

KEY ECONOMIC INDICATORS

Foreign exchange reserve has continued to break historical records and now stands at a fresh high of US\$ 38.33 billion. The strength of the reserve has kept the exchange rate stable even during this turmoil. The first month of FY21 has driven up hope for a faster economic recovery as export growth turned out slightly positive (0.6%) and remittance recorded the single-month highest of US\$ 2.60 billion, which resulted in a 62.7% YOY growth rate. Oil prices eked out a gain of 0.79% this week 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

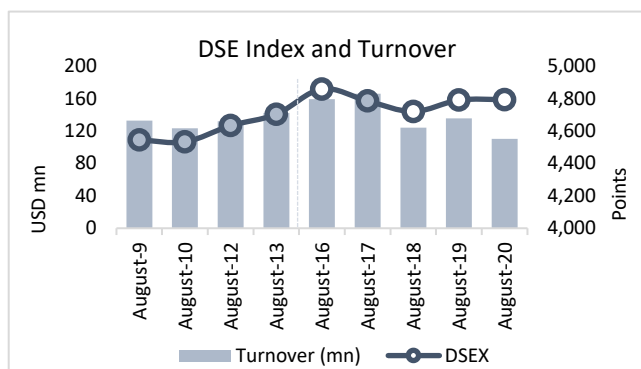
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

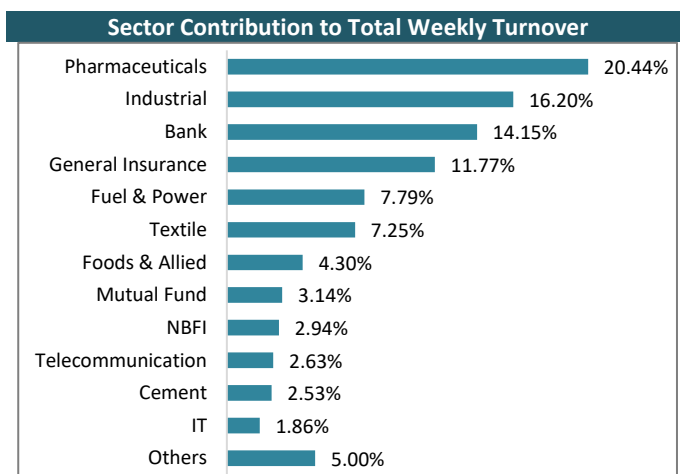
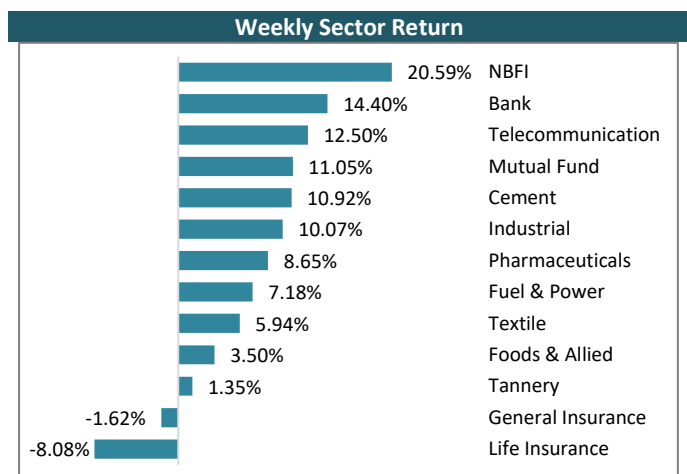
Risk factor	Risk Level	Impact
Demand contraction	High	High uncertainty and virus fears have resulted in subdued demand, which in turn have led to large scale job losses and more demand contraction as discretionary spending takes a hit. According to ILO's projections, around 200 mn full-time workers' 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 premier bourse gained 91 points (1.93%) during the week as a bullish sentiment persisted. The market slipped into the red zone in the 2nd and 3rd trading session of the week due to profit booking but it bounced back to green in the next two days. Pharmaceuticals and industrial were the top two most heavily traded sectors during the week. Overall average daily turnover increased by 4.74% compared to the previous week but fell by -18.46% on the last trading day of the week. Active participation of retail investors, especially those with high net worth contributed towards the surge in market liquidity in recent times as the return from the money market has declined. Meanwhile, the securities regulator rejected few IPO proposals on grounds of showing inflated earnings and froze the bank accounts of the directors of several companies for trading shares without making a public declaration as part of its continued efforts to establish market reforms. These initiatives also had a positive impact on the overall market sentiment.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	4,794.07	4,703.32	1.93%	7.65%
DS30	1,647.07	1,594.31	3.31%	9.67%
Market Cap (\$ mn)	42,353.12	41,799.61	1.32%	5.81%
Total Turnover (\$ mn)	694.29	530.30	30.92%	251.31%
Avg. Daily Turn. (\$ mn)	138.86	132.57	4.74%	251.31%
S&P 500	3,397.16	3,372.85	0.72%	4.28%
DJIA	27,930.33	27,931.02	-0.002%	-3.25%
FTSE 100	6,012.38	6,090.04	-1.28%	-20.93%
NIKKEI 225	22,920.30	23,289.36	-1.58%	-1.23%



NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

Out of the total 3 earnings that were declared during the week, one company posted positive growth while the other two were negative. REGENTTEX's net earnings slumped by 57.6% as the company's Jan-Mar'20 sales experienced a -52.7% decline due to lower demand. BGIC posted a significant 116.7% growth in net earnings, fueled by the drop in management expenses as a percentage of sales to 62% from 64%, an 81% decline in net claim, and a 95% boost in investment income.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Apr-Jun)	EPS 2019 (Apr-Jun)	CHANGE
REGENTTEX	Regent Textile Mills Limited	Textile	0.14	0.33	-57.6%

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Jan-Mar)	EPS 2019 (Jan-Mar)	CHANGE
BGIC	Bangladesh General Insurance Company Ltd.	General Insurance	0.52	0.24	116.7%

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 NBFIs 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	242
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%	-80.1%
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

Recovery rate improves but still lower compared to global average: COVID-19 Update

The COVID-19 infection rate continues to climb above 20% without any signs of retreating. During the week, 18,100 new positive cases and 282 more deaths have been reported in Bangladesh, taking the total number of cases to 292,625 as of 22nd August, according to official tallies. Moreover, the test conducted during this week declined by 2% but the government has reduced the test fee from BDT 200 to BDT 100 to increase its accessibility. Although the recovery rate (48.6%) of COVID patients has improved notably in the last two months, it still lies far below the global average (58.4%). Globally, the total number of cases has crossed 23 mn and the death count is nearly 0.81 mn.

Household income falls by 42% amid the pandemic

A great deal of uncertainty is still looming in Bangladesh even though economic activities are slowly picking up. According to a recent survey, household income in June-July has dropped 42% from the pre-COVID level. Urban slum dwellers and people living in rural areas have suffered most with a 43% and 41% decline in income respectively.

Government to focus on high priority projects

Relevant ministries have been instructed to only focus on priority projects this fiscal year amid a shortage in revenue collection due to the pandemic. For FY21, the government has allocated BDT 2,041.44 bn for ADP in the FY21 budget. Revenue collection has fallen by -2.3% in the outgoing fiscal year FY20.