

## KEY ECONOMIC INDICATORS

Demand in the RMG sector is yet to pick up at our major export destinations as the US and Europe experienced the worst Christmas sales in recent times leading to more order cancellations and delays. However, with the mass rollout of the vaccine currently taking place in these countries, the sector's demand revive faster. Immunization in Bangladesh is also expected to commence from early February, which in turn can help our economic pick up pace. At this time, the central bank is confident that our economy will grow by 7.40% in FY21 if the second wave of COVID-19 does not restrain the country's economic activities. Oil price continued its bullish momentum and reached \$ 53.60 banking on positive news of nearly \$ 2 trillion package proposed by Joe Biden which may increase oil demand significantly.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	42.35	42.13	-0.52%	29.98%
Call Money Rate (Weighted Average)	1.86%	2.27%	-41 bps	- 309 bps
Exchange Rate (BDT-USD)	84.80	84.80	0.00%	-0.12%
Oil Price (USD per barrel of WTI)	53.60	52.24	2.60%	-12.22%
		<b>FY 2020-21</b>	<b>FY 2019-20</b>	<b>% Change</b>
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 (Dec)		5.29%	5.75%	-46 bps
Tax Revenue (NBR) (USD mn) (Jul-Nov)		10,270	9,953	3.19%

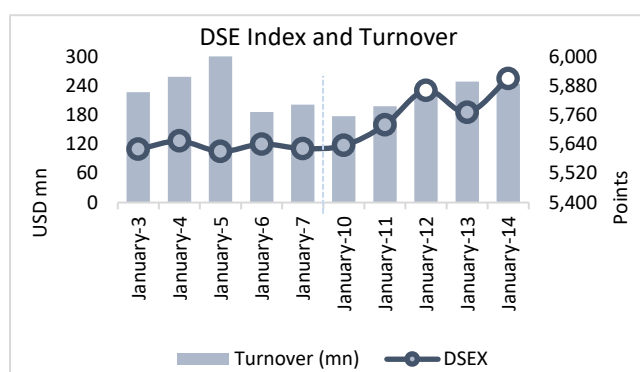
Source: Bangladesh Bank and Investing.com

## ECONOMIC RISKS

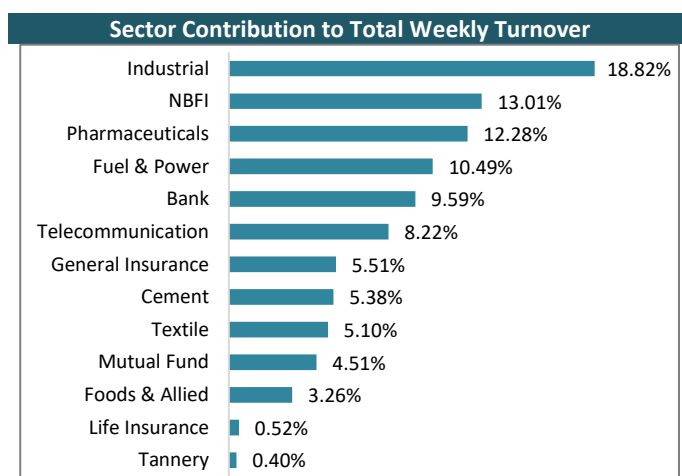
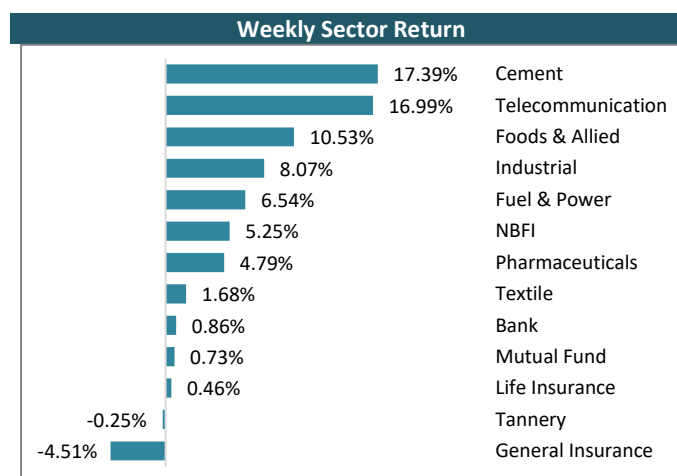
Risk factor	Risk Level	Impact
Subdued tax revenue collection	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 3.53% in the Jul-Oct period of FY21 as businesses 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 <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.
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 premier bourse continued its bullish momentum with a 228 points (5.11%) gain during the week as investors focused on taking positions in large cap stocks with more positive developments on the vaccine front and BSEC's decision to backtrack its market probe. Over the week investors grew more enthusiastic about economic recovery as the first shipment of the Oxford-AstraZeneca vaccine is expected to arrive around 25<sup>th</sup> January and immunization is expected to commence from early February. At this time, Bangladesh is also looking into procuring the Pfizer-BioNTech COVID-19 vaccine. In addition, mid-week the securities regulator announced its decision to probe the shares of listed companies that were experiencing an abnormal price hike. However, investors did not take the news well and it led to the market falling 91 points (-1.55%) the following day. Hence, the regulator soon backtracked on its decision to carry out the probe, causing the market to resume its bullish momentum the next day with a 139 points (2.41%) gain. The industrial sector generated the highest turnover during the week while the cement sector registered the highest return of 17.39%. The market also recorded an all-time high market capitalization of USD 59 billion for the first time in the history of the bourse at the end of the week. Market turnover declined slightly by -6.11% compared to the previous week.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	5,909	5,622	5.11%	9.39%
DS30	2,237	2,048	9.21%	13.89%
Market Cap (\$ mn)	59,059	55,358	6.69%	11.93%
Total Turnover (\$ mn)	1,100	1,171	-6.11%	28.80%
Avg. Daily Turn. (\$ mn)	220	234	-6.11%	28.80%
S&P 500	3,768	3,825	-1.48%	0.32%
DJIA	30,016	31,098	-3.48%	-1.93%
FTSE 100	6,736	6,873	-2.00%	4.26%
NIKKEI 225	28,519	28,139	1.35%	3.92%


**NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK**

The same company declared 2 earnings during the week and posted a positive growth. CONFIDCEM's earnings increased by 22.78% YOY and 54.58% when compared quarterly. Bonus shares have been recommended in view of utilizing its retained earnings amount as capital to continue investment in its 5.6 MW Captive Power Plant and factory premises. The company's earnings increased in the first quarter due to increased sales thanks to the resumption of private and government constructions. Furthermore, the incentive package given by the government also helped the company to post better earnings.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (July-Sep)	EPS 2019 (July-Sep)	CHANGE
CONFIDCEM	Confidence Cement Ltd.	Cement	3.88	2.51	54.58%

TICKER	COMPANY NAME	SECTOR	EPS 2020 (July-Jun)	EPS 2019 (July-Jun)	CHANGE	Dividend (2020)
CONFIDCEM	Confidence Cement Ltd.	Cement	8.3	6.76	22.78%	15% cash & 5% bonus

**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 5.70% this week in Bangladesh: COVID-19 Update**

The weekly new COVID-19 cases decreased by 8.34% as the total tests conducted increased by 4.85% compared to the previous week. During the week 5,681 new positive cases and 127 more deaths were reported in Bangladesh, taking the total number of cases to 527,063 as of 14th January, according to official tallies. The positivity rate declined to 5.70% while the death rate is hovering around the same region. Recently, the Indian envoy ensured Bangladesh's government that vaccines will flow into the country after all necessary arrangements required are made. Globally, the total number of cases has crossed 94.40 mn and the death count is also about to reach 2.02 mn.

**BB extends deadline for stimulus package implementation**

The Central Bank wants the banks and financial institutions to disburse the funds within 31st March, 2021. Institutions which have failed to meet the disbursement target have been asked to prepare a monthly report to ensure smooth disbursement within the stipulated time. So far only BDT 105 bn has been disbursed from the BDT 200 bn fund till 16th December, 2020.

**Bangladesh seeks 5 years for the transition towards a developing nation**

The principal coordinator of the SDGs recently discussed the matter regarding getting 5 years to transition to a developing economy with the United Nations Committee for Development Policy. Bangladesh sought 5 years from 2021 to make the graduation process smooth and sustainable. Bangladesh fulfilled all the criteria necessary for graduating to a developing country in 2018.