

**KEY ECONOMIC INDICATORS**

The foreign exchange reserve reached another milestone by crossing US \$42 bn this week as remittance maintained its gushing inflow. This will allow Bangladesh to tackle imported inflation as the Taka is in a stronger position. However, the current investment scenario looks gloomy as the opening of L/Cs for import of capital machineries dropped by 7.69% during July-Oct period. On the other hand, country's export scenario is expected to improve in coming months as several major export destinations have approved the use of vaccine. The government is monitoring the situation closely and might provide fresh funds to the country's biggest export sector if deemed necessary. Inflation level dropped to 5.52% in November amid the government's battle to tame food inflation. Crude oil prices continued to increase as the roll-out of vaccines have begun.

	This Week	Last Week	Weekly Change	YTD Change
<b>Foreign Exchange Reserve (USD bn)</b>	42.09	41.72	0.89%	28.50%
<b>Call Money Rate (Weighted Average)</b>	1.68%	1.79%	-11 bps	- 327 bps
<b>Exchange Rate (BDT-USD)</b>	84.80	84.80	0.00%	-0.12%
<b>Oil Price (USD per barrel of WTI)</b>	49.10	46.55	5.48%	-19.59%
		<b>FY 2020-21</b>	<b>FY 2019-20</b>	<b>% Change</b>
<b>Export (USD mn) (Jul-Nov)</b>		15,923	15,777	1.0%
<b>Remittances (USD mn) (Jul-Nov)</b>		10,894	7,716	41.2%
<b>Import (USD mn) (Jul-Oct)</b>		17,062	19,603	-13.0%
<b>Current Account Balance (USD mn) (Jul-Oct)</b>		4,054	(1,521)	N/A
<b>Credit to the Private Sector (USD mn) (Oct)</b>		131,406	120,986	8.6%
<b>Point-to-point Inflation (Oct)</b>		5.52%	6.05%	-53 bps
<b>Tax Revenue (NBR) (USD mn) (Jul-Sep)</b>		8,034	7,760	3.53%

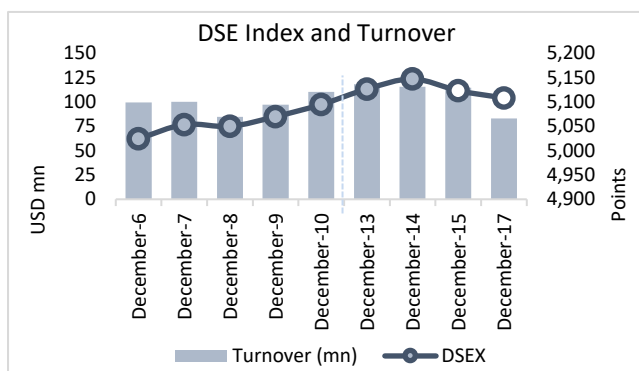
Source: Bangladesh Bank and Investing.com

**ECONOMIC RISKS**

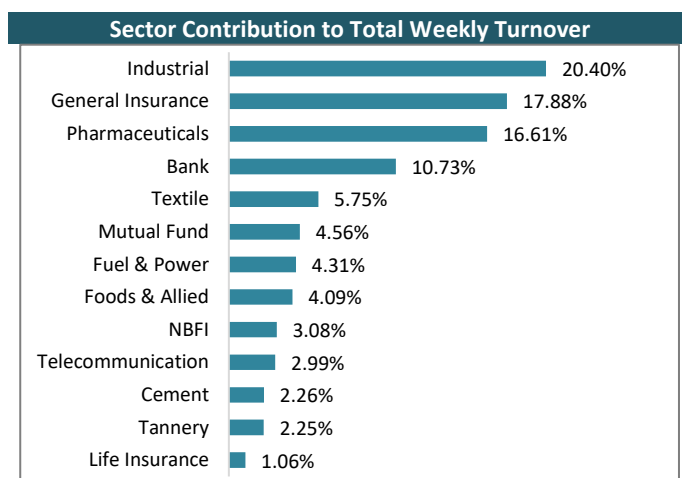
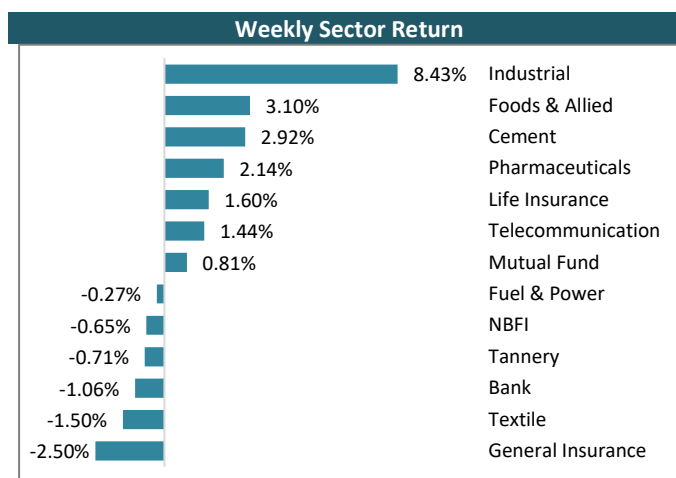
Risk factor	Risk Level	Impact
<b>Subdued tax revenue collection</b>	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 4% in Q1 FY21 as businesses and economic 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.
<b>Soaring default loan in financial sector</b>	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.
<b>Remittance shock</b>	Medium	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 <sup>st</sup> April to 18 <sup>th</sup> 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.
<b>Demand contraction</b>	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.
<b>Export slump</b>	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 <sup>nd</sup> 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.
<b>Volatile capital market</b>	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 slowed down this week with a mere 13 points (0.26%) increase as cautious investors exerted selling pressure after the market experienced a rally in the previous two weeks. The market had jumped by 226 points in the two weeks prior to this week and investors moved to book profits as they became slightly wary as the RMG sector is grappling with the effects of the second wave in the West, which was apparent in the -1.50% decline (2nd highest loss) in the textile sector. The banking sector registered the 3rd highest loss of -1.06% as the central bank announced that banks will have to keep 1% extra provisioning in anticipation of the onslaught of bad loans once the loan moratorium period ends. Investors are however currently bullish on the industrial sector over growing confidence over recovery, which allowed the sector to yield the highest gain of 8.43%. Hence, the market closed in red in two out of the four trading days during the week. BSEC's regulatory moves to bring improvements to the capital market continued this week as it announced that it will carry out a special audit on 21 OTC companies that are in not operation and approved digital booths for brokers. In addition, companies whose sponsors/director failed to comply with the joint minimum 30% shares are now required to form a committee of independent directors who will monitor compliance while CDBL is to carry out elections for the position of directors for those companies.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	5,108	5,095	0.26%	14.70%
DS30	1,799	1,775	1.33%	19.77%
Market Cap (\$ mn)	49,081	48,336	1.54%	22.61%
Total Turnover (\$ mn)	431	491	-12.26%	117.99%
Avg. Daily Turn. (\$ mn)	108	98	9.90%	172.49%
S&P 500	3,709	3,663	1.27%	13.86%
DJIA	30,179	30,046	0.44%	4.54%
FTSE 100	6,529	6,547	-0.27%	-14.14%
NIKKEI 225	26,763	26,653	0.41%	15.34%


**NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK**

Out of the total 3 earnings that were declared during the week, 2 companies posted a positive growth while 1 company posted a negative growth. AGNISYSL experienced a positive growth in its EPS in the first quarter after ending the last financial year on a bad note when its earnings declined by more than 50%. FASFIN's EPS tumbled and slipped into a negative territory. The NBFI is in deep trouble as its classified loan reached 73% of the total loans made. KEYACOSMET held its first AGM after two years only to disappoint investors with no cash dividend.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (July-Sep)	EPS 2019 (July-Sep)	CHANGE
AGNISYSL	Agni Systems Ltd.	IT Sector	0.22	0.17	29.40%
FASFIN	FAS Finance & Investment Limited	Financial Institutions	-2.66	0.01	N/A

TICKER	COMPANY NAME	SECTOR	EPS 2020 (July-Jun)	EPS 2019 (July-Jun)	CHANGE	Dividend (2020)
KEYACOSMET	Keya Cosmetics Ltd.	Pharmaceuticals & Chemicals	0.24	-12.94	N/A	2% stock

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. NBF 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 NBFs 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. 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. In the previous quarter (Apr-Jun'20), only the NBF 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	1,775	-393	-783	1,216	1,814	1,517	1,355	1,855
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	-3,353	430
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	-32.7%	-118.7%	-142.2%	-75.6%	-84.3%	-14.5%	675.8%	350.3%
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 199 and 152 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 21.93% as the total tests conducted also decreased by 1.36% compared to the previous week. During the week 10,382 new positive cases and 222 more deaths were reported in Bangladesh, taking the total number of cases to 499,560 as of 19th December, according to official tallies. The positivity rate declined to 9.80% while the death rate is hovering around the same region. Bangladesh is expecting to receive 0.50mn doses of vaccine in January through a tri-lateral MoU with Beximco Pharma and SII of India. Globally, the total number of cases has crossed 76.62 mn and the death count is also about to reach 1.69 mn.

**BB orders banks to maintain additional 1% general provision for unclassified loans**

Banks are now required to keep an extra 1% of provision against unclassified loans in a bid to enhance their financial well-being and shock enduring capacity once the loan moratorium period ends. The central bank also instructed banks to follow the existing regulations by retaining provisions under general, substandard, doubtful and bad categories.

**Small ventures to get a shot in the arm through new Govt. stimulus package**

Cottage, micro, small and medium enterprises (CMSME) might get another BDT 50-100 bn from the government bailout package in an attempt to kick-start their road to recovery. The disbursement through banks for this sector has been poor and therefore the government has turned towards microfinance institutions (MFIs) to take on this responsibility.