

KEY ECONOMIC INDICATORS

The foreign exchange reserve has reached another fresh high of US\$ 39.29 bn. Consequently, Bangladesh Bank has continued to buy greenbacks from the market to keep the exchange rate stable, which is in line with the implementation of expansionary monetary policy. Remittance has continued its surprising trend with an 35.9% growth in August YoY. Alongside this, the 19.4% reduction in imports in the first month of FY21 accounts for the current account surplus as against the deficit in the same period last year. Moreover, private sector credit growth has inched up by 9.2% from its historic low of 8.61% in June.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	39.29	38.48	2.10%	19.95%
Call Money Rate (Weighted Average)	4.03%	4.70%	-67 bps	-92 bps
Exchange Rate (BDT-USD)	84.80	84.80	0.00%	-0.12%
Oil Price (USD per barrel of WTI)	41.37	42.97	-3.72%	-32.25%
	FY 2020-21		FY 2019-20	% Change
Export (USD mn) (Jul)		3,911	3,888	0.6%
Remittances (USD mn) (Jul-Aug)		3,042	4,562	50.0%
Import (USD mn) (Jul)		4,228	5,247	-19.4%
Current Account Balance (USD mn) (Jul)		1,965	(108)	N/A
Credit to the Private Sector (USD mn) (Jul)		129,151	118,274	9.2%
Point-to-point Inflation (Aug)		5.68%	5.49%	+19 bps
		FY 2019-20	FY 2018-19	% Change
Tax Revenue (NBR) (USD mn) (Jul-Jun)		25,710	26,356	-2.45%

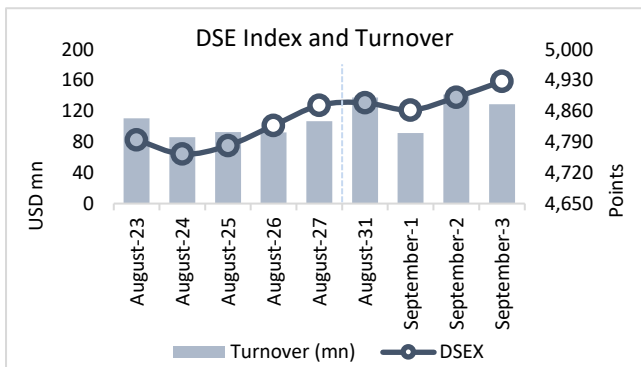
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

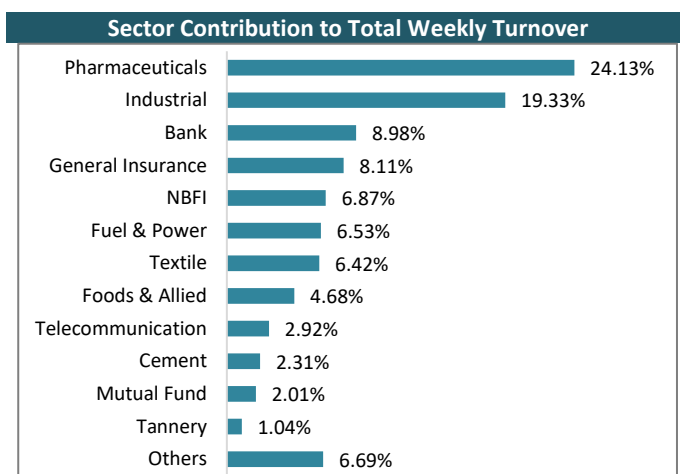
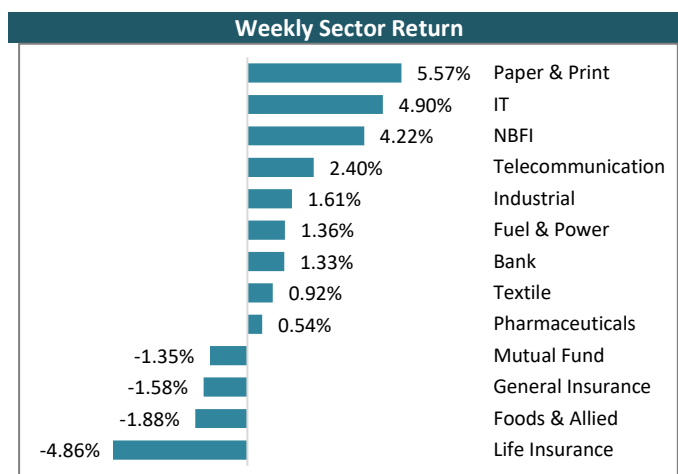
Risk factor	Risk Level	Impact
Demand contraction	High	High uncertainty and virus fears have resulted in subdued demand, which in turn have led to large scale job losses and more demand contraction as discretionary spending takes a hit. According to ILO's projections, around 200 mn full-time workers' 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 inched up by 55 points (1.12%) during the week though investors’ profit booking efforts continued to take place. This week too, the market ended red in its second trading session but bounced back to green the following day and finally wrapped up the week by crossing the 4,900-mark. The securities regulator took more initiatives such as doubling investors’ cash deposit limit at brokerage houses, shortened the settlement of junk stocks to T+3, and took action to curb the spreading of rumors in the market. Meanwhile the country’s main economic indicators such as remittance and exports also posted healthy gains which kept investors’ sentiment upbeat.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	4,928	4,873	1.12%	10.66%
DS30	1,715	1,690	1.50%	14.22%
Market Cap (\$ mn)	43,860	43,515	0.79%	9.57%
Total Turnover (\$ mn)	499	488	2.30%	152.52%
Avg. Daily Turn. (\$ mn)	125	98	27.87%	215.65%
S&P 500	3,427	3,508	-2.31%	5.19%
DJIA	28,133	28,654	-1.82%	-2.55%
FTSE 100	5,799	5,964	-2.76%	-23.74%
NIKKEI 225	23,205	22,883	1.41%	0.002%



NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

Out of the total 7 earnings that were declared during the week, only one company posted positive growth while the rest six were negative. BDFINANCE's net earnings slumped by 33.3% in Apr-Jun'20 compared to Apr-Jun'19 as the company has seen a significant decline in total operating income during the period. WMSHIPYARD's net earnings plunged substantially as the company is struggling to generate top-line revenue.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Apr-Jun)	EPS 2019 (Apr-Jun)	CHANGE
BDFINANCE	Bangladesh Finance and Investment Co.Ltd	NBFI	0.12	0.18	-33.3%

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Jan-Mar)	EPS 2019 (Jan-Mar)	CHANGE
SONALIANS	Sonali Aansh Industries Ltd.	Jute	0.13	0.41	-68.3%
WMSHIPYARD	Western Marine Shipyard Ltd.	Industrial	0.14	0.65	-78.5%

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. 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	5,076	14,752	4,544	4,717	29,090	4,918	5,590	4,189	3,379	18,075	2,991
NBFI	2,815	2,617	1,730	4,043	11,204	2,198	-369	-409	873	2,294	2,107
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	14.1%	388.4%	19.7%	10.5%	87.3%	-3.1%	-62.1%	-7.8%	-28.4%	-37.9%	-39.2%
NBFI	-35.1%	1.9%	-47.5%	24.1%	-16.7%	-21.9%	-114.1%	-123.7%	-78.4%	-79.5%	-4.2%
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 comes down to 16-week low: COVID-19 Update

Bangladesh has already passed six months with the virus and now globally ranks 14th and 5th respectively in terms of number of total positive cases and number of active cases. This week, the infection rate in Bangladesh has come down to a 16-week low of 15.9% after remaining above 20% for a prolonged time. During the week, 14,640 new positive cases and 241 more deaths have been reported in Bangladesh, taking the total number of cases to 323,565 as of 5th September, according to official tallies. Globally, the total number of cases has now crossed 27 mn and the death count has passed 0.88 mn.

Remittance rises 36% in August

Remittance grew 36% in August compared to the same month in the previous fiscal year and exceeded expectations amid global job losses and a large number of migrant workers returning to the country amid the pandemic. The growth in remittance in this fiscal year so far stands at 50% YOY and this is the third consecutive month that remittance has remained in the positive territory.

August RMG exports soar by 44.63%

RMG exports surged 44.63% in August mainly due to as cancelled or suspended orders started to return. Bangladesh has also been successful in remaining among the top sourcing destinations in RMG amid the pandemic with its competitive prices and maintains a position only second to China.