

KEY ECONOMIC INDICATORS

Exports declined -4.99% in January as key markets continue to grapple from the pandemic-induced slowdown. While import growth in H1 also remained negative, positive growth in the last two months and the countrywide vaccine rollout may signal some demand recovery in recent times. The 34.95% YoY remittance growth in the Jul-Jan period pushed forex reserves past US\$ 43.0 bn, allowing the central bank to comfortably manage the currency value fluctuations. The Taka is now in a competitive and export friendly position while currencies of major competitors experienced a relatively higher appreciation against the dollar. Tax revenue collection increased by 6.88% YoY in December despite the COVID-19 fallout. But this still remains far from the unrealistic 46% growth target set for the FY. Oil prices continued to rally, riding on cheap and easily available money.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	43.21	43.02	0.44%	0.08%
Call Money Rate (Weighted Average)	1.78%	1.81%	-3 bps	-34 bps
Exchange Rate (BDT-USD)	84.80	84.80	0.00%	0.00%
Oil Price (USD per barrel of WTI)	58.33	56.23	3.73%	20.52%
	FY 2020-21	FY 2019-20	% Change	
Export (USD mn) (Jul-Jan)		22,670	22,919	-1.09%
Remittances (USD mn) (Jul-Jan)		14,907	11,046	34.95%
Import (USD mn) (Jul-Dec)		27,269	29,249	-6.67%
Current Account Balance (USD mn) (Jul-Dec)		4,322	(1,667)	N/A
Credit to the Private Sector (USD mn) (Dec)		134,587	124,192	8.37%
Point-to-point Inflation (Jan)		5.02%	5.57%	-55 bps
Tax Revenue (NBR) (USD mn) (Jul-Dec)		13,023	12,528	3.95%

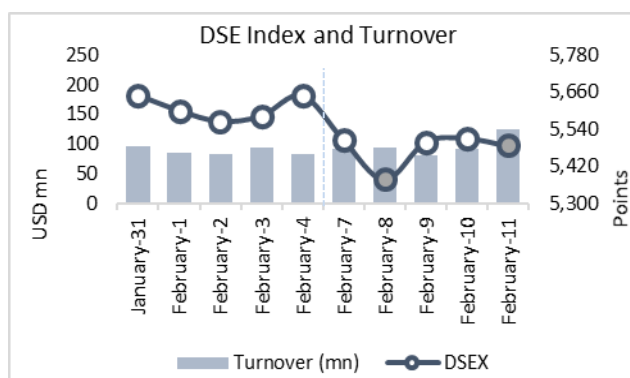
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

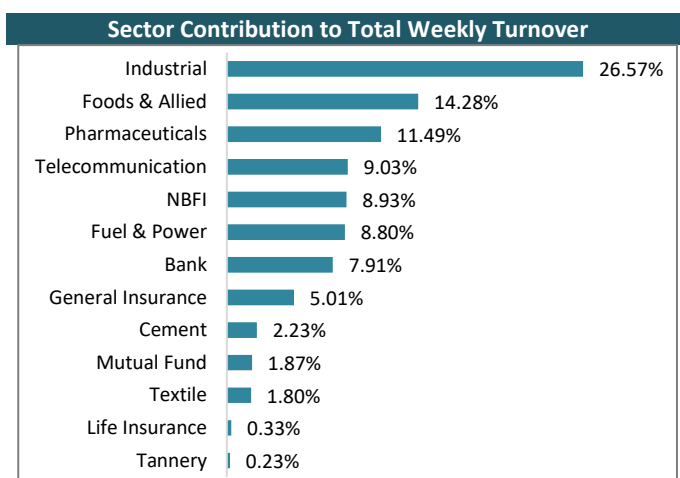
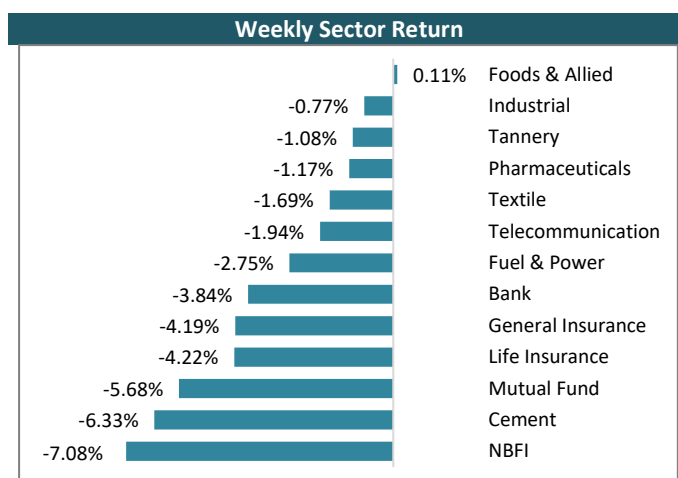
Risk factor	Risk Level	Impact
Subdued tax revenue collection	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 3.95% in the Jul-Dec period of FY21 as businesses 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.
Soaring default loan in financial sector	High	The banking sector has been burdened with a high NPL ratio of 8.88% and a CAR of 11.63% 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 period ran between Jan-Dec 2020. Going forward, 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 all loans that enjoyed deferral or time extension facilities and has permitted dividend declaration based on their capital base with a maximum of 30% dividend declaration, including 15% cash.
Remittance shock	Medium	Inward remittances made an exceptional recovery in the Jul-Jan period amid the pandemic with a 34.95% 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, the attractive 2% cash incentive and near-zero interest rates abroad. The current level of remittance inflow may sustain due to these factors coupled with gradual manpower export, though the growth rate is unlikely to be as high as 2020.
Demand contraction	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.
Export slump	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. Although vaccine rollout at major export destinations have commenced, it may take a while for demand recovery to take place. Moreover, 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).
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 market's downtrend continued during the week as it lost 163 points (-2.88%) amid investor's profit-booking efforts that did not reverse despite the initiation of the country's mass inoculation. Bangladesh commenced its vaccination drive from 7th February, which was also the first trading day of the week. However, the market did not react to this and instead investors continued their sell-offs. The central bank's instruction to banks to pay a maximum of 30% dividend based on banks' respective capital base, pressure to adjust margin loans as per the new regulatory limit, and investors' move to book their gains made during market rally that took place between December and early January may jointly account for the sell pressure in the market. Even though the bourse received a 122 points (-2.27%) boost mid-week as BSEC's road show in Dubai took off on the 3rd trading session of the week, this did not sustain as the index gained only marginally (10 points) the following day and slipped back into negative the day after. All sectors eroded in value except the food & allied sector that recorded a gain of 0.11% mainly due to BATBC and UNILEVERCL's price gain of 0.10% and 2.81%, respectively. Overall market turnover increased 8.89% compared to the previous week. During the week, the digital BO account opening system was inaugurated and a KYC policy was made mandatory at brokerage firms to reduce fake BO accounts and unclaimed securities.



	Market Statistics			
	This Week	Last Week	Weekly Change	YTD Change
DSEX	5,485	5,648	-2.88%	1.54%
DS30	2,111	2,174	-2.90%	7.47%
Market Cap (\$ mn)	55,293	56,422	-2.00%	4.79%
Total Turnover (\$ mn)	481	442	8.89%	-43.67%
Avg. Daily Turn. (\$ mn)	96	88	8.89%	-43.67%
S&P 500	3,935	3,887	1.23%	4.76%
DJIA	31,458	31,148	1.00%	2.78%
FTSE 100	6,590	6,489	1.55%	2.00%
NIKKEI 225	29,520	28,779	2.57%	7.56%


NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

Out of the total 13 earnings that were declared during the week, 53.8% of the companies posted a positive growth while 46.2% of the companies posted a negative growth. WALTONHIL bounced back in Q2 as their earnings jumped by 54.7%. The company saw its topline improve by 14.47% as consumers started purchasing electronic items once the lockdown was lifted. TAUFKA's earnings leaped up by 225% as the ice cream maker benefited from increased sales in the rural market. BSC's earnings dropped in Q2 due to a fall in revenue, increase in financial expenses and adjustment in deferred tax.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Oct-Dec)	EPS 2019 (Oct-Dec)	CHANGE
WALTONHIL	Walton Hi-Tech Industries Ltd.	Engineering	8.00	5.17	54.7%
TAUFKA	Taufika Foods and Agro Industries Limited	Food & Allied	0.13	0.04	225.0%
BSC	Bangladesh Shipping Corporation	Miscellaneous	1.08	1.28	-15.6%

QUARTERLY EARNINGS UPDATE

During the Oct-Dec'20 quarter, based on the data of 160 companies that have declared their earnings so far, the industrial sector bounced back and recorded the highest earnings growth after declining continuously for more than a year. The gradual revival of economic activities has had a large part to play in this as virus cases slowly subside. The ceramic sector recorded the second highest earnings growth during the quarter followed by cement, telecommunication, and pharmaceutical. In the Jul-Sep'20 quarter, a good number of NBFIs logged in higher earnings due to lower provisioning and reduced deposit rates, allowing the sector to register the highest growth in that quarter. Banks too experienced a significant boost in earnings due to similar reasons during that period. At this time, it is slightly concerning that the tannery sector is still continuing to post negative growth in earnings due to the discretionary nature of the products. Earlier in Apr-Jun'20 quarter, only the NBFIs 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	Oct-Dec
Bank	13,988	21,244	13,891	22,880	72,003	18,311	13,382	22,361	0
Cement	872	958	582	250	2,662	803	173	930	778
Ceramic	230	59	261	287	837	167	-278	142	355
Food & Allied	2,294	1,683	3,219	3,156	10,352	3,020	2,501	2,960	200
Fuel & Power	9,057	11,367	10,850	8,938	40,212	7,324	5,679	9,997	9,130
Industrial	4,601	4,776	3,762	3,069	16,208	2,849	-736	3,323	5,665
NBFI	1,775	-393	-783	1,216	1,814	1,517	1,355	1,864	0
Pharmaceuticals	6,344	6,951	7,617	7,387	28,298	6,778	4,870	8,823	8,323
Telecommunication	8,926	9,553	7,269	8,766	34,514	10,694	7,265	8,898	10,330
Textile	1,465	-5,890	1,183	1,271	-1,971	417	-3,951	510	916
Tannery	270	101	371	144	886	-27	-869	-455	69

QoQ Growth (Sectorwise)	2019				Yearly Growth	2020			
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec		Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Bank	20.2%	20.4%	-0.3%	-14.1%	3.1%	30.9%	-37.0%	61.0%	-
Cement	-4.6%	-0.4%	93.8%	-72.4%	-13.6%	-7.9%	-81.9%	59.7%	211.3%
Ceramic	-20.3%	-71.3%	-22.7%	-35.6%	-34.5%	-27.5%	-567.8%	-45.7%	23.7%
Food & Allied	-25.0%	-74.1%	25.3%	25.6%	-18.8%	31.6%	48.6%	-8.0%	-93.7%
Fuel & Power	22.5%	9.3%	-1.2%	-7.3%	4.7%	-19.1%	-50.0%	-7.9%	2.1%
Industrial	-2.5%	-64.2%	-11.0%	-31.2%	-39.4%	-38.1%	-115.4%	-11.7%	84.6%
NBFI	-32.7%	-118.7%	-142.2%	-75.6%	-84.3%	-14.5%	444.8%	338.0%	-
Pharmaceuticals	7.7%	6.0%	25.6%	20.7%	14.9%	6.8%	-29.9%	15.8%	12.7%
Telecommunication	39.6%	-11.6%	-18.3%	-3.3%	-1.8%	19.8%	-24.0%	22.4%	17.8%
Textile	-9.4%	-481.5%	-39.8%	-20.8%	-129.3%	-71.5%	32.9%	-56.9%	-27.9%
Tannery	-34.1%	-63.8%	-38.8%	-55.0%	-45.2%	-109.9%	-962.9%	-222.6%	-52.2%

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

Source: DSEX, LR Global Research

*Jul-Sep'20 & Oct-Dec'20 earnings growth have been calculated based on the earnings of 222 and 160 companies, respectively, that have been declared so far out of the 251 tracked.

MAJOR EVENTS DURING THE WEEK

COVID-19 infection rate drops to 2.50% this week in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases decreased by 16.80% as the total tests conducted increased by 1.54% compared to the previous week. During the week, 2,496 new positive cases and 76 more deaths were reported in Bangladesh, taking the total number of cases to 540,266 as of 13th February, according to official tallies. The positivity rate declined to 2.50% while the death rate is hovering around the same region. The health ministry decided to close the on-spot registration at COVID-19 vaccination facilities as the number increased rapidly creating chaos. Therefore, now everyone has to register to online to get the jab. Globally, the total number of cases has crossed 108 mn and the death count is also about to reach 2.39 mn.

Bangladesh's COVID-19 immunization campaign begins

Bangladesh commenced its mass rollout of the Oxford-AstraZeneca vaccine from 4th February. So far, Bangladesh has acquired 7 mn vaccines. A dedicated website has been made available via which people will have to register for the vaccine. The government plans to vaccinate 3,500,000 people in the first month of the campaign.

Term loan moratorium extension being considered

The central bank is currently looking into the bankers' association request to extend the moratorium facility for term loans. Bankers are concerned that a large number of loans will default if the loan moratorium is lifted as exports are still slow and many businesses are yet to recover from the virus.