WEEKLY UPDATE (JANUARY 17 - 21, 2021)

KEY ECONOMIC INDICATORS

The RMG sector has been grappling since the start of the pandemic with exports to 7 out of 10 major destinations experiencing a negative growth in the July-Dec period of this FY. However, apparel exports may soon benefit from the new Biden administration that may review the current GSP status and possibly reinstate the facility. Imports have continued to remain sluggish, due to poor demand for consumer and industrial goods. To improve this situation and facilitate growth, the central bank has extended an upfront import payment regime for offshore banks allowing them to pay under the buyer's credit. At this time, the central bank is anticipating a V-shaped recovery for this FY with an 8.2% growth, banking on the stimulus packages. Oil prices dipped a little due to rising daily COVID-19 cases in many countries and slow vaccine rollouts.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	42.52	42.35	0.40%	29.98%
Call Money Rate (Weighted Average)	1.52%	1.86%	-34 bps	- 60 bps
Exchange Rate (BDT-USD)	84.80	84.80	0.00%	0.00%
Oil Price (USD per barrel of WTI)	53.19	53.60	-0.71%	9.90%
		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 (Dec)		5.29%	5.75%	-46 bps
Tax Revenue (NBR) (USD mn) (Jul-Nov)		10,270	9,953	3.19%

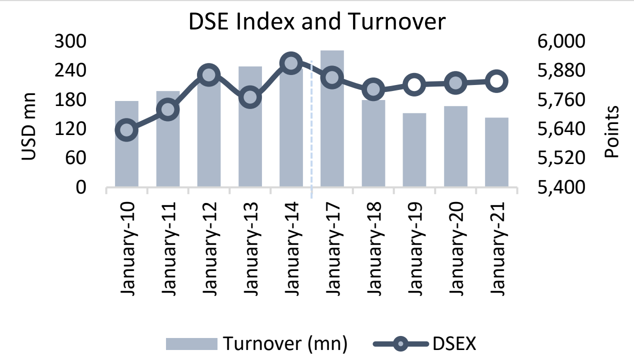
Source: Bangladesh Bank and Investing.com

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 1st April to 18th 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

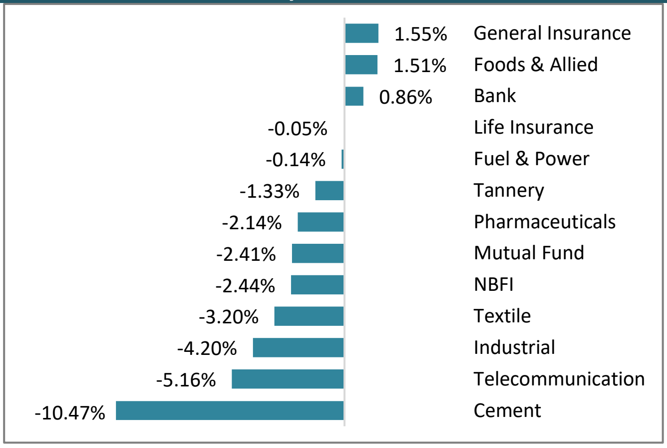
The DSEX lost 73 points (-1.24%) during the week as investors engaged in profit booking after the market soared 1,045 points in the previous 7 consecutive weeks. The general insurance sector registered the highest gain of 1.55% as the sector's stock prices surged after IDRA instructed all insurance companies to comply with the minimum shareholding of 60% by sponsors and a minimum paid up capital of BDT 300 mn - 400 mn in one month's time. The market stayed in the red zone in the first 2 trading days of the week and gained only minimally in the remaining 3 trading sessions without much positive reaction to news of the arrival of the vaccine on Thursday. Hence, average daily turnover also declined by -16.25% compared to the previous week. Meanwhile, the securities regulator mandated the publishing of a dividend distribution policy for all listed companies and mutual funds so that investors know in advance how much dividend they might receive. Also, from March onwards BO account opening will be digitalized with a view to increase market participation and curb account opening using fake information and from April onwards every general investor who applies for IPOs are to receive shares on a pro rata basis.



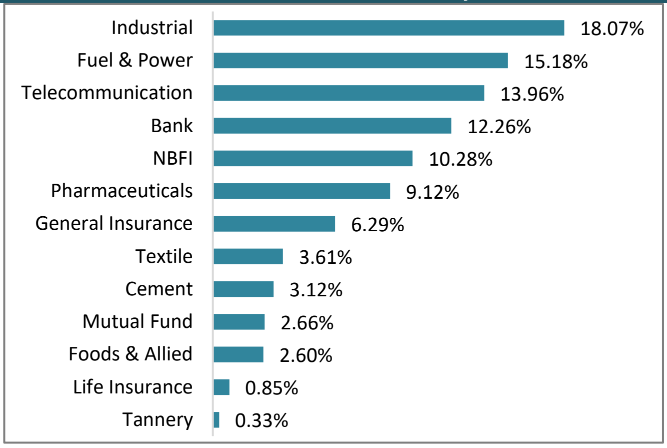
Market Statistics

	This Week	Last Week	Weekly Change	YTD Change
DSEX	5,836	5,909	-1.24%	8.04%
DS30	2,208	2,237	-1.27%	12.45%
Market Cap ($ mn)	57,950	59,059	-1.88%	9.83%
Total Turnover ($ mn)	921	1,100	-16.25%	7.86%
Avg. Daily Turn. ($ mn)	184	220	-16.25%	7.86%
S&P 500	3,841	3,768	1.94%	2.27%
DJIA	30,997	30,016	3.27%	1.28%
FTSE 100	6,695	6,736	-0.60%	3.63%
NIKKEI 225	28,631	28,519	0.39%	4.33%

Weekly Sector Return



Sector Contribution to Total Weekly Turnover



NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

Out of the total 6 earnings that were declared during the week, 50% companies posted a positive growth while the other 50% companies posted a negative growth. IBNSINA continued its good run this year as it posted positive earnings growth for Q2 as well. Market debutant EPGL headed off to a good start in the secondary market as its price soared but the company's profit tumbled in the first quarter of FY21. The demand for EPGL's products went down due to the pandemic. MPETROLEUM posted negative earnings growth in Q2 this year due to poor demand of petroleum products.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (July-Sep)	EPS 2019 (July-Sep)	CHANGE
IBNSINA	The IBN SINA Pharmaceutical Industry Ltd.	Pharmaceuticals & Chemicals	4.95	4.43	11.7%
EPGL	Energypac Power Generation Limited	Fuel & Power	0.44	0.88	-50.0%
MPETROLEUM	Meghna Petroleum Limited	Fuel & Power	5.7	6.19	-7.9%

Source: DSEX, Investing.com, LR Global Research

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 4.40% this week in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases decreased by 24.96% as the total tests conducted decreased by 2.23% compared to the previous week. During the week 4,623 new positive cases and 120 more deaths were reported in Bangladesh, taking the total number of cases to 531,326 as of 23rd January, according to official tallies. The positivity rate declined to 4.40% while the death rate is hovering around the same region. The first batch of vaccine containing 2 mn doses arrived in Dhaka on 21st last week as a gift from India. Later this week another 5 mn doses are expected to land which the government ordered from SII. Globally, the total number of cases has crossed 96.20 mn and the death count is also about to reach 2.06 mn.

Government approves two new stimulus packages worth BDT 27.00 bn

In order to boost the rural economy, the government has prepared two new packages worth BDT 15bn and 12 bn. Funds will be provided to SME Foundation, Small and Cottage Industries Corporation and other social development foundations from the first package. Under the second package, the elderly people, and widows in 150 upazilas will be brought under an allowance program in fiscal 2021-22.

BB has prepared a refinancing scheme worth BDT 10.00 bn for tech upgradation of export units

In total, 32 types of industries and 11 types of operations including readymade garment factories and pharmaceuticals can borrow from the new refinancing scheme if they meet the 70:30 debt to equity ratio. The interest rate charged will range between 5-6% with a minimum tenure of 5 years and a maximum tenure of 10 years.