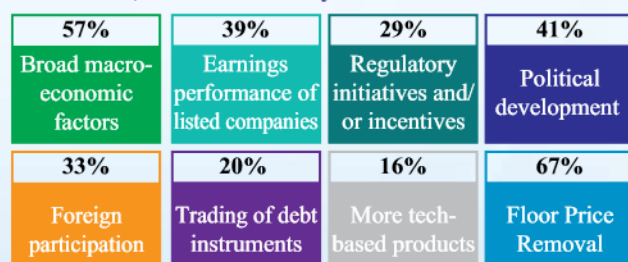
Sectors expected to outperform the index in 2024 include "Pharmaceuticals" (61%), "IT" (46%), and "Insurance" (37%).

9. In which sector do you want to see more IPOs?



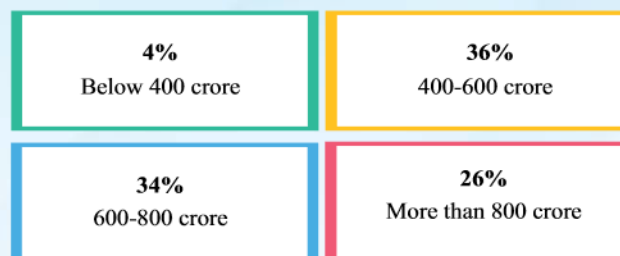
In terms of more IPOs, the top three sectors are Pharmaceuticals at 58%, Information Technology (IT) at 49%, and Food & Allied at 37%.

10. In 2024, which factors may influence the stock market?



In 2024, the stock market may be significantly influenced by the removal of floor prices, indicated by 67% of survey respondents, while broad macro-economic factors are also a major concern at 57%. Additionally, political developments are considered a key influencer by 41% of the respondents.

11. What is your expectation about average daily market turnover in 2024?



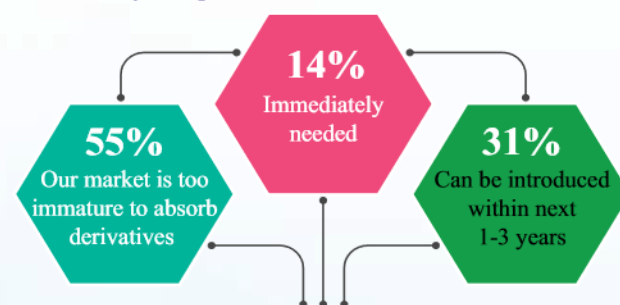
Average daily market turnover expectations in 2024 indicate a majority (36%) anticipating a range of "400-600 crore."

12. What could be the most logical reason for the relatively low participation by foreign investors in the capital market?



Survey results suggest the main deterrents for foreign investment in the capital market are the depreciation of the Bangladeshi Taka against the US Dollar (67%), poor corporate governance (53%), and regulatory issues (52%), with fear and trust, political instability, and the macroeconomic climate also influencing factors.

13. What is your opinion about derivative market?



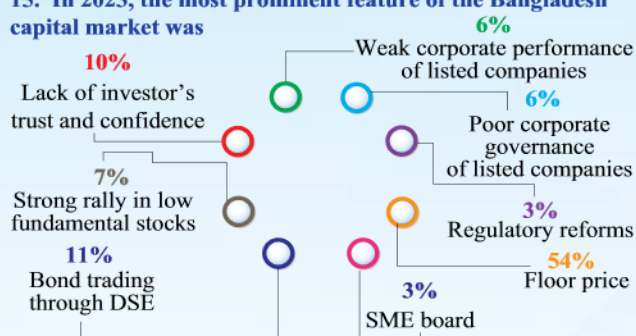
Opinions on the derivative market show a split, with the majority (55%) believing "Our market is too immature to absorb derivatives."

14. Which asset class do you think will outperform in 2024?



In 2024, Equities are predicted to be the best-performing asset class at 24%, followed by Bonds at 21% and Gold at 20%, according to survey respondents.

15. In 2023, the most prominent feature of the Bangladesh capital market was



The most prominent feature of the Bangladesh capital market in 2023, according to the majority (54%), was "Floor price," while "Bond trading through DSE" received 11%.

16. Do you think the SME market is effective?



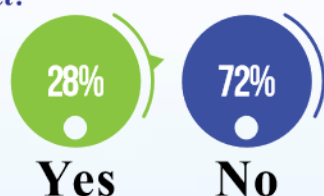
The majority of respondents, at 57%, do not believe the SME market is effective, while 31% do think it is effective, and 12% provided different answers or opinions.

17. Do you think OMS based trading app has improved the market breadth?



The majority, 81%, believes that the OMS based trading app has improved market breadth.

18. Are you satisfied with the present situation of the bond market?



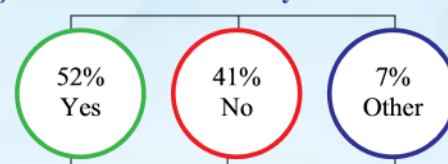
A substantial majority, 72%, of respondents are not satisfied with the current state of the bond market, while only 28% express satisfaction.

19. Has the establishment of ATB in Bangladesh boosted the confidence of investors?



The establishment of ATB in Bangladesh has not significantly boosted investor confidence, according to the majority (65%).

20. Do you think the establishment of the Commodity Exchange will reduce the volatility of the food market?



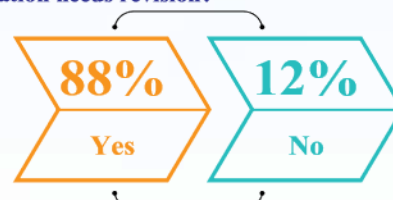
The majority (52%) believes the establishment of the Commodity Exchange will reduce the volatility of the food market.

21. Do you think the floor price has lost its effectiveness?



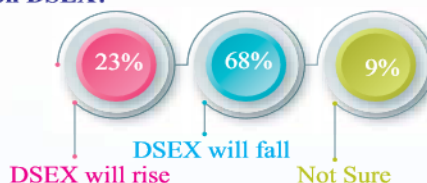
The majority (87%) thinks the floor price has lost its effectiveness.

22. Do you think the price discovery mechanism of existing IPO regulation needs revision?



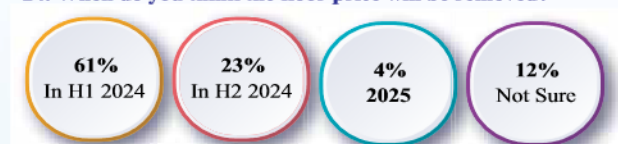
The majority (88%) believes the price discovery mechanism of the existing IPO regulation needs revision.

23. If floor price is removed, what will be the immediate impact on DSEX?



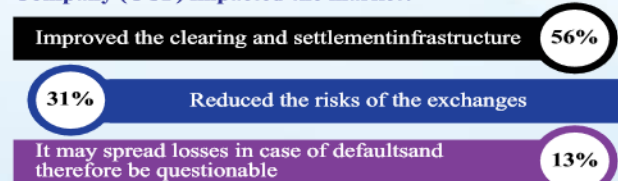
If the floor price is removed, the majority (68%) believes DSEX will fall immediately.

24. When do you think the floor price will be removed?



The expected timeline for floor price removal is H1 2024, as indicated by the majority (61%) of respondents.

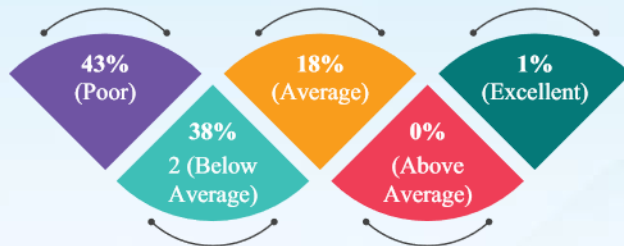
25. How has the formation of Counterparty Clearing Company (CCP) impacted the market?



The majority (56%) views the formation of the Counterparty Clearing Company (CCP) positively, stating that it has "Improved the clearing and settlement infrastructure."

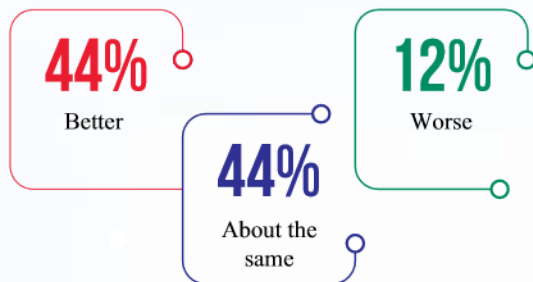
ABOUT FINANCIAL MARKET INTEGRITY AND RESTORING TRUST

1. How would you rate the level of integrity of local capital markets in 2023?



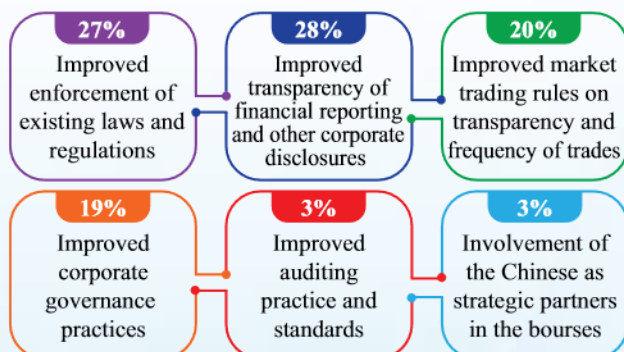
The majority (43%) rates the level of integrity of local capital markets in 2023 as "1 (Poor)," followed by 38% choosing "2 (Below Average)." Only 1% considers it "5 (Excellent)."

2. Do you think the integrity of Bangladesh capital markets in 2024 will be better or worse than in 2023?



Respondents are divided on the outlook for the integrity of Bangladesh capital markets in 2024, with 44% expecting it to be "Better" and another 44% anticipating it to remain "About the same." Only 12% believe it will be "Worse."

3. Which one of the following regulatory or industry actions is most needed to help improve investor's trust and market integrity in 2024?



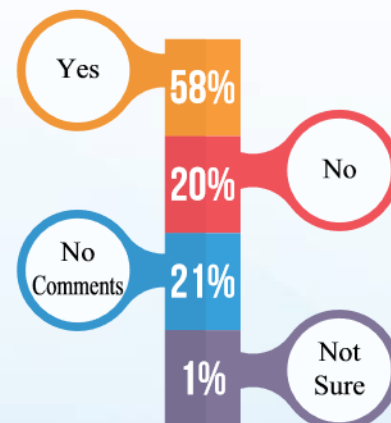
The most needed regulatory or industry action to improve investor trust and market integrity in 2024, according to the majority (28%), is "Improved transparency of financial reporting and other corporate disclosures."

4. Which is the most critical ethical issue facing the Bangladesh capital market in the coming year (2024)?



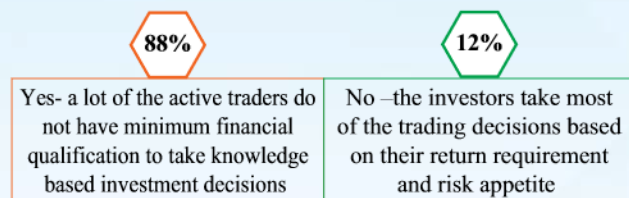
The most critical ethical issue facing the Bangladesh capital market in 2024, as identified by the majority (64%), is "Market fraud/manipulation."

5. Do you think Bangladesh Securities & Exchange Commission (BSEC), as a regulator, still has capacity constraint?



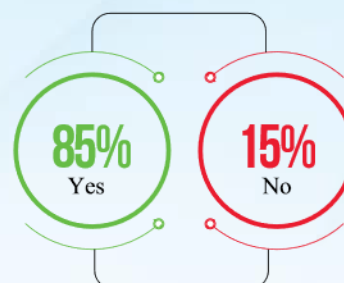
The majority (58%) believes that the Bangladesh Securities & Exchange Commission (BSEC) still has capacity constraints as a regulator.

6. In our stock market, traders of brokerage houses indirectly suggest stocks and manage the portfolio of investors. Do you think generally low level of financial education amongst most traders, herd instinct, and poor certification requirements for trading eligibility are few of the main reasons for current market volatility?



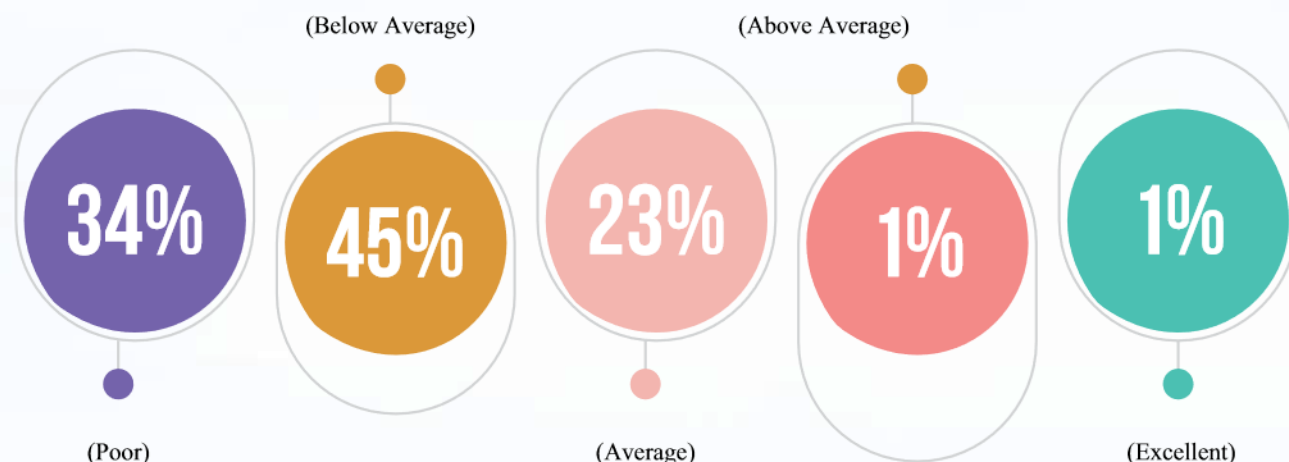
The majority (88%) attributes the generally low level of financial education among most traders, herd instinct, and poor certification requirements for trading eligibility as the main reasons for current market volatility.

7. Do you think financial projections through equity research publications will improve the investment decision making in our market under strict supervision of regulator?



The majority (85%) believes that financial projections through equity research publications, under strict supervision of the regulator, will improve investment decision-making in the market.

8. How would you rate the corporate governance of local companies in 2023?



Corporate governance of local companies in 2023 is predominantly rated as "2 (Below Average)" by the majority (45%), followed by "1 (Poor)" at 34%. Only 1% considers it "5 (Excellent)."

Note: For some questions respondents could select multiple options, so percentages may exceed 100%.

