

KEY ECONOMIC INDICATORS

Forex reserve fell down to USD 42.13 bn this week from its record high level of USD 43 bn in December due to import payments worth USD 1.27 bn through the Asian Clearing Unit. Merchandise exports for December dipped -6.06% YoY as the RMG sector is yet to bounce back from the impact of the second wave of the virus. However, the mass rollout of the vaccine at our major export destinations may help the sector's demand revive faster and expedite our economic recovery. Meanwhile, the World Bank has revised its projection for Bangladesh's GDP growth upwards to 2% from its 1.6% projection earlier. Oil price climbed to an 11-year high level this week (USD 52.24 per barrel) supported by Saudi Arabia's pledge to voluntarily cut 1 mn barrels of output per day while other OPEC+ countries keep their production steady in February and March.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	42.13	43.17	-2.42%	28.62%
Call Money Rate (Weighted Average)	2.27%	2.12%	+15 bps	- 268 bps
Exchange Rate (BDT-USD)	84.80	84.80	0.00%	-0.12%
Oil Price (USD per barrel of WTI)	52.24	48.52	7.67%	-14.44%
		FY 2020-21	FY 2019-20	% Change
Export (USD mn) (Jul-Dec)		19,230	19,302	-0.37%
Remittances (USD mn) (Jul-Dec)		12,945	9,408	37.59%
Import (USD mn) (Jul-Nov)		21,880	23,995	-8.81%
Current Account Balance (USD mn) (Jul-Nov)		4,109	(1,447)	N/A
Credit to the Private Sector (USD mn) (Nov)		132,181	122,148	8.21%
Point-to-point Inflation (Nov)		5.52%	6.05%	-53 bps
Tax Revenue (NBR) (USD mn) (Jul-Oct)		8,034	7,760	3.53%

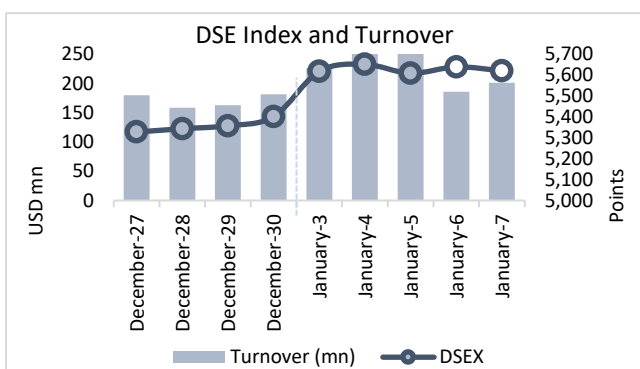
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

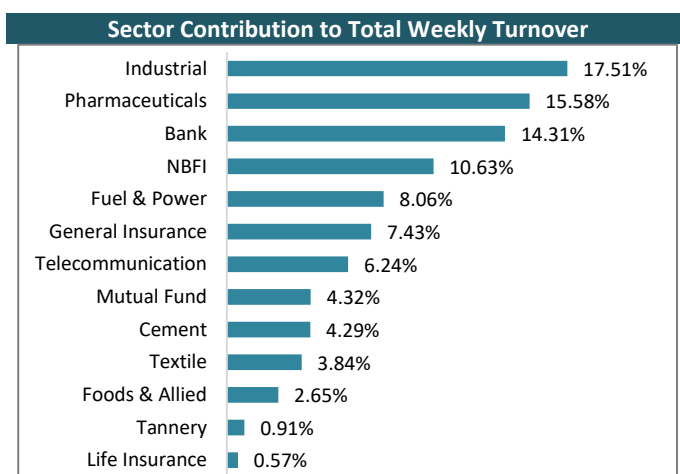
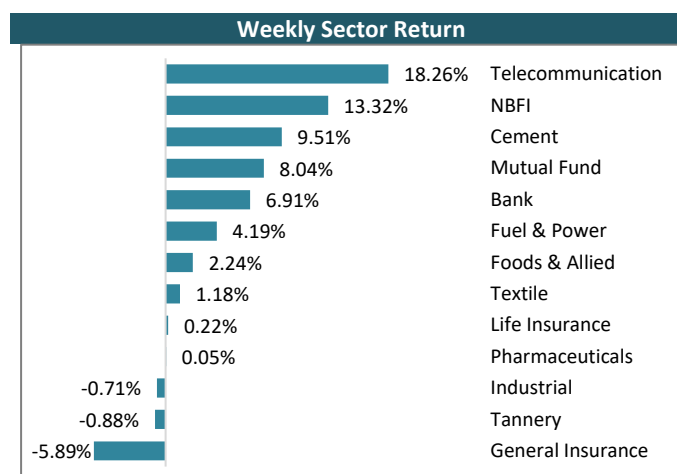
Risk factor	Risk Level	Impact
Subdued tax revenue collection	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 3.53% in the Jul-Oct period of FY21 as businesses 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.
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 11.60% 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 all loans that enjoyed deferral or time extension facilities.
Remittance shock	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 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.
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. 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).
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 leaped by 220 points (4.07%) during the first week of the year amid volatile trading sessions. On the first trading day of the year alone, the market jumped by 217 points as enthusiastic investors engaged in binge buying as the Oxford-AstraZeneca vaccine received approval in the UK and India. However, news regarding India banning the export of the COVID vaccine emerged on the second trading day and created volatility in the market as this would disrupt the expected arrival of Bangladesh's first shipment of the vaccine from India in January. Although India subsequently clarified that Bangladesh will receive the vaccine on time, the market continued to exhibit volatility as some investors engaged in profit-booking. Hence, the market remained in the red zone in two out of the five trading days during the week. The telecom sector yielded the highest return as Robi's share price continued to soar. Overall average daily market turnover increased by 37.18% compared to the previous week riding on investors' growing optimism about the market.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	5,622	5,402	4.07%	4.07%
DS30	2,048	1,964	4.28%	4.28%
Market Cap (\$ mn)	55,358	52,764	4.92%	4.92%
Total Turnover (\$ mn)	1,171	683	37.18%	37.18%
Avg. Daily Turn. (\$ mn)	234	171	37.18%	37.18%
S&P 500	3,825	3,756	1.83%	1.83%
DJIA	31,098	30,606	1.61%	1.61%
FTSE 100	6,873	6,461	6.39%	6.39%
NIKKEI 225	28,139	27,444	2.53%	2.53%


NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

A total of 3 earnings were declared during the week and all of them posted a positive growth. BDFINACE's earnings increased by 10.90% as the company had to pay lower interest on deposits & borrowings. Furthermore, the company booked good profits from investment in securities. RAHIMAFOOD which was de-listed in 2018 started trading again on the main bourse again from 29th December and posted better earnings. The company is currently managed by City Group, a leading consumer goods manufacturer in Bangladesh. REPUBLIC reported increased earnings growth due to 90% higher premium income this quarter.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (July-Sep)	EPS 2019 (July-Sep)	CHANGE
BDFINANCE	Bangladesh Finance and Investment Co.Ltd	Financial Institutions	0.61	0.55	10.9%
RAHIMAFOOD	Rahima Food Corporation Limited	Food & Allied	0.06	-1.77	N/A
REPUBLIC	Republic Insurance Company Limited	Insurance	0.6	0.43	39.5%

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	1,864
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%	351.6%
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 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 6.52% this week in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases decreased by 12.52% while the total number of tests conducted increased by 5.39% compared to the previous week. During the week 6,198 new positive cases and 157 more deaths were reported in Bangladesh, taking the total number of cases to 521,382 as of 7th January, according to official tallies. The positivity rate declined to 6.52% while the death rate is hovering around the same region. Recently, the government has approved the emergency use of Oxford-AstraZeneca Covid-19 vaccine as the Health Ministry is trying to bring the first batch of vaccine from India on time. Globally, the total number of cases has crossed 89.60 mn and the death count is also about to reach 1.93 mn.

BB clarifies on additional provisioning for banks

The Central Bank recently issued a reply letter to the Bangladesh Association of Banks (BAB) where it was stated that banks will have to keep an additional 1% general provisioning against loans which have enjoyed deferral or time extension facilities, instead of all unclassified loans.

Banks flooded with excess liquidity as government allows black money in banks

The government for the first time allowed the investment of black money in banks subject to 10% tax. This along with poor private sector credit growth and purchase of USD by Bangladesh Bank has pushed excess liquidity to BDT 1,951.66 bn. Thus, banks are looking for investment options outside govt. T-bills and bonds which is currently lower than their deposit costs.