

KEY ECONOMIC INDICATORS

RMG exports declined -4.99% in January as key markets continue to grapple from the pandemic-induced slowdown. Buyers are currently placing very low orders for which they are seeking about 20% discount and deferred payments of up to 200 days. The import scenario remains the same due to sluggish demand in the economy. Remittance inflow continues to grow as the country received \$1.96 bn in January 2021 with a 19.79% growth YoY, though lower than the \$2 bn plus the country received between the Sep-Dec 2020 period. The central bank continued its use of dirty-float as they purchased more dollars from the market exerting more pressure on the excess money supply in the economy. Oil prices went up due to declining inventories in the U.S. and China and production constraints.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	43.02	42.83	0.44%	-0.36%
Call Money Rate (Weighted Average)	1.81%	1.66%	15 bps	-31 bps
Exchange Rate (BDT-USD)	84.80	84.80	0.00%	0.00%
Oil Price (USD per barrel of WTI)	56.23	52.34	7.43%	16.18%
	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-Nov)		10,270	9,953	3.19%

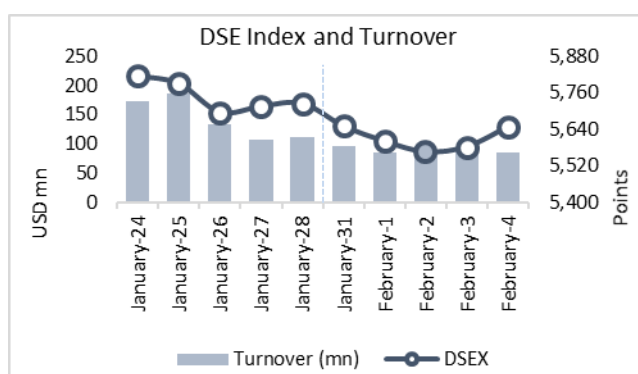
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

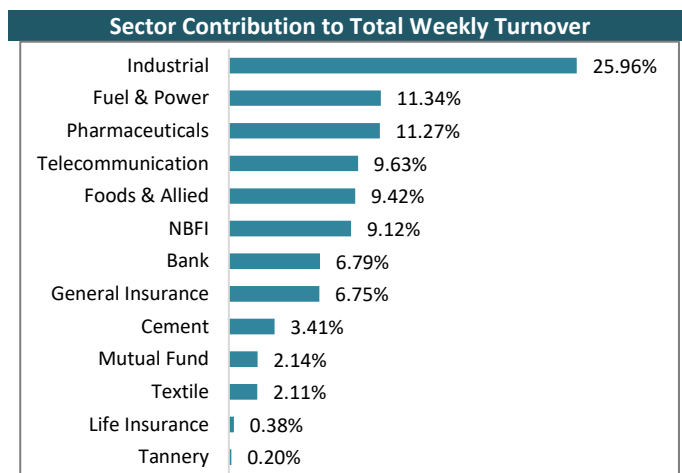
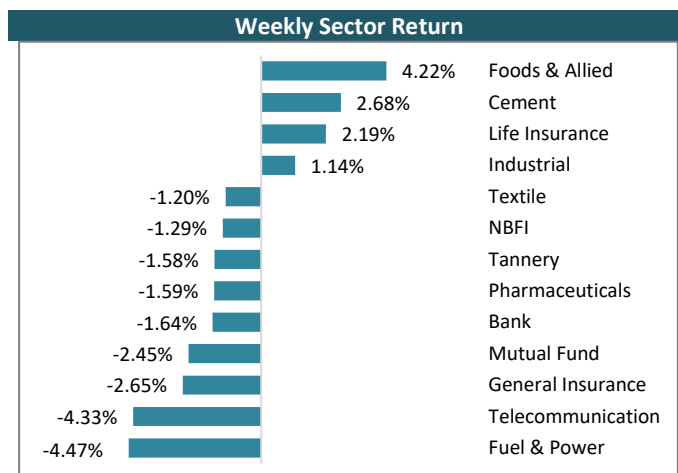
Risk factor	Risk Level	Impact
Subdued tax revenue collection	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 3.19% in the Jul-Nov period of FY21 as businesses 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 shed 77 points (-1.34%) during the week as sell pressure persisted for the third consecutive week as panic selling ensued in an overheated market in combination with pressure to bring down margin loan rates. After an 8-week rally in December and early January riding on positive vaccine news, cautious investors have been engaging in profit booking as the vaccine hype has been diminishing with the realization economic recovery is unlikely to occur immediately with the vaccine rollout. In addition, the security regulator’s instruction to brokerages and merchant banks to adjust their margin loan rate to 12% has been putting some pressure on these institutions. Hence, the market remained in the red zone in 3 out of the 5 trading days of the week. The food and allied sector generated the highest return as BATBC’s price surged as the company’s earnings declaration date neared. Market turnover declined -37.63% as cautious investors are adopting a wait and watch strategy amid the market correction. The market regulator continued its reform initiatives during the week and set up an inspection team to investigate the unusual behavior of MIRAKHTER’s stock price, imposed a 20% upper limit in the bidding process for book building IPOs and formulated an exit plan for poorly performing listed companies, among others.



	This Week	Last Week	Weekly Change	YTD Change
DSEX	5,648	5,724	-1.34%	4.55%
DS30	2,174	2,191	-0.80%	10.68%
Market Cap (\$ mn)	56,422	56,976	-0.97%	6.93%
Total Turnover (\$ mn)	442	708	-37.63%	-48.27%
Avg. Daily Turn. (\$ mn)	88	142	-37.63%	-48.27%
S&P 500	3,887	3,714	4.65%	3.48%
DJIA	31,148	29,983	3.89%	1.77%
FTSE 100	6,489	6,407	1.28%	0.45%
NIKKEI 225	28,779	27,663	4.03%	4.86%



NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

Out of the total 147 earnings that were declared during the week, 44.9% of the companies posted a positive growth while 55.1% of the companies posted a negative growth. ARAMIT bounced back in the second quarter as the company managed to decrease their COGS and selling & distribution expenses by 4.07% and 36.90%, respectively. MEGHNACEM posted positive earnings growth in Q2 as well thanks to an increase in revenue by 26.52%. Construction giant MIRAKHTER failed to impress the investors as the company posted negative earnings growth which pushed its price down in the premier bourse.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Oct-Dec)	EPS 2019 (Oct-Dec)	CHANGE
ARAMIT	Aramit Limited	Cement	1.51	0.37	308.11%
MEGHNACEM	Meghna Cement Mills Ltd.	Cement	0.44	0.27	62.96%
MIRAKHTER	Mir Akhter Hossain Limited	Engineering	1.11	1.15	-3.48%

Source: DSEX, Investing.com, LR Global Research

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 3.10% this week in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases decreased by 12.89% as the total tests conducted decreased by 1.02% compared to the previous week. During the week, 3,000 new positive cases and 79 more deaths were reported in Bangladesh, taking the total number of cases to 537,770 as of 6th February, according to official tallies. The positivity rate declined to 3.10% while the death rate is hovering around the same region. The country wide vaccination started on 7th February which will be carried out using 1,005 centers across the country. Globally, the total number of cases has crossed 106 mn and the death count is also about to reach 2.31 mn.

Banks perform better than expected during the COVID stricken year

The banking sector surprised everyone as net profit surged by 73% in September and loan recovery showed results far better than expected. This was possible mainly due to waiver on classifying loans and government's borrowing through T-bills where banks could invest as private sector credit growth remained sluggish throughout the year. Total operating profits in the banking sector declined by only 7.16% compared to the estimated 40% by industry insiders.

Government to support small firms by providing loans at 4%

Small traders, entrepreneurs and farmers who fail to meet banking requirements for finance will now be able to avail loans at 4% interest from a fresh BDT 15 bn stimulus package. The government will disburse these funds through various government and semi-government agencies like the SME Foundation, BSCIC and Bangladesh NGO Foundation.