

KEY ECONOMIC INDICATORS

Countrywide lock-down to curb the virus seems to be less effective as people are reluctant to follow the health guidelines. Although banking and capital market working time reduced to 2.5 hours and 2 hours respectively, RMG owners continued operation at full capacity. Remittance continued its momentum and increased by 35.06% in nine months whereas Foreign Aid Inflows increased by 6.62%. Private sector credit growth also went up slightly to 8.93% in February but the growing uncertainty in the economy due to the resurgence of the virus is likely to have a negative impact on credit growth in March. Although inflation came down slightly in February, the central bank is apprehensive that inflation is still in a risky position due to the rising prices in the global commodity market and excess liquidity in the economy. Oil prices decreased due to the increased supply from OPEC+ and depressed global demand outlook amid surging COVID cases across the globe.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	43.61	43.44	0.39%	1.01%
Call Money Rate (Weighted Average)	1.72%	1.83%	-11bps	-40bps
Exchange Rate (BDT-USD)	84.80	84.80	0.00%	0.00%
Oil Price (USD per barrel of WTI)	59.6	61.45	-3.01%	23.14%
		FY 2020-21	FY 2019-20	% Change
Export (USD mn) (Jul-Mar)		28,938	28,974	-0.12%
Remittances (USD mn) (Jul-Mar)		18,604	13,775	35.06%
Import (USD mn) (Jul-Feb)		40,069	39,308	1.94%
Current Account Balance (USD mn) (Jul-Feb)		1,557	-2,108	N/A
Credit to the Private Sector (USD mn) (Feb)		136,025	124,868	8.94%
Point-to-point Inflation (Feb)		5.32%	5.46%	-14 bps
Tax Revenue (NBR) (USD mn) (Jul-Feb)		18,054	17,168	5.16%

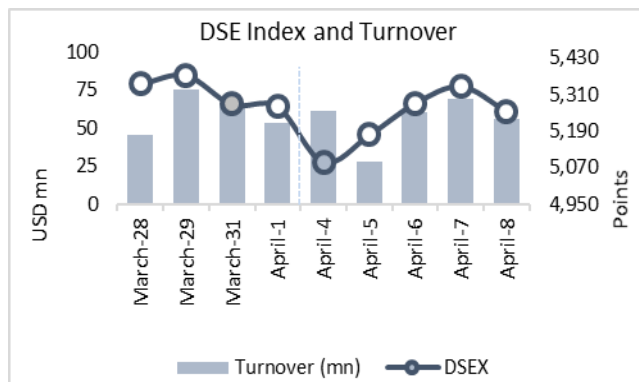
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

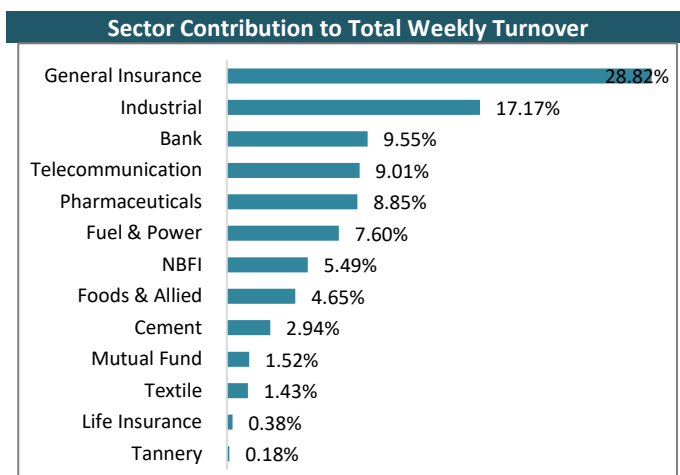
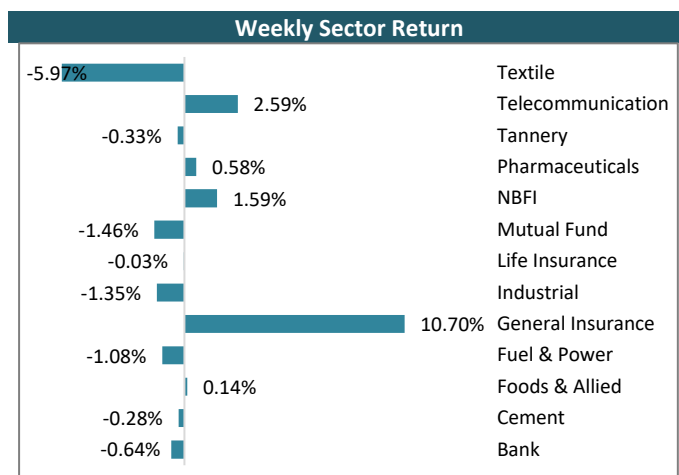
Risk factor	Risk Level	Impact
Subdued tax revenue collection	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 5.16% in the Jul-Feb period of FY21 as businesses 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.
Soaring default loan in financial sector	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.
Remittance shock	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.
Demand contraction	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. However, while consumer confidence is likely to strengthen as the percentage of vaccinated population continues to increase, the recent spike in virus cases is concerning.
Export slump	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).
Volatile capital market	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 market ended up losing 16 points (-0.30%) during this week and exhibited highly volatile trading sessions amid surging virus infection and deaths in the country. On the first trading day of this week, the broad index saw the biggest single day fall (-181.5 points) in 12 months as jittery investors dumped their holding due to the fear of severe impact of the virus-induced lockdown on the businesses and further fall in the stock prices. In the next three trading sessions, DSEX added 248 points back as investors took position at the lucrative price level with an increased maximum margin loan limit of 80%, permitted by BSEC. But the BSEC's subsequent decision to demolish the floor price of 66 companies to facilitate their liquidity in the market caused the last trading session to slip back into the red zone. General insurance sector posted the highest gain of 10.70% along with highest turnover this week. In the shortened trading hour of two hours, average daily turnover declined by -8.34% compared to the previous week.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	5,255	5,271	-0.30%	-2.73%
DS30	1,990	1,983	0.36%	1.35%
Market Cap (\$ mn)	54,060	53,994	0.12%	2.46%
Total Turnover (\$ mn)	274	239	14.58%	-67.96%
Avg. Daily Turn. (\$ mn)	55	60	-8.34%	-67.96%
S&P 500	4,129	4,020	2.71%	9.92%
DJIA	33,801	33,153	1.95%	10.44%
FTSE 100	6,916	6,737	2.65%	7.05%
NIKKEI 225	29,768	29,854	-0.29%	8.47%



NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK

Only one earnings were declared during the week. INDEXAGRO's earnings declined by 23.4% because of de-growth in topline revenue.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Oct-Dec)	EPS 2019 (Oct-Dec)	CHANGE
INDEXAGRO	Index Agro Industries Limited	Miscellaneous	1.54	2.01	-23.4%

Source: DSEX, Investing.com, LR Global Research

QUARTERLY EARNINGS UPDATE

During the Oct-Dec'20 quarter, based on the data of 183 companies that have declared their earnings so far, 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 subside. The NBFIs sector recorded the second highest earnings growth during the quarter followed by bank, pharmaceuticals, and ceramic. Bank 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 NBFIs 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			
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Bank	13,988	21,244	13,891	22,880	72,003	18,311	13,382	21,338	5,564
Cement	872	958	582	250	2,662	803	173	930	778
Ceramic	230	59	261	287	837	167	-278	142	355
Food & Allied	2,294	1,683	3,219	3,156	10,352	3,020	2,501	2,960	202
Fuel & Power	9,076	11,399	10,862	8,961	40,298	7,336	5,683	9,997	9,130
Industrial	4,733	4,834	3,870	3,165	16,602	2,929	-665	3,439	5,967
NBFIs	1,775	-393	-783	1,216	1,814	1,517	1,355	1,864	1,737
Pharmaceuticals	6,344	6,951	7,617	7,387	28,298	6,778	4,583	8,876	8,352
Telecommunication	8,926	9,553	7,269	8,766	34,514	10,694	7,265	8,898	10,330
Textile	1,465	-5,890	1,183	1,271	-1,971	417	-3,951	484	894
Tannery	270	101	371	144	886	-27	-869	-455	69

QoQ Growth (Sectorwise)	2019				Yearly Growth	2020			
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec		Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Bank	20.2%	20.4%	-0.3%	-14.1%	3.1%	30.9%	-37.0%	53.6%	-11.1%
Cement	-4.6%	-0.4%	93.8%	-72.4%	-13.6%	-7.9%	-81.9%	59.7%	-
Ceramic	-20.3%	-71.3%	-22.7%	-35.6%	-34.5%	-27.5%	-567.8%	-45.7%	23.7%
Food & Allied	-25.0%	-74.1%	25.3%	25.6%	-18.8%	31.6%	48.6%	-8.0%	-93.6%
Fuel & Power	22.5%	9.4%	-1.1%	-7.3%	4.7%	-19.2%	-50.1%	-8.0%	1.9%
Industrial	-2.3%	-65.2%	-12.0%	-30.8%	-40.0%	-38.1%	-113.8%	-11.1%	88.5%
NBFIs	-32.7%	-118.7%	-142.2%	-75.6%	-84.3%	-14.5%	444.8%	338.0%	54.0%
Pharmaceuticals	7.7%	6.0%	25.6%	20.7%	14.9%	6.8%	-34.1%	16.5%	13.1%
Telecommunication	39.6%	-11.6%	-18.3%	-3.3%	-1.8%	19.8%	-24.0%	22.4%	17.8%
Textile	-9.4%	-481.5%	-39.8%	-20.8%	-129.3%	-71.5%	32.9%	-59.1%	-29.7%
Tannery	-34.1%	-63.8%	-38.8%	-55.0%	-45.2%	-109.9%	-962.9%	-222.6%	-52.2%

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

Source: DSEX, LR Global Research

*Jul-Sep'20 & Oct-Dec'20 earnings growth have been calculated based on the earnings of 228 and 183 companies, respectively, that have been declared so far out of the 251 tracked.

MAJOR EVENTS DURING THE WEEK
COVID-19 infection rate surged to 22.0% this week in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases increased by 26.48% while the total tests conducted increased by only 18.43% compared to the previous week. During the week, 48,660 new positive cases and 448 more deaths were reported in Bangladesh, taking the total number of cases to 678,937 as of 10th April, according to official tallies. The positivity rate surged to 22.0% while the death rate has also increased sharply. The pace of rising transmission is alarming and the government is planning to impose strict lockdown for one week starting from 14th April to curb the infection. Globally, the total number of cases has crossed 136 mn and the death count has also crossed 2.94 mn.

Country's first ever green bond

The Bangladesh Securities and Exchange Commission (BSEC) has approved the first ever green bond (unsecured, non-convertible, and fully redeemable) in favor of Sajida Foundation. The green bond value will be BDT 100 crore with a tenure of two years and the unit price of BDT 10 lakh. Sajida foundation will enhance its micro credit operations and work ongoing projects with the proceed.

NBFIs' default loans keep souring despite BB's loan moratorium

Default loans at non-bank financial institutions (NBFIs) rose 57.10% last year, though the central bank offered loan moratorium. As of December, last year, non-performing loans (NPLs) in the 33 NBFIs in the country stood at BDT 10,053.60 crore, which are 15.02% of the total outstanding loans, according to the provisional data from the central bank. The NBFIs' defaulted loans stood at BDT 6,399 crore at the end of the December 2019.