

**KEY ECONOMIC INDICATORS**

The government has cut Bangladesh's GDP growth target to 6.1%, making it the second downward revision for FY21. ADB too revised down its projection to 5.5% - 6%. Uncertainties in the economy and the second lockdown in the country due to the spike in infection rate and fatalities is likely to constrain economic activities and slow down rebound. Meanwhile, as exports growth continue to remain in the negative territory due to the low volume of work orders, garment owners are again asking for more low-cost stimulus funds from the government to pay 3-months' salaries plus festival allowances to workers. The forex reserve has reached near USD 45 bn as import payments slowed down following the spike in COVID-19 infections while remittance inflow jumped ahead of the Eid festival. Oil showed an uneven price movement throughout the week as the nationwide lockdown in India and Brazil and a weak US stock market.

	This Week	Last Week	Weekly Change	YTD Change
<b>Foreign Exchange Reserve (USD bn)</b>	44.83	43.61	2.79%	3.83%
<b>Call Money Rate (Weighted Average)</b>	2.06%	1.72%	34 bps	-6 bps
<b>Exchange Rate (BDT-USD)</b>	84.80	84.80	0.00%	0.00%
<b>Oil Price (USD per barrel of WTI)</b>	65.01	61.43	5.83%	34.32%
		<b>FY 2020-21</b>	<b>FY 2019-20</b>	<b>% Change</b>
<b>Export (USD mn) (Jul-Mar)</b>		28,938	28,974	-0.12%
<b>Remittances (USD mn) (Jul-Mar)</b>		18,604	13,775	35.06%
<b>Import (USD mn) (Jul-Feb)</b>		40,069	39,308	1.94%
<b>Current Account Balance (USD mn) (Jul-Feb)</b>		1,557	-2,108	N/A
<b>Credit to the Private Sector (USD mn) (Feb)</b>		136,025	124,868	8.94%
<b>Point-to-point Inflation (Feb)</b>		5.32%	5.46%	-14 bps
<b>Tax Revenue (NBR) (USD mn) (Jul-Feb)</b>		18,054	17,168	5.16%

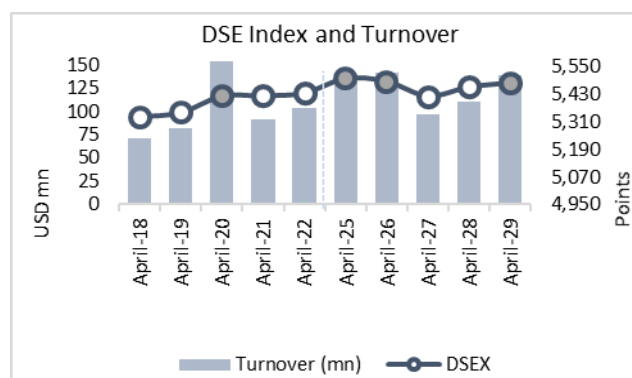
Source: Bangladesh Bank and Investing.com

**ECONOMIC RISKS**

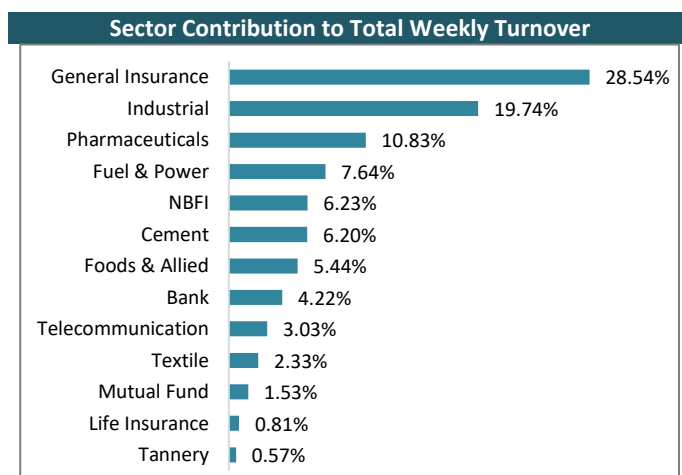
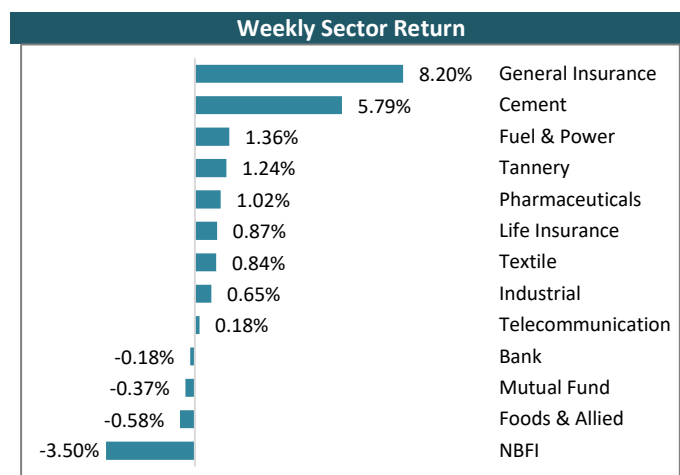
Risk factor	Risk Level	Impact
<b>Subdued tax revenue collection</b>	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 5.16% in the Jul-Feb period of FY21 as businesses and economic activities are slowly reviving. But actual tax collection continues to remain below the target. According to ADB's forecast, Bangladesh may incur a tax revenue loss equivalent to 2% of GDP due to the pandemic.
<b>Soaring default loan in financial sector</b>	High	The banking sector has been burdened with a high NPL ratio of 7.66% and a CAR of 11.63% that is the lowest in South Asia. Although banks are sitting with excess liquidity, their implementation of the stimulus package remains slow. The loan moratorium period ran between Jan-Dec 2020. Going forward, a sharp rise in default loans is being anticipated which is likely to undermine the sector further in the long term. The central bank has instructed banks to keep 1% extra provision against all loans that enjoyed deferral or time extension facilities. In addition, banks and NBFIs have been permitted to declare dividends depending on the strength of their capital base.
<b>Remittance shock</b>	Medium	Inward remittances made an exceptional recovery in the Jul-Mar period amid the pandemic with a 35.06% jump YoY. This increase has defied World Bank's projection of a -22% decline for 2020. The reason behind this increase can be attributed to the usage of formal channels amid the pandemic, the attractive 2% cash incentive and near-zero interest rates abroad. The current level of remittance inflow may sustain due to these factors coupled with gradual manpower export, though the growth rate is unlikely to be as high as 2020.
<b>Demand contraction</b>	Medium	Economic activities have been gradually picking up on the backdrop of the pandemic as both businesses and individuals are learning to live with the virus after the lockdown ended in May. This has allowed demand in the economy to slowly recover. While consumer confidence is likely to strengthen as the percentage of vaccinated population continues to increase, the recent spike in virus cases and new lockdown is concerning.
<b>Export slump</b>	Medium	It has been projected that global merchandise trade might plummet by ~13% due to the pandemic. While reinstatement of cancelled orders initially helped RMG exports rebound, the impact of the second wave has dragged RMG export growth to the negative zone once again. Although vaccine rollout at major export destinations have commenced, the resurgence of virus cases is likely to delay recovery. Moreover, unless export diversification is implemented and global economic activities pick up, Bangladesh will continue to be subjected to the concentrated risks of the RMG sector (that accounts for ~80% of export earnings).
<b>Volatile capital market</b>	Medium	The securities regulator has been engaged in taking various initiatives to reform the market. It has also taken up a strong stance against any non-compliance to rein in market manipulation. This has forged a positive sentiment in the market and pushed up market liquidity significantly in recent times. Going forward, the performance of the market will depend on whether the regulators continue to focus on taking steps that are in the best interest of investors and how the recent spike in virus cases play out.

**CAPITAL MARKET UPDATE**

The DSEX continued its upward trend and inched up by 45 points (0.82%) during the week on the back of growing investors' confidence as the government approved the new vaccines for local use while some investors exerted selling pressure in the market based on corporate declarations. The government's approval of the Russian and Chinese vaccines in Bangladesh, amid halted vaccine supply from India, had an overall positive impact on the market. However, some profit booking and portfolio rebalancing activities by investors based on corporate declarations pushed the market back into red from the 2nd trading session. Later in the week, BSEC's decision to extend the time to implement the margin loan rate cap of 12% by another 6 months to June 30, 2021 allowed the market to return and remain in the green zone in the last two trading days. The general insurance sector posted the highest return (8.20%) and highest turnover (28.54%) for another consecutive week. The average daily turnover shot up by 24.94% as increased participation of big investors boosted the confidence of retail investors. Apart from this, the securities regulator is currently looking into the possibility of the renewal of the Power Purchase Agreements (PPAs) of listed power companies by engaging in talks with the government alongside considering other solutions as general investors hold significant stakes in these companies.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	5,480	5,435	0.82%	1.44%
DS30	2,111	2,088	1.12%	7.48%
Market Cap (\$ mn)	55,411	55,129	0.51%	5.02%
Total Turnover (\$ mn)	627	501	24.94%	-26.63%
Avg. Daily Turn. (\$ mn)	125	100	24.94%	-26.63%
S&P 500	4,181	4,180	0.02%	11.32%
DJIA	33,879	34,043	-0.48%	10.69%
FTSE 100	6,970	6,939	0.45%	7.88%
NIKKEI 225	28,813	29,021	-0.72%	4.99%


**NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK**

HEIDELBCEM's EPS growth surged by 968.83% as their gross revenue grew by 43.9% while net finance expenses reduced by 97.2%. RENATA has made 15.9% growth in their EPS and this growth is mainly driven by the slight increment in the gross revenue and the huge cut of 31.23% in administrative costs. MARICO has declared total 900% cash dividend including 200% interim for FY21 as their EPS has grown by 17.47%.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Jan-Mar)	EPS 2020 (Jan-Mar)	CHANGE
HEIDELBCEM	Heidelberg Cement Bangladesh Ltd.(Q1)	Cement	8.23	0.77	968.83%
RENATA	Renata Ltd.(Q3)	Pharmaceuticals & Chemicals	12.7	10.96	15.88%

TICKER	COMPANY NAME	SECTOR	EPS 2021	EPS 2020	CHANGE	Dividend
MARICO	Marico Bangladesh Limited	Pharmaceuticals & Chemicals	98.69	84.01	17.47%	900% Cash

QUARTERLY EARNINGS UPDATE

During the Jan-Mar'21 quarter, the cement sector experienced a significant growth of 163.4%, based on the earnings disclosed so far, owing to a revival in demand in the sector. The tannery industry managed to make a turnaround this quarter as it was able to recover some losses after remaining in the negative growth territory in the prior quarters. In the previous quarter (Oct-Dec'20), the industrial sector bounced back and recorded the highest earnings growth after declining continuously for more than a year. The gradual revival of economic activities has had a large part to play in this as virus cases slowly subsided during that period. The NBFi sector recorded the second highest earnings growth during the quarter followed by bank, pharmaceuticals, and ceramic. Banks and NBFIs continued its profit growth trend from the previous quarter. In the Jul-Sep'20 quarter, a good number of NBFIs logged in higher earnings due to lower provisioning and reduced deposit rates, allowing the sector to register the highest growth in that quarter. Banks too experienced a significant boost in earnings due to similar reasons during that period. At this time, it is slightly concerning that the tannery sector is still continuing to post negative growth in earnings due to the discretionary nature of the products. Earlier in Apr-Jun'20 quarter, only the NBFi and food & allied sector managed to report a positive growth mainly due to a significant boost in ICB's earnings and BATBC's resilient growth in stick sales, respectively.

Sector	2019				2020				2021
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
Bank	13,988	21,244	13,891	22,880	18,311	13,382	20,078	12,652	4,383
Cement	872	958	582	250	803	173	930	1,558	1,512
Ceramic	230	59	261	287	167	-278	142	355	0
Food & Allied	2,428	1,817	3,474	3,619	3,200	2,638	3,101	273	-109
Fuel & Power	9,076	11,399	10,862	8,961	7,336	5,705	9,939	9,130	2,363
Industrial	4,733	4,834	3,870	3,165	2,929	-665	3,439	5,865	312
NBFi	1,716	-243	-743	981	2,000	1,728	2,272	1,927	591
Pharmaceuticals	6,210	6,820	7,362	6,926	6,598	4,446	8,735	8,352	2,358
Telecommunication	8,926	9,553	7,269	8,766	10,694	7,265	8,898	10,330	8,912
Textile	1,474	-5,658	1,223	1,268	457	-3,852	473	885	166
Tannery	270	101	371	144	-27	-869	-455	69	25

QoQ Growth (Sectorwise)	2019				2020				2021
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
Bank	20.2%	20.4%	-0.3%	-14.1%	30.9%	-37.0%	44.5%	0.3%	3.4%
Cement	-4.6%	-0.4%	93.8%	-72.4%	-7.9%	-81.9%	59.7%	-	163.4%
Ceramic	-20.3%	-71.3%	-22.7%	-35.6%	-27.5%	-567.8%	-45.7%	23.7%	-
Food & Allied	-24.0%	-74.1%	75.2%	92.7%	31.8%	45.2%	-10.7%	-67.7%	-
Fuel & Power	22.5%	9.4%	-1.1%	-7.3%	-19.2%	-50.0%	-8.5%	6.4%	-6.4%
Industrial	-2.3%	-65.2%	-12.0%	-30.8%	-38.1%	-113.8%	-11.1%	104.0%	12.2%
NBFi	-34.7%	-111.6%	-141.0%	-80.1%	16.5%	810.3%	405.8%	61.7%	-49.5%
Pharmaceuticals	8.0%	4.7%	10.7%	2.5%	6.2%	-34.8%	18.6%	26.1%	12.4%
Telecommunication	39.6%	-11.6%	-18.3%	-3.3%	19.8%	-24.0%	22.4%	17.8%	-
Textile	-13.4%	-440.5%	-40.7%	-25.5%	-69.0%	31.9%	-61.4%	-28.7%	1.9%
Tannery	-34.1%	-63.8%	-38.8%	-55.0%	-109.9%	-962.9%	-222.6%	-52.0%	68.7%

Note: Sector represents more than 70% of the companies (according to large market capital),

Source: DSEX, LR Global Research

\* Oct-Dec'20 & Jan-Mar'21 earnings growth have been calculated based on the earnings of 197 and 47 companies, respectively, that have been declared so far out of the 261 tracked.

MAJOR EVENTS DURING THE WEEK

**Weekly COVID-19 cases decline 33.02% this week in Bangladesh: COVID-19 Update**

The weekly new COVID-19 cases decreased by 33.02% this week while the total tests conducted also decreased by 6.75% compared to the previous week. During the week, 18,184 new positive cases and 558 more deaths were reported in Bangladesh, taking the total number of cases to 760,584 as of 2nd May, according to official tallies. The positivity rate ebbed to 11.3% while the death rate has increased sharply. The government has extended the countrywide lockdown for another week till May 5th to curb the infection rate. The government has also approved use of the Chinese and Russian vaccines to ensure continuation of the vaccination program. Globally, the total number of cases has crossed 152 mn and the death count has also crossed 3.19 mn.

**Five oxygen producing companies directed to cut off supply for industrial use**

Oxygen demand in the country has increased by 40% compared to that of the first wave of COVID-19 last year. To fulfill this huge demand coming from hospitals and clinics, the Department of Explosive has ordered 5 oxygen producing companies to supply oxygen only to hospitals and medical use. COVID-19 patients have increased uncontrollably recently and the need of rapid medical oxygen support has jumped for reduced oxygen saturated patients.

**Weighted average yields on BGTBs fall significantly**

Commercial banks' preference to invest excess funds in treasury bonds have caused yield to drop significantly. The government decided to borrow BDT 10 bn through two bonds. The cut-off yield for 15-year BGTBs dropped to 5.87% from 6.66% and for 20-year BGTBs came to 6.64% from 6.95%. Most banks also decided to cut their deposit rate to minimize cost of funds.