

Php brokerage house-a private company of bangladesh

[Literature](#)



1. 0 Introduction The stock markets market consists of both primary market and secondary market. There are two stock exchanges in our country Dhaka Stock Exchange and Chittagong Stock Exchange. These two are the secondary market of securities. The stock markets have been growing significantly from last couple of years. Despite the global economic recession, the stock market has achieved tremendous growth in the year 2010. The benchmark index had climbed by almost 82 per cent, turnover and market capitalization have also increased significantly in 2010.

Due to the opportunity of making huge profits, there were 1. 5 million new investors in the stock market. Mainly due to inadequate investment opportunities in other sector, both retail investors and institutional investors have invested heavily on the stock market. The stock prices have almost doubled in year 2010, this was mainly because the demand for shares was very strong, but the supply of shares did not match the demand of shares, therefore leading to increased prices abnormally high. The market price earnings ratio was as high as 30 indicating that the stocks were heavily overpriced. The sharp rise in prices of shares indicated the stock market was overheated, which implied that the rate at which it was growing was not sustainable and could encounter a severe market crash.

The concerned regulators, Bangladesh Bank (BB) and Security and Exchange Commission (SEC), initiated remedial measures for soft landing of the stock market to avoid stock market crash. The Soft landing of the market means slowing down the rate of growth of the stock market and therefore stabilizing the stock market. However, the stock markets have been crashing frequently from last year December month and the down trend in the stock market still

continues. The recent stock market crashes definitely indicates that the policy makers have failed to establish a soft landing of the stock market. The stock market growth is definitely important for the growth of the economy and therefore the concerned regulators and government should take necessary steps to bring back stability in the stock market and should be more cautious in the future so that such stock bubble does not occur again.

1. 1 Origin of the Report BBA-499 is a requirement to complete graduation for every business graduates of IUB which is also known as internship. The aim of internship program is to connect practical knowledge with theoretical aspects. Being a student of BBA with major in Accounting and minor in Finance I have completed my internship from PHP Stocks & Securities Limited, Chittagong. As my field of study is Accounting & Finance, my supervisor Nusrat Jahan, Lecturer School of Business, has assigned me the topic, "overheated stock market: remedial measures for soft landing".

1. 2 Objectives of the Study Every research is conducted to full fill certain objectives. This research report was prepared based on the following objectives: 1. To give clear idea of recent stock market 2. To indentify why the stock market was overheated. 3. To identify the causes of stock market crash and to provide recommendations to stabilize the stock market 4. To identify the remedial measures for soft landing and impact of soft landing measures on stock market. 5. To identify the Force Sale of the Stock Market After Crashing in 2010 6. To identify the Interest rate of the Margin loan after crashing the stock market.

1. 3 Methodology 1. 3. 1 Research Design From the view point of Objectives:

this research is an applied research as the research is conducted to answer <https://assignbuster.com/php-brokerage-house-a-private-company-of-bangladesh/>

some specific questions. From the view point of function: this research is a descriptive research. This report describes the recent trend of the stock market. It describes the factors responsible for overheating of the stock market and the report also describes the implication of policy change by SEC and Bangladesh Bank. From the view point of nature of data: the research is both qualitative and quantitative. This is because; I have used both qualitative and quantitative data to analyze the trend of stock market.

1. 3. 2 Data collection methods Secondary Data: The whole research is based on secondary data. Relevant information has been collected from Journal, daily newspaper, annual report, and the official website of DSE and CSE. Research place: This research is done from desk. No primary data were required so there is no question of field survey.

1. 3. 3 Data analysis As the research is based on stock market; it is necessary to represent the relevant data through (i) Pie chart, (ii) Bar chart, (iii) Percentage (iv) Trend Chart which will help us to understand the data visually.

1. 4 Limitations of the Study The time period for the internship was only three months which is very short time. Due to time constraint, in-depth analysis of the study has not been possible. Another limitation was that the information gathered could not be verified for accuracy. Essential data could not be gathered because of confidentiality concerns.

2. 0 Company Overview 2. 1 About PHP PHP Group, born in 1969 in a different name, to bring Peace, Happiness & Prosperity for the society, having investment in several diversified import-substitute concerns in

different sectors like steel, power, glass, shipping, commodity trading & agro-based concerns etc. The present turnover of PHP Group's major concerns is BDT 20 Billion (USD 300 Million) and has total assets of BDT 15 Billion (USD 225 Million) with net equity of BDT 2 Billion (USD 30 Million). PHP Group is among the highest contributors to Govt. exchequer by way VAT, Custom Duty, income tax. The Group has a firm commitment towards the community for the improvement in quality of life of people. A part of Group's profit is allocated to various philanthropic trusts. These trusts are providing valuable services to society by funding numbers of educational & healthcare institutions. PHP Group has been constantly involved in exploring ideas that could help define a relationship between mankind and our planet.

2. 2 Moto Progress & self reliance of country: With business concept to serve the needs or interests of the country and its people by fare and honest means, our every endeavor always has the national interest at heart and in country's progress, by contributing to Government exchequer through highest tax and duties. Trust, Commitment & good intension in business: The strict enforcement of ethical values such as mutual trust, unwavering commitment and good intentions with transparency, respect for others and team sprit are the keys of our business conduct.

Quality products through eco-friendly technologies: The strive for perfection and excellence for world Class Standards to produce and provide the best international quality products with the serious concern Towards preserving our beautiful Planet for our next generation by adopting technologies and processes that conserve the environment. Focus on growth through expansion & integration: Looking for self Reliance and Forex reserve buildup

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of Bangladesh by establishing Import Substitute and Export Oriented projects, with determination to play a dominant role in country's economy through constantly exploring new areas as well as expansion, forward and backward integration of existing production facilities.

2. 3 Vision Peace, happiness & prosperity for community- A vision to see beyond future, the spirit to do what no one has thought before and the belief that sincerity, honesty and hard work supported with divine blessings and backed by good intentions can make miracles, to bring Peace, Happiness & Prosperity for Community. “ Divine blessings, mixed with hard work, backed by good intentions can make miracles.”

2. 4 PHP Stocks & Securities Ltd. As a sister concern of PHP Group, PHP Stocks & Securities started its journey in the capital market on 8th January 2007 under Chittagong Stock Exchange Ltd. and within a very short span of time, it has already positioned herself as a Symbol of trust among the stock broking house. It bears the membership number 031 & 235 of CSE and DSE respectively.

2. 5 Strength 1. CSE & DSE trading facility. 2. Furnished by latest technology. 3. Trade friendly environment. 4. Dedicated team for supporting the customers. 5. Experienced and Dynamic management. 6. Different Branches in Dhaka & Chittagong and to be extended in other cities very soon. 7. Broad Multimedia Screening for CSE & DSE. 8. Substitute power supply. 9. Ethical & transparent business practiced 10. Respect for professionalism

2. 6 Objective 1. To bring revolution in the contemporary stock broking market. 2. Maintaining continued dedication for customer driven service. 3.

Creating style that encourages all kinds of people to keep this business in the share of mind.

2. 7 Other special Aspects PHP Stocks & Securities Ltd. is providing the following services

1. Trading facility in both CSE & DSE with 01 Client code.
2. CDBL Services a. BO (Beneficiary Owners) Opening. b. Dematerialization. c. Re-materialization. d. Transfer & Multiple A/C movement. e. Lending & Borrowing, Etc.
3. Space for Prayer.
4. Women investors are encouraged.
5. Loan Facility (Condition apply).
6. We have multiple branches in two major cities, Dhaka & Ctg.
7. Internet-based trading facility is also available.
8. We provide on-site trading workstation to our corporate customers.
9. 32 highly motivated professional people working with the company.

BO A/C Opening Requirement :

1. 02 Copies PP-size photographs, duly attested by Bank.
2. Nationality certificate or photocopy of valid passport.
3. Bank Certificate that certifies trader's personal particulars. (Sample format is available upon request at Help Desk)
4. Authorized Person.
5. Nominee.
6. All the requirements above are to be fulfilled along with a F/C A/C maintaining in Bangladesh.

3. 0 Literature Review We need to do a literature review to draw a conceptual frame work for the following topic. This review will give us a rough idea about the facts. The area of conceptual frame work is:

Stock market: The term for the overall market in which shares are issued and traded on exchanges or in over-the-counter markets. Also known as the equity market, it is one of the most vital areas of a market economy because

it provides companies with access to capital and allows investors to own companies and participate in economic growth. (Investopedia, 2011).

The stock market is made up of the primary and secondary markets. The primary market is where new issues (IPOs) first are offered, with any subsequent trading going on in the secondary market. (Investopedia, 2011)

Stock market bubble: A stock market bubble is a type of economic bubble taking place in stock markets when market participants drive stock prices above their value in relation to some system of stock valuation. (Wikipedia, 2010).

Margin loan The next interest rate reported is the call money rate, or simply the call rate. "Call money" refers to loans from banks to security brokerage firms, and the call rate is the interest rate that brokerage firms pay on call money loans. As we discussed in Chapter 2, brokers use funds raised through call money loans to make margin loans to customers to finance leveraged stock and bond purchases. The call money rate is the basic rate that brokers use to set interest rates on customer call money loans. Brokers typically charge their customers the call money rate plus a premium, where the broker and the customer may negotiate the premium. (Corrado & Jordan, 2005)

Margin call: A demand for more funds that occurs when the margin in an account drops below the maintenance margin. (Corrado & Jordan, 2005)

A typical maintenance margin would be 30 percent. If your margin falls below 30 percent, then you may be subject to a margin call, which is a demand by your broker to add to your account, pay off part of the loan, or

sell enough securities to bring your margin back up to an acceptable level. If you do not or cannot comply, your securities may be sold. The loan will be repaid out of the proceeds, and any remaining amounts will be credited to your account. (Corrado & Jordan, 2005)

Market capitalization Market capitalization is a measure of the value of a company, calculated by multiplying the number of either the outstanding shares or the floating shares by the current price per share. For example, a company with 100 million shares of floating stock that has a current market value of \$25 a share would have a market capitalization of \$2.5 billion. Outstanding shares include all the stock held by shareholders, while floating shares are those outstanding shares that actually are available to trade. Market capitalization, or cap, is one of the criteria investors use to choose a varied portfolio of stocks, which are often categorized as small-, mid-, and large-cap. Generally, large-cap stocks are considered the least volatile, and small caps the most volatile. The term market capitalization is sometimes used interchangeably with market value, in explaining, for example, how a particular index is weighted or where a company stands in relation to other companies. (Market capitalization, 2008)

Issued capital The share capital that has been issued to shareholders. This is part of a company's authorized capital (the maximum amount of capital a company can issue under its articles of association). The part that has not been issued is called unissued capital. (Financial Times Lexicon, 2011)

Rights issue / offering: An occasion when a company makes new shares available to existing shareholders. The new shares are usually cheaper than the current value of the existing shares. (Financial Times Lexicon, 2011) An <https://assignbuster.com/php-brokerage-house-a-private-company-of-bangladesh/>

offer of new shares to existing shareholders in proportion to the shares they already own and usually at a discount to market price. (Financial Times Lexicon, 2011)

Stock split: Division of already issued (outstanding) shares of a firm into a larger number of shares, to make them more affordable and thus improve their marketability while maintaining the current stockholders' proportional ownership of the firm. The aggregate value of the shares remains the same as before the split, but the price (and dividend) per share declines with the split ratio. For example, if the shares are split by a multiple of two (2: 1 split), a share with a par value of \$10 becomes two shares, each with a par value of \$5. (Stock split, n. d.)

Monetary policy The decisions a monetary authority makes to manage the money supply. The tools at its disposal include modifying benchmark interest rates (such as the Fed funds target and the discount rate in the US), conducting money market operations (which influence short-term interest rates), and changing banks' reserve requirements. Depending on whether the authority wishes to expand money supply, keep it steady or reduce it, monetary policy can be described as accommodative (or loose), neutral or tight. Financial Times Lexicon. (2011).

Expansionary monetary policy: A policy by monetary authorities to expand money supply and boost economic activity, mainly by keeping interest rates low to encourage borrowing by companies, individuals and banks. (Financial Times Lexicon, 2011) Fiscal Policy: Government spending policies that influence macroeconomic conditions. These policies affect tax rates, interest

rates and government spending, in an effort to control the economy. (Investopedia, 2011)

Short-term trading It refers to those trading strategies in stock market or futures market in which the time duration between entry and exit is within a range of few days to few weeks. (Wikipedia, 2011)

Book Building Method According to the Book building method, the IPO issuing company doesn't fix the price in advance, rather gives a price band to the investors within which they are entitled to bid. The investors, in turn, bid for the same by stating the quantity as well as the price of the IPO shares at which they are interested to purchase. IPO's final price is then determined on the basis of all the bid prices.