

KEY ECONOMIC INDICATORS

The foreign exchange reserve continued to rise and crossed the USD 37 billion mark for the first-time, riding on the highest single-month remittance in history. Surging demand of call money against the heavy cash withdrawal ahead of Eid-ul-Azha caused the call money rate to rise by 67 bps. Private sector credit growth dropped further to 8.6% in June. In the meantime, Bangladesh bank revealed an expansionary monetary policy reducing all the policy rates to foster an optimistic private sector credit growth target of 14.80% in FY21.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	37.19	36.63	1.51%	13.53%
Call Money Rate (Weighted Average)	4.96%	4.29%	+67 bps	+1 bps
Exchange Rate (BDT-USD)	84.80	84.80	0.00%	-0.12%
Oil Price (USD per barrel of WTI)	40.27	41.29	-2.47%	-34.05%
		FY 2019-20	FY 2018-19	% Change
Export (USD mn) (Jul-Jun)		33,670	40,531	-16.9%
Import (USD mn) (Jul- Jun)		59,915	54,785	-8.6%
Remittances (USD mn) (Jul-Jun)		18,218	16,412	11.0%
Current Account Balance (USD mn) (Jul-Jun)		(4,849)	(5,102)	N/A
Tax Revenue (NBR) (USD mn) (Jul-May)		22,230	22,832	-2.63%
Credit to the Private Sector (USD mn) (Jun)		129,395	119,134	8.6%
Point-to-point Inflation (Jun)		6.02%	5.52%	+50 bps

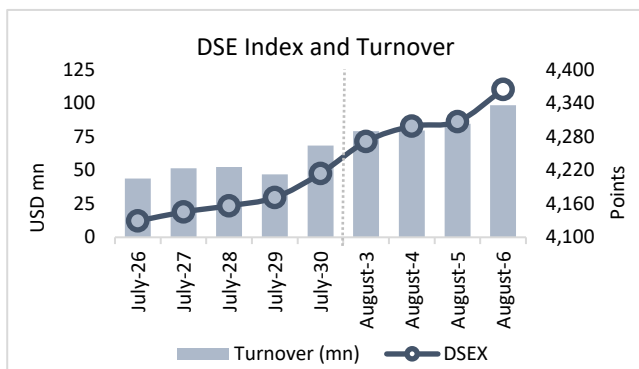
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

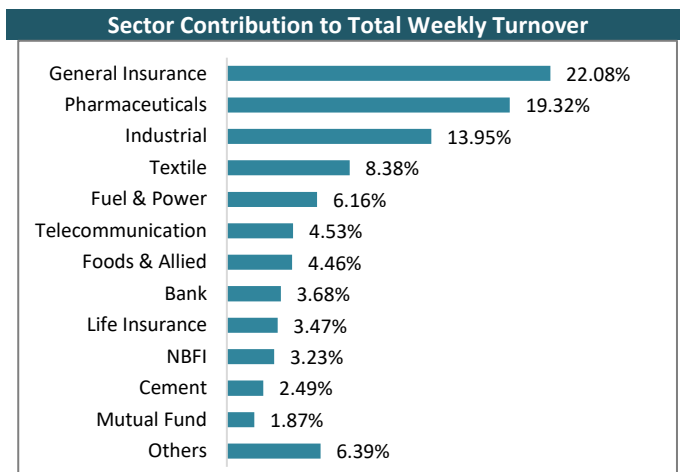
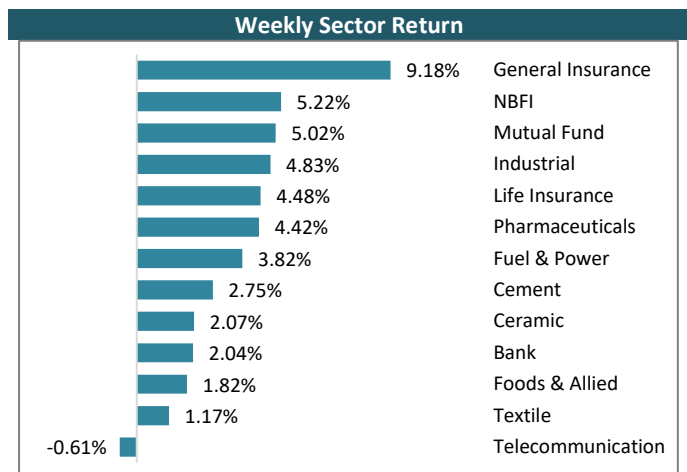
Risk factor	Risk Level	Impact
Demand contraction	High	High uncertainty and virus fears have resulted in subdued demand, which in turn have led to large scale job losses and more demand contraction as discretionary spending takes a hit. According to ILO's projections, around 200 mn full-time workers' jobs may be lost, and Bangladesh will not be immune to this. Purchasing power is likely to remain weak until the economy rebounds and the effects of the virus wear off.
Export slump	High	It has been projected global merchandise trade might plummet by ~13% due to the pandemic. As apparel stores across major export destinations of Bangladesh such as the US and Europe are suffering from demand contraction, export orders worth billions of dollars have been canceled or suspended so far and counting. Unless export diversification is implemented and global economic activities pick up, Bangladesh will continue to be subject to the concentrated risks of the RMG sector (that accounts for ~80% of export earnings).
Remittance shock	High	Although remittances grew by 10.87% in FY20, the decline in inflow from some Middle-Eastern countries remains concerning. As the World Bank expects global remittance to decline by 20% this year, the overall outlook is gloomy. Expatriates are facing mass deportations from Middle East countries in phases and globally ~2 mn Bangladeshi workers are now facing the risk of deportation.
Subdued tax revenue collection	High	Tax collection registered a negative growth of 2.63% for the first time since the country's independence due to the effects of the virus. Overall economic slowdown will continue to affect revenue collection and likely create a deeper budget deficit. According to ADB's forecast, Bangladesh may incur a tax revenue loss equivalent to 2% of GDP, which will likely exert an even greater pressure on the banking sector.
Soaring default loan in financial sector	High	The banking sector has been burdened with high non-performing loans (NPLs) at 9.03%, compounded with weak deposit growth and a CAR of 11.60% that is the lowest in South Asia. Moreover, poorly capitalized banks will have to bend over backwards to implement stimulus packages to provide relief to virus-struck businesses. The swelling damage in the economy may cause a sharp rise in the amassing default loans, undermining the sector further in the long term.
Depressed capital market	Medium	The overall gloomy economic outlook coupled with a high number of listed companies with poor fundamentals and the inability of regulators to restore investor confidence has resulted in a moribund situation in the capital market. The DSEX dipped below 3,900 points for the first time since 2015 amid the new floor price mechanism and the pandemic. Recently, it has crossed 4,400 points after regulators took some initiatives to improve market participation and encourage foreign investment. 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.

CAPITAL MARKET UPDATE

The benchmark index posted a gain of 150 points (3.57%) during the week as a bullish sentiment in the market persisted. Investors continued to take positions in undervalued stocks as the expansionary monetary policy stimulated liquidity in the market and pushed up average daily market turnover by 116.21% compared to the previous week. The securities regulator also continued taking initiatives and maintained a strong stance against any non-compliance to rein in market manipulation. However, trading remained heavily concentrated in the general insurance (22.08%) and pharmaceutical (19.32%) sector. A spike in several key economic indicators such as export, remittances and forex reserves also instilled confidence among market participants.



	Market Statistics			
	This Week	Last Week	Weekly Change	YTD Change
DSEX	4,364.83	4,214.43	3.57%	-1.99%
DS30	1,475.88	1,420.64	3.89%	-1.73%
Market Cap (\$ mn)	39,280.28	38,344.06	2.44%	-1.87%
Total Turnover (\$ mn)	341.84	262.95	30.00%	72.97%
Avg. Daily Turn. (\$ mn)	85.46	52.59	62.50%	116.21%
S&P 500	3,351.28	3,271.12	2.45%	2.87%
DJIA	27,433.48	26,428.32	3.80%	-4.97%
FTSE 100	6,032.18	5,897.76	2.28%	-20.67%
NIKKEI 225	22,329.94	22,195.38	0.61%	-3.77%



NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

Out of the total 14 earnings that were declared during the week, 35.7% companies posted positive growth while 64.3% were negative. GREENDELTA registered a 58.5% growth in earnings as the company's total income increased by 11.8% while management expenses declined by 22.56%. KARNAPHULI's earnings climbed up by 16.7%, mainly driven by a boost in net premium and investment income. Meanwhile, BRACBANK's net earnings this quarter slumped by 75.5% due to a decline in net interest income and increase in operating expenses

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Apr-Jun)	EPS 2019 (Apr-Jun)	CHANGE
GREENDELTA	Green Delta Insurance Ltd.	General Insurance	0.65	0.41	58.5%
KARNAPHULI	Karnaphuli Insurance Company Ltd.	General Insurance	0.28	0.24	16.7%
BRACBANK	BRAC Bank Ltd.	Bank	0.24	0.98	-75.5%

Source: DSEX, Investing.com, LR Global Research

QUARTERLY EARNINGS UPDATE

Most of the sectors experienced a double-digit negative earnings growth in the Jan-Mar, 2020 quarter compared to the same period in 2019. The food & allied, banking, and telecom sector reported the highest growth. Although the NBFi sector has a positive growth, the sector return would have been negative if ICB's ~300% earnings growth was excluded. Food & allied and telecom continued to perform well despite the economic slump as their goods and services fell under essential services and major player BATBC secured a positive earnings growth due to significant rise in stick sales. The banking sector was also able to post positive earnings as banks such as ONEBANKLTD, STANDBANKL, SOUTHEASTB, NBL, and NCCBANK were able to generate top line growth and kept aside lower provisioning for loans and advances. Alongside this, the pharmaceuticals sector reported positive earnings as it received a boost in sales due to the health crisis in the country. On the other hand, the tannery, textile, and industrial sectors were the worst performers mainly due to demand contraction amid the pandemic.

Sector	2018					2019					2020
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total	Jan-Mar
Bank	11,636	17,642	13,939	26,630	69,847	13,988	21,244	13,891	20,560	69,684	18,311
Cement	914	962	300	905	3,081	872	958	582	250	2,662	803
Ceramic	288	207	337	446	1,279	230	59	261	287	837	167
Food & Allied	2,595	2,821	2,090	2,073	9,578	1,820	1,205	2,667	2,668	8,361	2,538
Fuel & Power	7,214	10,255	10,792	9,542	37,802	8,931	11,261	10,654	8,812	39,659	7,198
Industrial	4,703	13,504	4,210	4,395	26,812	4,481	5,069	3,665	2,912	16,126	2,826
NBFi	2,322	1,789	1,478	4,182	9,770	947	-767	-1,013	1,504	671	1,910
Pharmaceuticals	4,729	4,791	4,549	4,547	18,617	4,787	4,985	6,093	5,920	21,786	5,391
Telecommunication	6,394	10,804	8,892	9,070	35,160	8,926	9,553	7,269	8,766	34,514	10,694
Textile	1,386	1,370	1,715	1,348	5,819	1,214	-6,079	917	888	-3,061	224
Tannery	411	278	607	321	1,616	269	99	352	144	864	-26

QoQ Growth (Sectorwise)	2018				Yearly Growth	2019				Yearly Growth	2020
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec		Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec		Jan-Mar
Bank	-2.6%	4.1%	-17.3%	40.0%	7.8%	20.2%	20.4%	-0.3%	-22.8%	-0.2%	30.9%
Cement	-25.8%	36.4%	-29.8%	86.1%	8.1%	-4.6%	-0.4%	93.8%	-72.4%	-13.6%	-7.9%
Ceramic	20.5%	-42.9%	11.3%	36.9%	3.9%	-20.3%	-71.3%	-22.7%	-35.6%	-34.5%	-27.5%
Food & Allied	12.9%	83.9%	10.1%	25.3%	29.7%	-29.9%	-74.1%	27.7%	28.7%	-12.7%	39.4%
Fuel & Power	8.6%	23.7%	29.6%	26.2%	22.7%	23.8%	9.8%	-1.3%	-7.6%	4.9%	-19.4%
Industrial	13.0%	378.0%	21.1%	12.5%	86.6%	-4.7%	-62.5%	-13.0%	-33.8%	-39.9%	-36.9%
NBFi	-33.7%	-18.2%	-40.7%	-62.3%	-49.3%	-59.2%	-142.9%	-168.5%	-64.0%	-93.1%	101.7%
Pharmaceuticals	-1.9%	-4.8%	-11.3%	-22.4%	-10.7%	1.2%	4.1%	33.9%	30.2%	17.0%	12.6%
Telecommunication	-2.5%	36.3%	27.6%	51.8%	28.2%	39.6%	-11.6%	-18.3%	-3.3%	-1.8%	19.8%
Textile	-8.6%	-4.3%	22.2%	-11.6%	-1.0%	-12.5%	-543.7%	-46.6%	-34.1%	-152.6%	-81.6%
Tannery	51.8%	37.5%	16.3%	-4.4%	21.5%	-34.4%	-64.5%	-42.0%	-55.1%	-46.6%	-109.8%

*Note: Sector represents more than 70% of the companies (according to large market capital) Source: DSEX, LR Global Research.

MAJOR EVENTS DURING THE WEEK

Bangladesh almost tops South Asia in terms of highest infection per million: COVID-19 Update

Bangladesh has already surpassed Italy in the list of COVID-19 worst hit countries. During the week, 15,253 new positive cases and 233 more deaths were reported in Bangladesh, taking the total number of cases to 255,113 as of 8th August, according to official tallies. The infection rate as a percentage of total tested cases (23.9%) has also increased compared to that of the previous week (22.2%). In addition, Bangladesh currently has the highest infection per million (1,532) in South Asia, with the exception of Maldives. Globally, total number of cases is on the verge of crossing 20 million and the death count is nearly 0.73 million.

BD ranks in 3rd place in terms of largest RMG supplier to US

Bangladesh has emerged as the 3rd largest supplier to the US apparel market, followed by China and Vietnam in the 1st and 2nd position, respectively. The credit of shifting from the 6th position last year to 3rd position this year even in the midst of the pandemic has been attributed to price competitiveness which is backed by low labor cost and increasing local manufacturing of cotton yarn and fabric.

Sluggish private sector drags down industrial import in FY20

Industrial capital machinery and raw materials import have declined by 8.51% and 9.42% respectively in FY20. These two key components of the private sector have been affected by the pandemic-induced demand contraction. As businesses are faced with significant under-utilization of capacity and piling inventory, they are refraining from making fresh investments or stocking up on more raw materials.