

KEY ECONOMIC INDICATORS

The country's export earnings slightly grew by 0.76% YoY in November, after slipping into negative growth in October. The government is planning to offer a second round of stimulus funds for the RMG sector which can help relieve the sector's burden to some extent as it is yet to come out of the negative growth territory (-4% in November). Additionally, with two of the sector's major export destinations, US and UK, now having received approval to use the vaccine, demand is likely to bounce back sooner. Falling imports has caused the current account balance to widen further as it reached US \$ 4.05 billion in October. On the other hand, remittance growth has slowed down slightly but receipts crossed US\$ 2.00 bn mark for the 3rd consecutive month in November. Crude oil prices maintained the bullish moment as vaccine enters the Western countries.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	41.72	41.36	0.87%	27.36%
Call Money Rate (Weighted Average)	1.79%	1.83%	-4 bps	- 316 bps
Exchange Rate (BDT-USD)	84.80	84.80	0.00%	-0.12%
Oil Price (USD per barrel of WTI)	46.55	46.26	0.63%	-23.76%
		FY 2020-21	FY 2019-20	% Change
Export (USD mn) (Jul-Nov)		15,920	15,770	1.0%
Remittances (USD mn) (Jul-Nov)		10,894	7,716	41.2%
Import (USD mn) (Jul-Oct)		17,062	19,603	-13.0%
Current Account Balance (USD mn) (Jul-Oct)		4,054	(1,521)	N/A
Credit to the Private Sector (USD mn) (Oct)		131,406	120,986	8.6%
Point-to-point Inflation (Oct)		6.44%	5.47%	+97 bps
Tax Revenue (NBR) (USD mn) (Jul-Sep)		5,895	5,662	4.1%

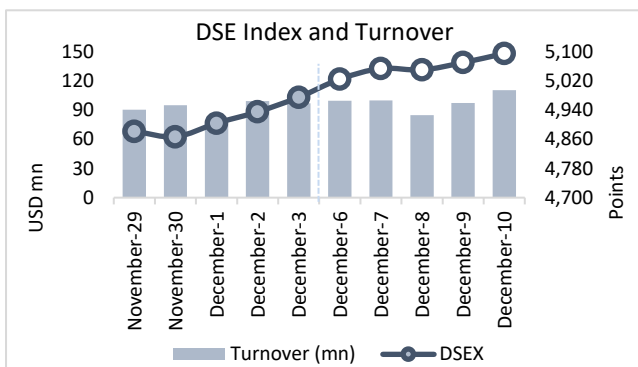
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

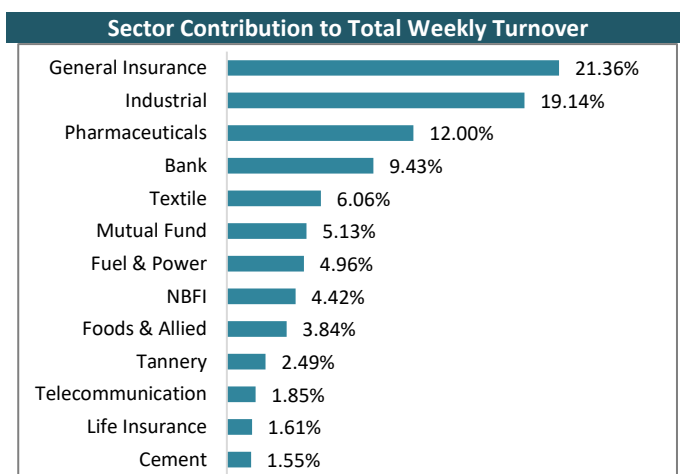
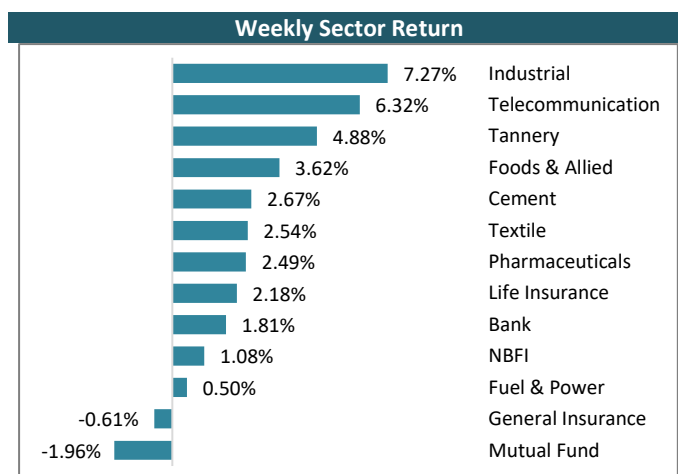
Risk factor	Risk Level	Impact
Remittance shock	High	Inward remittances made an exceptional recovery in the first quarter of FY21 amid the pandemic with nearly a 50% jump during the period. This increase has defied World Bank's projection of a -22% decline for 2020. The reason behind this increase can be attributed to the usage of formal channels amid the pandemic as well as the 2% cash incentive. A total of 209,245 migrant workers have returned to Bangladesh between 1 st April to 18 th October, with the highest number of returnees coming from petrostates such as the UAE (56,046) and Saudi Arabia (54,408). However, in recent times, workers have gradually started to return to their workplaces.
Subdued tax revenue collection	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 4% in Q1 FY21 as businesses and economic activities are slowly reviving. But the gap between the target and actual tax collection has widened further, with collection remaining BDT 137.24 bn less than the target amount in Q1. According to ADB's forecast, Bangladesh may incur a tax revenue loss equivalent to 2% of GDP due to the pandemic.
Soaring default loan in financial sector	High	The banking sector has been burdened with a high NPL ratio of 9.16% 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 loan moratorium was recently extended till December by the central bank. Once this moratorium period ends, a sharp rise in default loans is expected. This is likely to undermine the sector further in the long term.
Demand contraction	Medium	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 after the lockdown ended in May. This has allowed demand in the economy to slowly recover. However, the risk of a second virus wave remains which may affect demand again if adequate preparations are not taken.
Export slump	Medium	It has been projected that global merchandise trade might plummet by ~13% due to the pandemic. Recently some cancelled and suspended orders are starting to pour back into the RMG sector in Bangladesh as economies across the globe are reopening. Unless export diversification is implemented and global economic activities pick up, Bangladesh will continue to be subjected to the concentrated risks of the RMG sector (that accounts for ~80% of export earnings). Although the 2 nd wave in the Western countries and looming risks of the same in our country remain, the learnings from the first wave can help reduce the intensity of the damage.
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 DSEX gained 120 points (2.41%) during the week, reaching a 2-month high amid regulatory action and growing confidence over the prospects of economic recovery. The country's macroeconomic situation is looking better in November with a slight improvement in exports that is likely to pick up further given the positive developments on the vaccine front. Interest rate spread also continued its narrowing trend in October and is expected to decline further in the near term as banks are providing low-cost loans to businesses as part of the stimulus package. Moreover, as part of the regulator's move to fully digitize the capital market, CDBL is currently working on creating an online platform via which investors will be able to easily open a BO account online. November alone saw the creation of ~150,000 new BO accounts, taking the total number of active BO accounts in the country to 2.51 million and once the process is digitalized, the number is likely grow faster. These factors jointly created a positive sentiment in the market, pushing up liquidity by 7.07% compared to the previous week. Almost all sectors returned a positive gain during the week except general insurance and mutual funds.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	5,095	4,975	2.41%	14.40%
DS30	1,775	1,727	2.78%	18.20%
Market Cap (\$ mn)	48,336	47,002	2.84%	20.75%
Total Turnover (\$ mn)	491	459	7.07%	148.58%
Avg. Daily Turn. (\$ mn)	98	92	7.07%	148.58%
S&P 500	3,663	3,699	-0.96%	12.45%
DJIA	30,046	30,218	-0.57%	4.08%
FTSE 100	6,547	6,550	-0.05%	-13.91%
NIKKEI 225	26,653	26,751	-0.37%	14.86%


NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

Out of the total 7 earnings that were declared during the week, 57.10% companies posted a positive growth while 42.90% companies posted a negative growth. AFCAGRO saw its EPS take a nosedive for the first quarter as the company's topline plummeted by 45.09% due to the pandemic and on top of that administrative expenses increased further as well. GOLDENSON is still under the heat as the company is still trying to shake off the effects of COVID-19. AL-HAJTEX had some encouraging signs as revenue increased by 104.29% while the COGS increased by 29.09% thus only helping the company to post a lower amount of loss compared to the same quarter in the previous year.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (July-Sep)	EPS 2019 (July-Sep)	CHANGE
AFCAGRO	AFC Agro Biotech Ltd.	Pharmaceuticals & Chemicals	0.07	0.50	-86.00%
AL-HAJTEX	Al-Haj Textile Mills Limited	Textile	-0.19	-0.62	N/A
GOLDENSON	Golden Son Ltd.	Engineering	-0.13	-0.24	N/A

Source: DSEX, Investing.com, LR Global Research

QUARTERLY EARNINGS UPDATE

During Jul-Sep'20 period, the performance was relatively better for most of the sectors due to the slow rebounding of the companies after the nationwide lockdown ended in May. NBFi sector posted the highest earnings growth while cement, banking, telecommunication, and pharmaceutical sectors were also among the sectors showing positive earnings growth. A good number of NBFIs logged in higher earnings due to lower provisioning and reduced deposit rates. Banks too experienced a significant boost in earnings due to similar reasons. However, the tannery sector continued to experience negative earnings as BATASHOE's earnings plunged significantly in this quarter as well. While this is a stark contrast to the previous quarter (Apr-Jun'20) where majority companies experienced a harsh phase due to the double whammy of the pandemic and the country-wide lockdown, the number of companies being considered for the Jul-Sep quarter is still low as a large number of companies are yet to disclose their earnings for the quarter. In the previous quarter (Apr-Jun'20), only the NBFi and food & allied sector managed to report a positive growth mainly due to a significant boost in ICB's earnings and BATBC's resilient growth in stick sales, respectively.

Sector	2019					2020		
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total	Jan-Mar	Apr-Jun	Jul-Sep
Bank	13,988	21,244	13,891	22,880	72,003	18,311	13,382	18,370
Cement	872	958	582	250	2,662	803	11	640
Ceramic	230	59	261	287	837	167	-278	141
Food & Allied	2,294	1,683	3,219	3,156	10,352	3,020	2,497	2,966
Fuel & Power	8,931	11,261	10,654	8,812	39,659	7,198	3,139	7,376
Industrial	4,601	4,776	3,762	3,069	16,208	2,849	-793	3,177
NBFi	1,757	-396	-785	1,216	1,791	2,017	1,702	2,263
Pharmaceuticals	6,344	6,951	7,617	7,387	28,298	6,778	4,870	8,376
Telecommunication	8,926	9,553	7,269	8,766	34,514	10,694	7,265	8,898
Textile	1,465	-5,890	1,183	1,271	-1,971	427	-3,346	394
Tannery	270	101	371	144	886	-27	-869	-458

QoQ Growth (Sectorwise)	2019				Yearly Growth	2020		
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec		Jan-Mar	Apr-Jun	Jul-Sep
Bank	20.2%	20.4%	-0.3%	-14.1%	3.1%	30.9%	-37.0%	44.3%
Cement	-4.6%	-0.4%	93.8%	-72.4%	-13.6%	-7.9%	-97.8%	59.0%
Ceramic	-20.3%	-71.3%	-22.7%	-35.6%	-34.5%	-27.5%	-567.8%	-45.9%
Food & Allied	-25.0%	-74.1%	25.3%	25.6%	-18.8%	31.6%	48.0%	-7.8%
Fuel & Power	23.8%	9.8%	-1.3%	-7.6%	4.9%	-19.4%	-60.5%	-14.2%
Industrial	-2.5%	-64.2%	-11.0%	-31.2%	-39.4%	-38.1%	-123.6%	-6.0%
NBFi	-33.2%	-118.9%	-143.4%	-75.3%	-84.4%	14.8%	810.3%	404.6%
Pharmaceuticals	7.7%	6.0%	25.6%	20.7%	14.9%	6.8%	-28.5%	12.8%
Telecommunication	39.6%	-11.6%	-18.3%	-3.3%	-1.8%	19.8%	-24.0%	22.4%
Textile	-9.4%	-481.5%	-39.8%	-20.8%	-129.3%	-70.9%	44.6%	-62.0%
Tannery	-34.1%	-63.8%	-38.8%	-55.0%	-45.2%	-109.9%	-962.9%	-223.4%

Note: Sector represents more than 70% of the companies (according to large market capital),

Source: DSEX, LR Global Research

*Apr-Jun '20 & Jul-Sep'20 earnings growth have been calculated based on the earnings of 197 and 148 companies, respectively, that have been declared so far out of the 251 tracked.

MAJOR EVENTS DURING THE WEEK

COVID-19 positivity rate drops to 12.40% in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases decreased by 12.85% as the total tests conducted increased by only 0.54% compared to the previous week. During the week 13,299 new positive cases and 213 more deaths were reported in Bangladesh, taking the total number of cases to 489,178 as of 12th December, according to official tallies. The positivity rate declined to 12.40% while the death rate is hovering around the same region. The pressure on ICU beds is increasing everyday according to DGHS and 258 out of the total 330 available is already being used. Globally, the total number of cases has crossed 71.6 mn and the death count is also about to reach 1.60 mn.

Bangladesh gets another bank bringing the tally to 61

Bangladesh Bank has given its final approval to Citizens Bank Limited, taking the total number of banks in the country to 61. The bank will have to raise BDT 5 bn as paid-up capital before starting its operations and its main focus will be on SME lending. The central bank may also grant license to another bank named People's Bank in its next board meeting.

FDI for July-Oct takes a nosedive as investors monitor the situation cautiously

The inflow of FDI took a beating for the first four months of this financial year as it dropped by 31% YoY. The situation is even worse for net FDI which saw a decline of 50.16%. Development of special economic zones and other improvements were made to attract FDI but the pandemic has spoiled the plans of the government.