

KEY ECONOMIC INDICATORS

Foreign exchange reserve has continued to break historical records and now stands at another fresh high of US\$ 38.48 billion. In the meantime, the central bank has agreed to lend to the government from the reserve but has limited this only to foreign payments. The first month of FY21 has driven up hope for a faster economic recovery as export growth turned out slightly positive (0.6%) as our country successfully regained its long-standing 2nd position in apparel exports. In addition, point-to-point inflation (5.53%) has dropped in July from the previous month (6.02%) due to the fall in consumption amid the pandemic.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	38.48	38.33	0.38%	17.48%
Call Money Rate (Weighted Average)	4.70%	4.73%	-3 bps	-25 bps
Exchange Rate (BDT-USD)	84.80	84.80	0.00%	-0.12%
Oil Price (USD per barrel of WTI)	42.97	42.34	1.49%	-29.63%
	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 (Jul)		5.53%	5.49%	+4 bps

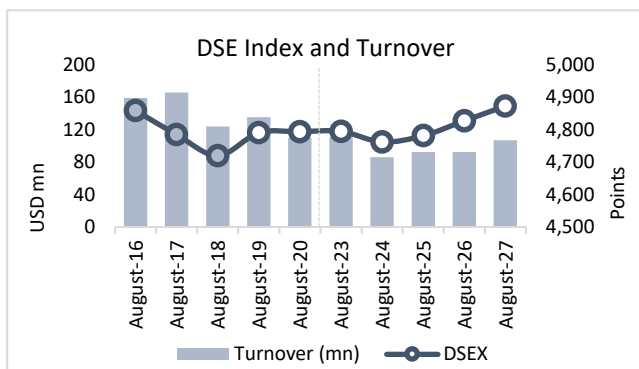
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

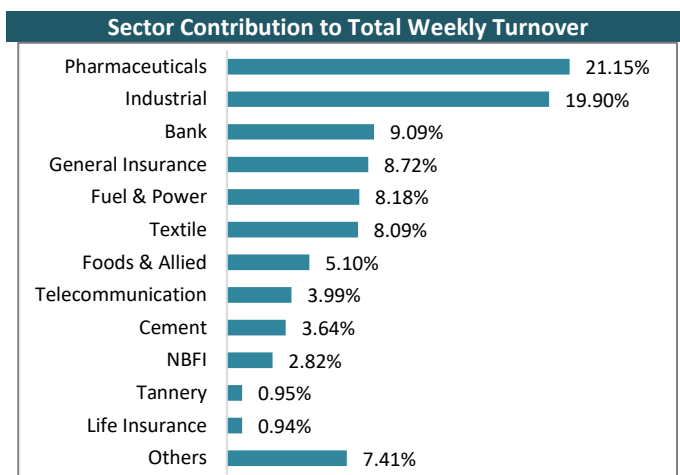
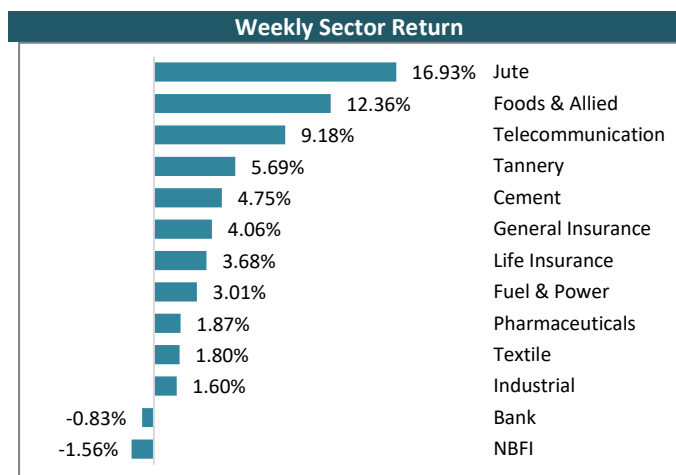
Risk factor	Risk Level	Impact
Demand contraction	High	High uncertainty and virus fears have resulted in subdued demand, which in turn have led to large scale job losses and more demand contraction as discretionary spending takes a hit. According to ILO's projections, around 200 mn full-time workers' 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 posted a modest gain of 79 points (1.65%) as investors' profit booking efforts persisted in the 7-week market rally. Although the market slipped into red in the 2nd trading session of the week, it went back to green from the next trading day though heavy sell pressure continued. Large-cap fundamentally better stocks such as GP, SQRPHARMA and BATBC also gained during the week. Recovery of some key economic indicators (exports, remittance, etc.) added to the confidence of market participants. However, decline in deposit growth and soaring default loans in the banking sector kept investors cautious. While average daily turnover declined by -29.74% over the previous week the overall positive sentiment in the market still remained intact with BSEC's continuous efforts to bring discipline to the market.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	4,873	4,794	1.65%	9.43%
DS30	1,690	1,647	2.61%	12.54%
Market Cap (\$ mn)	43,515	42,353	2.74%	8.71%
Total Turnover (\$ mn)	488	694	-29.74%	146.85%
Avg. Daily Turn. (\$ mn)	98	139	-29.74%	146.85%
S&P 500	3,508	3,397	3.26%	7.68%
DJIA	28,654	27,930	2.59%	-0.74%
FTSE 100	5,964	6,012	-0.81%	-21.58%
NIKKEI 225	22,883	22,920	-0.16%	-1.39%



NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

Out of the total 13 earnings that were declared during the week, five companies posted positive growth while eight were negative. PURABIGEN's net earnings jumped mainly due to a significant increase in underwriting profit and reduction in management expenses. EASTLAND's net earnings slumped by 2.2% as the company has seen 53.7% reduction in net premium income during Apr-Jun FY20. UTTARAFIN experienced an earnings decline as the company's net interest income came down by 34.3% and total provision for loans and investments increased by almost 11 times compared to the same quarter in the previous year.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Apr-Jun)	EPS 2019 (Apr-Jun)	CHANGE
PURABIGEN	Purabi Gen. Insurance Company Ltd.	General Insurance	0.42	0.30	40.0%
PREMIERLEA	Premier Leasing & Finance Ltd.	NBFI	-0.08	-0.10	20.0%
EASTLAND	Eastland Insurance Company Ltd.	General Insurance	0.45	0.46	-2.2%
UTTARAFIN	Uttara Finance and Investments Ltd.	NBFI	1.77	3.04	-41.8%

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. 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	4,941	14,301	4,441	4,572	28,255	4,788	5,419	4,083	3,233	17,523	2,958
NBFI	2,813	2,614	1,706	3,789	10,922	2,190	-399	-394	726	2,123	2,054
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	12.9%	391.3%	20.1%	10.3%	86.7%	-3.1%	-62.1%	-8.1%	-29.3%	-38.0%	-38.2%
NBFI	-33.8%	1.4%	-48.3%	25.2%	-17.0%	-22.2%	-115.3%	-123.1%	-80.8%	-80.6%	-6.2%
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
COVID-19 infection rate came down to 17.3%: COVID-19 Update

The COVID-19 infection rate has come down to 17.3% after staying above 20% for a long time. During the week, 16,300 new positive cases and 299 more deaths have been reported in Bangladesh, taking the total number of cases to 308,925 as of 29th August, according to official tallies. Although the economy has slowly been returning to normal, experts fear that the virus may enter its worst phase in the upcoming winter. Globally, the total number of cases has crossed 25 mn and the death count has reached 0.85 mn.

Financial sector's growth drops to 4.46%

The financial sector's growth has come down to 4.46% in FY20 and its contribution to GDP is now 3.39%. A year earlier, the sector clocked in a YOY growth of 7.38% and its contribution to GDP stood at 3.42%. Soaring default loans in the financial sector coupled with the blow of the pandemic has severely hurt the country's financial sector.

Default loans continue to spike

In the April to June quarter of this year, default loans increased by BDT 36.06 bn. This trend is likely to continue in the next quarter as borrowers are likely to take advantage of the extension of the waiver of loan repayment facility till September. As of June 2020, the cumulative amount of default loans of the country's 59 banks stands at BDT 961.6 bn. This amounts to 9.16% of the total loans disbursed till June of this year.