

**KEY ECONOMIC INDICATORS**

The road ahead for our exports is looking slightly gloomy again as the RMG sector is facing lower demand amid the second wave. A fresh lockdown in the UK due to the new virus strain has put a large number of export orders on hold. Hence, factories are currently running at 70% capacity, which in turn is exerting pressure on their already low margins. Import costs, on the other hand, went up by 9% in November mainly due to the increase in the price of petroleum. Meanwhile, remittance reserve has continued to grow despite manpower exports being close to zero in the July-Sep period. The government is mulling on whether to use the country's soaring reserve on development projects instead of investing outside the country. Crude oil prices have dipped a little but is expected to reach \$65 a barrel next year as vaccines are being approved for use by many countries.

	This Week	Last Week	Weekly Change	YTD Change
<b>Foreign Exchange Reserve (USD bn)</b>	42.60	42.09	1.19%	31.31%
<b>Call Money Rate (Weighted Average)</b>	1.73%	1.68%	+5 bps	- 322 bps
<b>Exchange Rate (BDT-USD)</b>	84.80	84.80	0.00%	-0.12%
<b>Oil Price (USD per barrel of WTI)</b>	48.30	49.10	-1.63%	-20.20%
		<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%

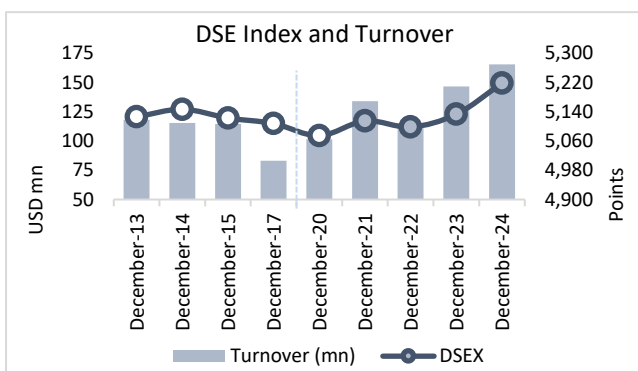
Source: Bangladesh Bank and Investing.com

**ECONOMIC RISKS**

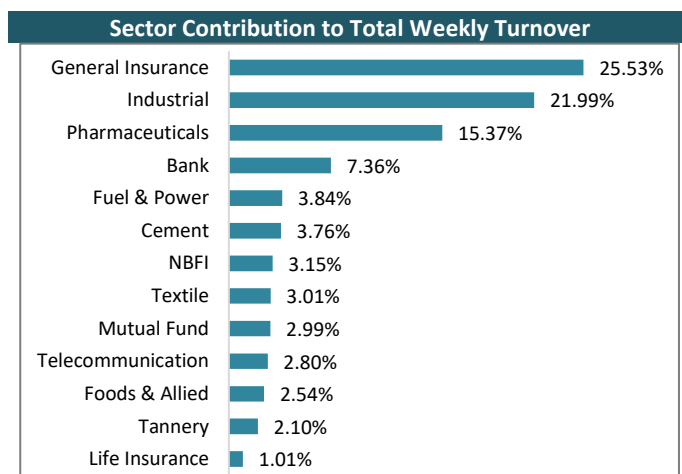
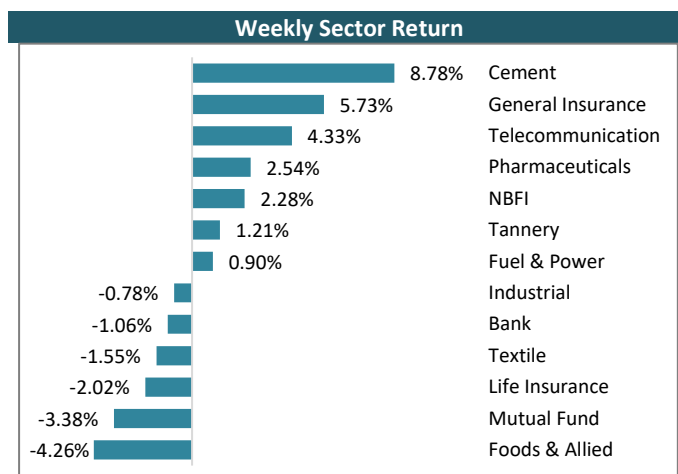
Risk factor	Risk Level	Impact
<b>Subdued tax revenue collection</b>	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 4% in Q1 FY21 as businesses and economic 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 Jul-Nov period amid the pandemic with 41.2% jump YoY. 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 premier bourse gained 110 points (2.16%) during the week as the trading of Robi, the largest IPO in the country till date, commenced in the secondary market and created a positive sentiment among investors. Apart from this, the Prime Minister's instruction to the Finance Ministry to formulate another stimulus package to blunt the effects of the second wave, prospects of economic recovery with the first shipment of the vaccine expected to arrive in January and low deposit rates at banks has also been attracting more investors to the market. This is evident in the 190,480 new BO accounts that is estimated to have opened in the last two months alone, as per CDBL data. Out of the 5 trading days during the week, the market remained in the green zone for 3 days, with its highest increase of 85 points (1.66%) on the last trading day of the week due to the market debut of Robi. Average daily market turnover increased by 22.93% compared to the previous week.



	Market Statistics			
	This Week	Last Week	Weekly Change	YTD Change
DSEX	5,218	5,108	2.16%	17.18%
DS30	1,877	1,799	4.34%	24.97%
Market Cap (\$ mn)	50,123	49,081	2.12%	25.22%
Total Turnover (\$ mn)	662	431	53.66%	234.97%
Avg. Daily Turn. (\$ mn)	132	108	22.93%	234.97%
S&P 500	3,703	3,709	-0.17%	13.67%
DJIA	30,200	30,179	0.07%	4.61%
FTSE 100	6,502	6,529	-0.41%	-14.49%
NIKKEI 225	26,657	26,763	-0.40%	14.88%


**NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK**

Out of the total 5 earnings that were declared during the week, 2 companies posted a positive growth while 3 companies posted a negative growth. Market debutant ROBI posted a negative growth in its EPS for Q3 despite witnessing a slight increase of 1.65% in revenue. The drop in earnings were mainly due to increased cost of revenue and selling expenses. Another newcomer CRYSTALINS reported an earnings growth of 17.1% which helped the company maintain its upward trend in the market. MPETROLEUM did not disappoint investors as it declared 150% cash dividend despite lower earnings this quarter.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (July-Sep)	EPS 2019 (July-Sep)	CHANGE
ROBI	Robi Axiata Limited	Telecommunication	0.08	0.36	-77.8%
CRYSTALINS	Crystal Insurance Company Limited	Insurance	0.96	0.82	17.1%

TICKER	COMPANY NAME	SECTOR	EPS 2020 (July-Jun)	EPS 2019 (July-Jun)	CHANGE	Dividend (2020)
MPETROLEUM	Meghna Petroleum Limited	Fuel & Power	28.45	35.11	-19%	150% cash

**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. 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 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	3,135
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%	-7.1%
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 153 companies, respectively, that have been declared so far out of the 251 tracked.

**MAJOR EVENTS DURING THE WEEK**
**COVID-19 infection rate drops to 8.80% this week in Bangladesh: COVID-19 Update**

The weekly new COVID-19 cases decreased by 17.75% as the total tests conducted also decreased by 8.14% compared to the previous week. During the week 8,339 new positive cases and 186 more deaths were reported in Bangladesh, taking the total number of cases to 508,099 as of 26th December, according to official tallies. The positivity rate declined to 8.80% while the death rate is hovering around the same region. The health ministry recently confirmed that it has completed all the necessary procedures to bring 30 mn doses of vaccine developed by Oxford/AstraZeneca from India. Globally, the total number of cases has crossed 80.20 mn and the death count is also about to reach 1.76 mn.

**BB decides to phase out LIBOR as a reference rate**

The central bank recently issued a draft seeking opinions from the stakeholders in an attempt to set up an alternative reference rate. Bangladesh Bank made this decision as the Financial Conduct Authority of England will scrap the LIBOR after 2021. From 2022 onwards, new reference rate will be used for loans and letter of credit (LCs).

**Temporary relief for Robi & Banglalink as BTRC lifts ban**

The two telecom operators were ordered on the 23<sup>rd</sup> of this month to stop their telecommunication value-added services (TVAS). The ban was imposed as customers were charged without their knowledge. However, BTRC later withdrew the ban temporarily as both the operators accepted their faults and pledged to fix this issue.