

**KEY ECONOMIC INDICATORS**

Merchandise exports for December dipped -6.06% YoY as the RMG sector is yet to bounce back from the impact of the second wave. Moreover, during the first 6 months of FY21, apparel exports dropped by -2.99% due to subdued demand while overall exports fell -0.37%. Private sector credit growth slowed down to 8.21% in November as firms are still reluctant to take fresh loans due to uncertainty in the economy. Hence, imports continued to drop in November due to firms' go-slow approach, which allowed the current account balance to improve further. Meanwhile, remittance inflow continued its bullish momentum as USD 2.05 bn entered the country in December. In an attempt to bring down inflation, the government has reduced import duty for the staple grain to 25.00% from 62.50%. Oil price is hovering in the same region due to OPEC's output cut decision.

	This Week	Last Week	Weekly Change	YTD Change
<b>Foreign Exchange Reserve (USD bn)</b>	43.17	42.60	1.36%	31.80%
<b>Call Money Rate (Weighted Average)</b>	2.12%	1.73%	+39 bps	- 283 bps
<b>Exchange Rate (BDT-USD)</b>	84.80	84.80	0.00%	-0.12%
<b>Oil Price (USD per barrel of WTI)</b>	48.40	48.30	0.21%	-20.73%
		<b>FY 2020-21</b>	<b>FY 2019-20</b>	<b>% Change</b>
<b>Export (USD mn) (Jul-Dec)</b>		19,230	19,302	-0.37%
<b>Remittances (USD mn) (Jul-Dec)</b>		12,944	9,403	37.65%
<b>Import (USD mn) (Jul-Nov)</b>		21,880	23,995	-8.81%
<b>Current Account Balance (USD mn) (Jul-Nov)</b>		4,109	(1,447)	N/A
<b>Credit to the Private Sector (USD mn) (Nov)</b>		132,181	122,148	8.21%
<b>Point-to-point Inflation (Nov)</b>		5.52%	6.05%	-53 bps
<b>Tax Revenue (NBR) (USD mn) (Jul-Oct)</b>		8,034	7,760	3.53%

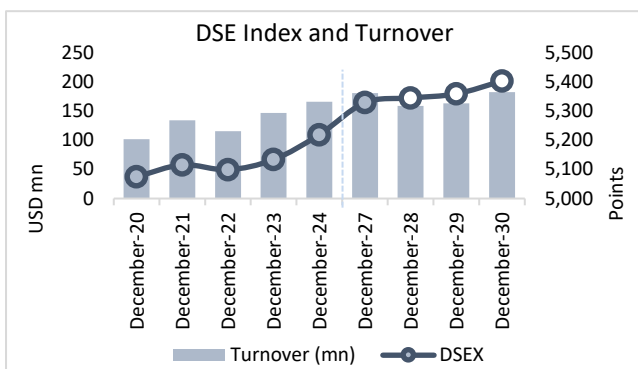
Source: Bangladesh Bank and Investing.com

**ECONOMIC RISKS**

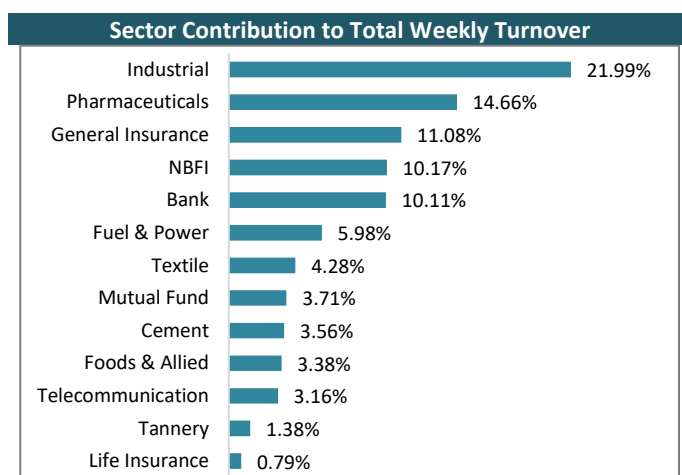
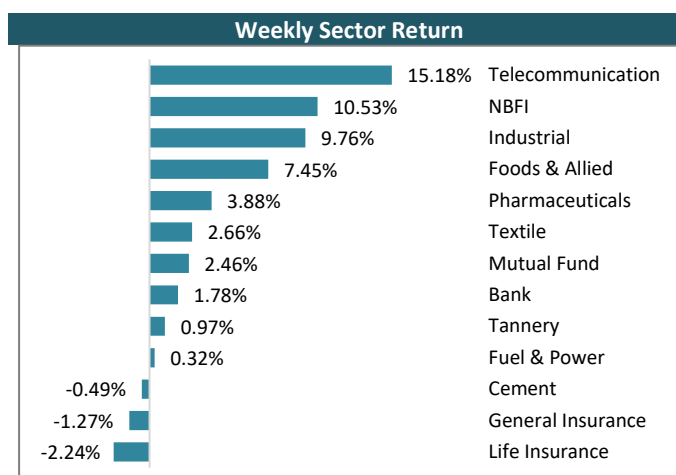
Risk factor	Risk Level	Impact
<b>Subdued tax revenue collection</b>	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 3.53% in the Jul-Oct period of FY21 as businesses and economic activities are slowly reviving. But actual tax collection continues to remain below the target. 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 8.88% and a CAR of 11.60% that is the lowest in South Asia. Although banks are sitting with excess liquidity, their implementation of the stimulus package remains slow. The loan moratorium was recently extended till December by the central bank. Once this moratorium period ends, a sharp rise in default loans is being anticipated which is likely to undermine the sector further in the long term. The central bank has instructed banks to keep 1% extra provision against unclassified loans in this regard.
<b>Remittance shock</b>	Medium	Inward remittances made an exceptional recovery in the Jul-Dec period amid the pandemic with a 37.65% 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 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, while risks related to the second wave of the virus remains, positive developments with regards to the vaccine might strengthen consumer confidence.
<b>Export slump</b>	Medium	It has been projected that global merchandise trade might plummet by ~13% due to the pandemic. While reinstatement of cancelled orders initially helped RMG exports rebound, the impact of the second wave has dragged RMG export growth to the negative zone once again. Vaccine approvals at major export destinations may mean that the RMG sector may not have to endure weak demand for long. However, 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).
<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 market continued an uptrend in the last week of the year as it soared 184 points (3.52%) riding on BSEC's regulatory moves, Robi's entry in the secondary market, and expectations of economic recovery. Institutional investors are also playing a large part in this market rally. Hence, the market remained in the green zone in all four trading days of the week. The industrial sector continued to remain the most heavily traded as investors remained optimistic about economic recovery. The telecommunication sector generated the highest return of 15.18% as Robi's market value surged 198% in just 5 trading days to become the fifth largest company in terms of market capitalization on the main bourse. Apart from this, BSEC continued its regulatory efforts during the week as it appointed a special auditor for a textile company and imposed restrictions on 43 eligible investors that had placed excessively bids in the recent book building IPOs. The regulator also took an initiative to replace the current lottery system for IPO allocation with a pro-rata system, subject to certain conditions, which will be effective from April 1<sup>st</sup> onwards so that all applicants receive IPO shares.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	5,402	5,218	3.52%	21.31%
DS30	1,964	1,877	4.65%	30.77%
Market Cap (\$ mn)	52,764	50,123	5.27%	31.81%
Total Turnover (\$ mn)	683	662	3.20%	245.68%
Avg. Daily Turn. (\$ mn)	171	132	28.99%	332.09%
S&P 500	3,756	3,703	1.43%	15.29%
DJIA	30,606	30,200	1.35%	6.02%
FTSE 100	6,461	6,502	-0.64%	-15.04%
NIKKEI 225	27,444	26,657	2.95%	18.27%


**NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK**

Out of the total 8 earnings that were declared during the week, 2 companies posted a positive growth while 6 companies posted a negative growth. EASTRNLUB's earnings jumped upwards by 150.90% as its topline improved by 15.69%. Furthermore, the non-operating income increased by 46.33% giving a boost to its overall profits. DOMINAGE posted positive earnings growth thanks to the deferred tax adjustments as its topline decreased by 24.19%. PADMAOIL announced 5% lower cash dividend this year as its earnings declined by 4.40% due to lower fuel demand and low interest rates.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (July-Sep)	EPS 2019 (July-Sep)	CHANGE
EASTRNLUB	Eastern Lubricants Ltd.	Fuel & Power	2.86	1.14	150.90%
DOMINAGE	Dominage Steel Building Systems Limited	Engineering	0.58	0.40	45.00%

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	9,057	11,367	10,850	8,938	40,212	7,324	5,679	9,641
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	22.5%	9.3%	-1.2%	-7.3%	4.7%	-19.1%	-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 205 and 158 companies, respectively, that have been declared so far out of the 251 tracked.

**MAJOR EVENTS DURING THE WEEK**
**COVID-19 infection rate drops to 7.90% this week in Bangladesh: COVID-19 Update**

The weekly new COVID-19 cases decreased by 17.03%, where the total tests conducted also decreased by 6.97% compared to the previous week. During the week 7,085 new positive cases and 171 more deaths were reported in Bangladesh, taking the total number of cases to 515,184 as of 2nd January, according to official tallies. The positivity rate declined to 7.90% while the death rate is hovering around the same region. Currently, the health ministry and BXPHERMA are in negotiations with India to receive the first shipment of the vaccine on time in January after the latter placed restrictions on vaccine export. Globally, the total number of cases has crossed 85.20 mn and the death count is also about to reach 1.84 mn.

**Government considering expansion of stimulus package**

The finance ministry is planning to increase the funds under the bailout packages. The expansion is intended to neutralize the effects of the COVID-19 second wave. The RMG sector might get another BDT 100 bn to ensure workers are being paid. The pause on loan repayments and loan classification may also be extended till March this year.

**SUKUK starts its journey in Bangladesh**

Bangladesh Bank raised BDT 40 bn through its first-ever auction of Islamic bonds. 37 banks and 2 individuals took part in the auction as this instrument is offering a better yield compared to T-bills and bonds. The central bank will raise another BDT 40 bn in May as the government requires BDT 80 bn to implement a safe water supply project.