

Bangladesh capital market

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It has two full-fledged automated stock exchanges namely Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) and an over-the-counter exchange operated by SEC. It also consists of a dedicated regulator, the Securities and Exchange Commission (SEC), since, it implements rules and regulations, monitors their implications to operate and develop the capital market. It consists of Central Depository Bangladesh Limited (CDBL), the only Central Depository In Bangladesh that provides facilities for the settlement of transactions of dematerialized securities In CSE and DSE.

Dhaka Stock Exchange was set up on 28th April, 1954 that started formal trading on early 1956. Post-independence government did not promote a capital market during the first five years, and it was activated again in 1976 with 9 issues on board. In 1995, a second bourse, the Chittagong Stock Exchange, was set up with sophisticated logistic support and modern management. Two stock exchanges exist in Bangladesh Dhaka stock Exchange (DSE) Chittagong Stock Exchange (CSE) One Investor must know about these markets before he/she goes for an Investment.

To make this report more understandable and specific, we will only focus on Dhaka stock market. " The stock market is an important ingredient of the financial system in Bangladesh. It is an important avenue for channeling funds to investors through mobilizing resources from individuals. In view of the rapidly increasing role of the stock market, volatility in stock prices can have significant implications on the performance of the financial sector as well as the entire economy. There exists important link between stock market uncertainty and public confidence in the financial market.

The policy makers usually rely on the market estimate of volatility as the barometer of the vulnerability of the stock market. Stock return volatility represents the variability of day-to-day stock price changes over a period of time, which is taken as a measure of risk by the relevant agents. High volatility, unaccompanied by any change in the real situation, may lead to a general erosion of investors' confidence in the market and redirect the flow of capital away from the stock market.

Excessive volatility also reduces the usefulness of stock price as a reflector of the real worth of the firm. Volatility, however, is not an evidence of irrational market behavior or inefficient markets. Stock return volatility is usually asymmetric in its response to past negative price shocks compared with the positive shocks, but what factors drive volatility over time is not clear. Moreover, increase in firm-specific risk appears to adversely affect its stock valuation.

This note analyzes 2003-2007 and draws some policy implications. " Dhaka Stock Exchange (DSE) " Dhaka Stock Exchange (Generally known as DSE) is the main stock exchange of Bangladesh. It is located in Motijheel at the heart of the Dhaka city. It was incorporated in 1954. Dhaka stock exchange is the first stock exchange of the country. As of 9 December 2009, the Dhaka Stock Exchange had 671 listed companies with a combined market capitalization of \$34.2 billion. Dhaka Stock Exchange (DSE) is a public limited company.