

KEY ECONOMIC INDICATORS

In the first month of the new fiscal year FY21, remittance registered the highest single month inflow of US\$ 2.60 bn with a growth rate of 62.7%. A positive growth of 0.6% in exports in July has also driven up hopes for a faster economic recovery. Moreover, a strong foreign exchange reserve has helped the exchange rate remain stable even during this period of turmoil. Call money market also remained vibrant pushing the rate up 42 basis points this week. Oil prices eked out a gain of 1.92% amid an uncertainty of demand recovery in the near future.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	37.74	37.48	0.70%	13.53%
Call Money Rate (Weighted Average)	4.71%	4.29%	+42 bps	-24 bps
Exchange Rate (BDT-USD)	84.95	84.80	0.18%	-0.12%
Oil Price (USD per barrel of WTI)	42.01	41.22	1.92%	-34.05%
	FY 2020-21		FY 2019-20	% Change
Export (USD mn) (Jul)		3,911	3,888	0.6%
Remittances (USD mn) (Jul)		2,600	1,598	62.7%
	FY 2019-20		FY 2018-19	% Change
Import (USD mn) (Jul- Jun)		59,915	54,785	-8.6%
Current Account Balance (USD mn) (Jul-Jun)		(4,849)	(5,102)	N/A
Tax Revenue (NBR) (USD mn) (Jul-Jun)		25,710	26,356	-2.45%
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

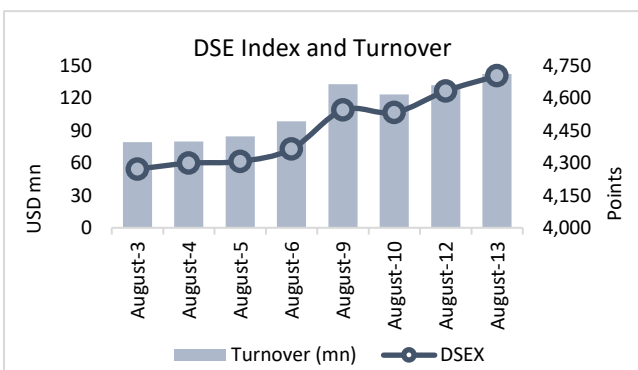
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

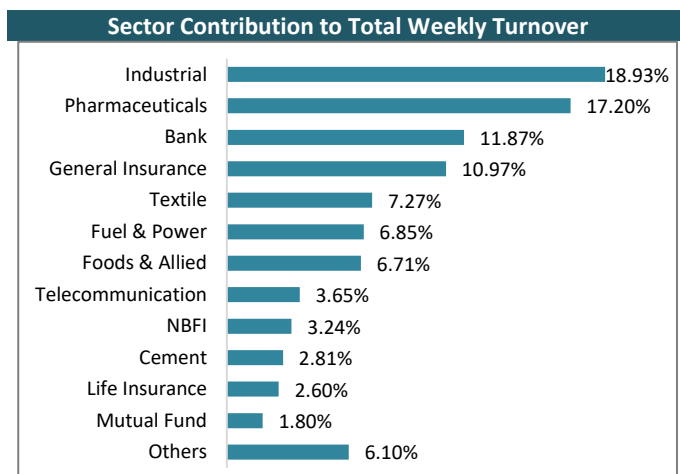
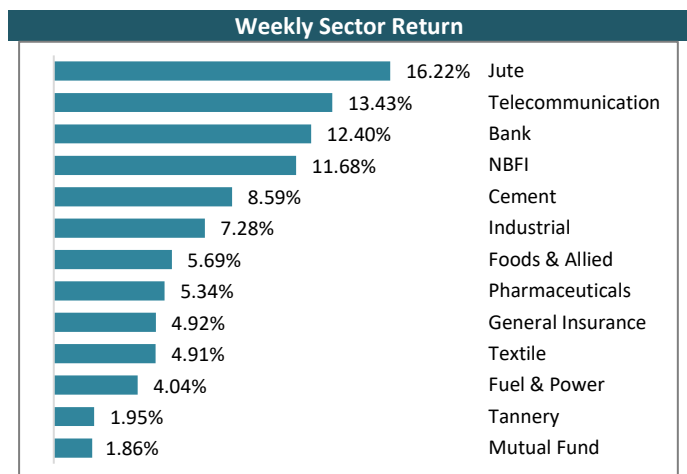
Risk factor	Risk Level	Impact
Demand contraction	High	High uncertainty and virus fears have resulted in subdued demand, which in turn have led to large scale job losses and more demand contraction as discretionary spending takes a hit. According to ILO's projections, around 200 mn full-time workers' jobs may be lost, and Bangladesh will not be immune to this. Although the overall economic outlook continues to remain bleak, economic activities have been gradually picking up in recent times on the backdrop of the pandemic as both businesses and individuals are learning to live with the virus.
Remittance shock	High	Although March, April and May registered double digit negative growth in inward remittance YOY amid the pandemic, June and July registered a positive gain. However, experts have attributed the recent positive gains to migrant workers' preparation to return to their home country. Moreover, 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. The 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.
Export slump	Medium	It has been projected global merchandise trade might plummet by ~13% due to the pandemic. Recently some cancelled and suspended orders are starting to pour back in the RMG sector as economies across the globe are reopening. 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).
Volatile capital market	Low	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.

CAPITAL MARKET UPDATE

The benchmark index registered a 338 points (7.75%) gain during the week as investors' confidence in the market continued to strengthen. The securities regulator's continued efforts to improve market oversight and establish reforms have kept market participants optimistic. Opportunities to take positions in undervalued stocks at attractive prices also encouraged investors to inject more money in the market. Alongside this, the fall in interest rates and increased liquidity in the money market also kept the stock market buoyant. Although, the market experienced some sell pressure mid-week as investors engaged in profit booking, it bounced back to green the following day. Industrial and pharmaceutical stocks were the top two most heavily exchanged scrips on the trading floor. A spike in several key economic indicators such as export, remittances and forex reserves also instilled confidence among investors.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	4,703.32	4,364.83	7.75%	5.61%
DS30	1,594.31	1,475.88	8.02%	6.16%
Market Cap (\$ mn)	41,799.61	39,280.28	6.41%	4.42%
Total Turnover (\$ mn)	530.30	341.84	55.13%	168.33%
Avg. Daily Turn. (\$ mn)	132.57	85.46	55.13%	235.41%
S&P 500	3,372.85	3,351.28	0.64%	3.53%
DJIA	27,931.02	27,433.48	1.81%	-3.25%
FTSE 100	6,090.04	6,032.18	0.96%	-19.91%
NIKKEI 225	3,289.36	22,329.94	4.30%	0.36%



NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

Out of the total 4 earnings that were declared during the week, 25% companies posted positive growth while 75% were negative. BERGERPBL's net earnings slumped significantly by 44.6% due to a 47.88% decline in sales in the Apr-Jun quarter of FY21 as the company could not operate properly during the lockdown period.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Apr-Jun)	EPS 2019 (Apr-Jun)	CHANGE
BERGERPBL	Berger Paints Bangladesh Ltd.	Industrial	2.32	11.12	-44.6%

TICKER	COMPANY NAME	SECTOR	EPS 2019 (Jan-Dec)	EPS 2018 (Jan-Dec)	CHANGE	DIVIDEND (2019)
SANDHANINS	Sandhani Life Insurance Company Ltd.	Life Insurance	1.46	1.49	-2.0%	12% Cash
GSPFINANCE	GSP Finance Company (Bangladesh) Limited	NBFI	1.46	2.40	-39.2%	4.5% Stock

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 is negative if ICB's ~300% earnings growth is 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	1,572	739	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%	-62.4%	-92.4%	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

Infection rate continues to climb above 20%: COVID-19 Update

New COVID-19 cases in Bangladesh have continued to hover above the 2,500 mark. During the week, 19,412 new positive cases and 260 more deaths were reported in Bangladesh, taking the total number of cases to 274,525 as of 15th August, according to official tallies. The infection rate as a percentage of total tested cases (21.1%) also continued to climb above 20% without any signs of retreating. In addition, Bangladesh is now in the 8th position in terms of total number of active cases and in the 2nd position in Asia after India. Globally, the total number of cases has crossed 22 mn and the death count is nearly 0.77 mn.

Bangladesh registers provisional GDP growth of 5.24% in FY20

GDP growth came down to 5.24% in FY20 based on data up to March. Given ADB (4.5%) and CPD's (2.5%) full-year forecast, a further downward revision is very likely considering that economic losses during the April-June period were not taken into account. In addition, per capita income has reached to US\$ 2,064 in FY20 from US\$ 1,909 in the previous FY.

Vietnam RMG exports surpass Bangladesh

Vietnam's RMG exports crossed Bangladesh in FY20 as it earned US\$ 2.11 bn more than Bangladesh during the period. In FY20, RMG export earnings for Bangladesh declined by 18.12% while that of Vietnam fell by only 3.09% YoY. Apart from China's significant investment in Vietnam's RMG sector, Vietnam's sharp rise in RMG exports in recent years can also be attributed to its policy reforms, product diversification, high skilled workers, better infrastructure and FDI.