ASSET MANAGEMENT

WEEKLY UPDATE (JULY 12 – JULY 16, 2020)

KEY ECONOMIC INDICATORS

Forex reserve has climbed back to USD 36 billion again this week after a slight fall in the previous week. Such a record level of reserve has sparked a debate among economic experts regarding whether the cash-strapped government should borrow from the reserve to finance public budget or not. Call money rate has dipped further to 3.80% after hovering around 5% over the last few months. Export income has also slid down by -16.9% in FY20 as all of the export sectors except jute and pharmaceuticals have seen a decline amid the pandemic. Oil price and exchange rate have remained stable during the week.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	36.10	35.68	1.20%	10.22%
Call Money Rate (Weighted Average)	3.80%	3.91%	-2.81%	-23.23%
Exchange Rate (BDT-USD)	84.80	84.80	0.00%	-0.12%
Oil Price (USD per barrel of WTI)	40.59	40.55	0.10%	-33.52%
		FY 2019-20	**FY 2018-19**	**% Change**
Export (USD mn) (Jul-Jun)		33,670	40,531	-16.9%
Import (USD mn) (Jul- May)		49,977	56,034	-10.8%
Remittances (USD mn) (Jul-Jun)		18,218	16,412	11.0%
Current Account Balance (USD mn) (Jul- May)		(4,374)	(5,154)	N/A
Tax Revenue (NBR) (USD mn) (Jul-May)		22,230	22,832	-2.63%
Credit to the Private Sector (USD mn) (May)		128,491	118,033	8.9%
Point-to-point Inflation (Jun)		5.35%	6.02%	+50 bps

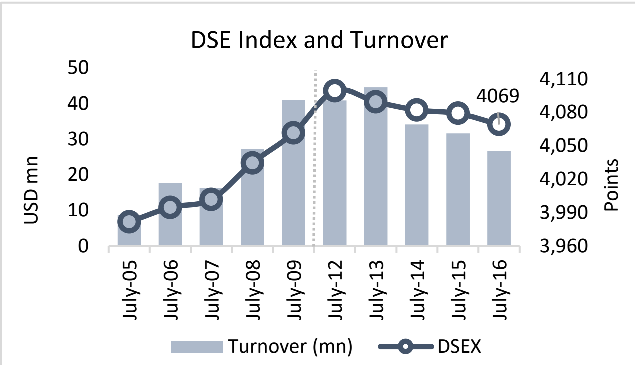
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

Risk factor	Risk Level	Impact
Demand contraction	High	High uncertainty and virus fears have resulted in subdued demand, which in turn have led to large scale job losses and more demand contraction as discretionary spending takes a hit. According to ILO's projections, around 200 mn full-time workers' jobs may be lost, and Bangladesh will not be immune to this. Purchasing power is likely to remain weak to remain weak until the economy rebounds and the effects of the virus wear off.
Export slump	High	It has been projected global merchandise trade might plummet by ~13% due to the pandemic. As apparel stores across major export destinations of Bangladesh such as the US and Europe are suffering from demand contraction, export orders worth billions of dollars have been canceled or suspended so far and counting. Unless export diversification is implemented and global economic activities pick up, Bangladesh will continue to be subject to the concentrated risks of the RMG sector (that accounts for ~80% of export earnings).
Remittance shock	High	Although March (-11.83%), April (-24.48%) and May (-14.29%) registered double digit negative growth in inward remittance YOY amid the pandemic, June registered a positive gain (33.58%). However, as the World Bank expects global remittance to decline by 20% this year, the overall outlook is gloomy. Expatriates are facing mass deportations from Middle East countries in phases and globally ~2 mn Bangladeshi workers are now facing the risk of deportation.
Subdued tax revenue collection	High	Tax collection registered a negative growth of 2.63% for the first time since the country's independence due to the effects of the virus. Overall economic slowdown will continue to affect revenue collection and likely create a deeper budget deficit. According to ADB's forecast, Bangladesh may incur a tax revenue loss equivalent to 2% of GDP, which will likely exert an even greater pressure on the banking sector.
Soaring default loan in financial sector	High	The banking sector has been burdened with high non-performing loans (NPLs) at 9.03%, compounded with weak deposit growth and a CAR of 11.60% that is the lowest in South Asia. Moreover, poorly capitalized banks will have to bend over backwards to implement stimulus packages to provide relief to virus-struck businesses. The swelling damage in the economy may cause a sharp rise in the amassing default loans, undermining the sector further in the long term.
Depressed capital market	Medium	The overall gloomy economic outlook coupled with a high number of listed companies with poor fundamentals and the inability of regulators to restore investor confidence has resulted in a moribund situation in the capital market. Although the DSEX recently dipped below 3,900 points for the first time since 2015 amid the new floor price mechanism and the pandemic, it has now crossed 4,000 points after regulators took some initiatives to improve market participation and encourage foreign investment. 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.

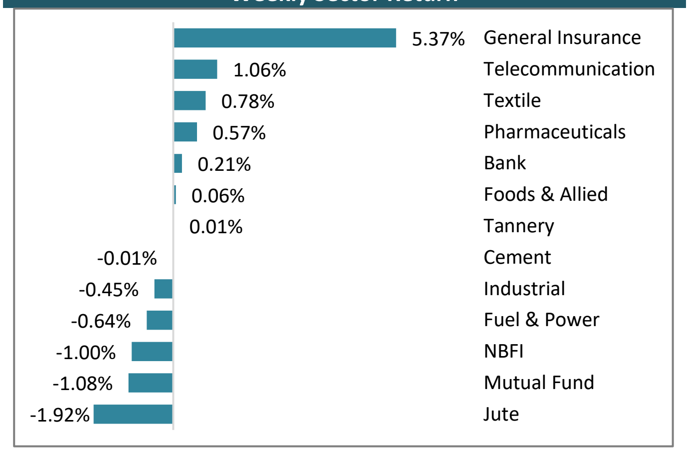
CAPITAL MARKET UPDATE

The broad index slipped back into red from the 2nd trading session of this week, reversing most of the gains from the previous week. A large number of investors have been engaged in profit booking in the market, allowing the DSEX to register only a minimal gain of 8 points (0.19%) during the week. Even though overall investor participation has surged by 60.33% from the previous week, investors continue to remain cautious due to the gloomy outlook of the economy. Market participants are also being wary of the upcoming monetary policy that is to be announced in the last week of July. In addition, the number of virus cases in Bangladesh are racing towards the 200,000 mark. Although the pharmaceutical sector is still capturing the highest trading volume, investors are also increasingly beginning to eye undervalued stocks in other sectors.

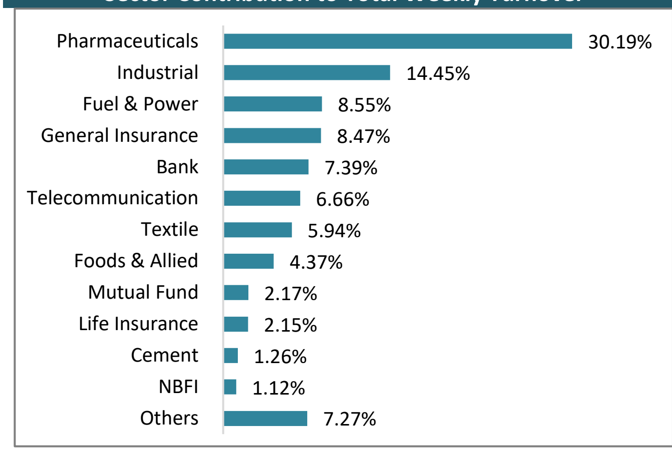


Market Statistics	This Week	Last Week	Weekly Change	YTD Change
DSEX	4,069.11	4,061.57	0.19%	-8.63%
DS30	1,368.76	1,369.37	-0.04%	-8.86%
Market Cap ($ mn)	37,136.84	37,080.71	0.15%	-7.23%
Total Turnover ($ mn)	177.52	110.72	60.33%	-10.18%
Avg. Daily Turn. ($ mn)	35.50	22.14	60.33%	-10.18%
S&P 500	3,224.73	3,185.04	1.25%	-1.02%
DJIA	26,671.95	26,075.30	2.29%	-7.61%
FTSE 100	6,290.30	6,095.41	3.20%	-17.28%
NIKKEI 225	22,696.42	22,290.81	1.82%	-2.19%

Weekly Sector Return



Sector Contribution to Total Weekly Turnover



NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

Out of the total 16 earnings that were declared during the week, 56.3% companies posted positive growth while 43.8% were negative. GP's topline growth substantially dropped by 8.57% in Apr-Jun'20 quarter compared to the same quarter in the previous year which resulted in negative earnings growth for the company. SSSTEEL also registered negative growth in net profit mainly due to increased tax expenses and minimal topline growth of 1.89%. Additionally, NCCBANK's year-end earnings went up by 16.8% as a result of growth in operating income.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Apr-Jun)	EPS 2019 (Apr-Jun)	CHANGE
SONARBAINS	Sonar Bangla Insurance Ltd.	General Insurance	0.52	0.15	246.7%
GP	Grameenphone Ltd.	Telecommunication	5.38	7.07	-23.9%

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Jan-Mar)	EPS 2019 (Jan-Mar)	CHANGE
GENEXIL	Genex Infosys Limited	IT	1.22	0.81	50.6%
SSSTEEL	S. S. Steel Limited	Industrial	0.36	0.53	-32.1%

TICKER	COMPANY NAME	SECTOR	EPS 2019 (Jan-Dec)	EPS 2018 (Jan-Dec)	CHANGE	DIVIDEND (2019)
MIDASFIN	MIDAS Financing Ltd.	NBFI	0.68	0.09	655.6%	2.5% cash, 2.5% stock
NCCBANK	National Credit and Commerce Bank Ltd.	Bank	2.30	1.97	16.8%	15% cash, 2% stock

Source: DSEX, Investing.com, LR Global Research

QUARTERLY EARNINGS UPDATE

Most of the sectors experienced a double-digit negative earnings growth in the Jan-Mar, 2020 quarter compared to the same period in 2019. The food & allied, banking, and telecom sector reported the highest growth. Food & allied and telecom continued to perform well despite the economic slump as their goods and services fell under essential services and major player BATBC secured a positive earnings growth due to significant rise in stick sales. The banking sector was also able to post positive earnings as banks such as ONEBANKLTD, STANDBANKL, SOUTHEASTB, NBL, and NCCBANK were able to generate top line growth and kept aside lower provisioning for loans and advances. Alongside this, the pharmaceuticals sector reported positive earnings as it received a boost in sales due to the health crisis in the country. On the other hand, the tannery, textile, and industrial sectors were the worst performers mainly due to demand contraction amid the pandemic.

Sector	2018					2019					2020
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total	Jan-Mar
Bank	11,064	15,187	13,525	23,762	63,537	13,344	18,592	13,659	18,615	64,210	17,619
Cement	800	863	203	835	2,701	729	879	403	42	2,053	596
Ceramic	288	207	337	446	1,279	230	59	261	287	837	167
Food & Allied	2,701	2,691	1,959	2,016	9,367	1,938	1,138	2,615	2,677	8,369	2,812
Fuel & Power	7,214	10,255	10,792	9,542	37,802	8,931	11,261	10,654	8,812	39,659	7,198
Industrial	4,671	13,371	4,173	4,359	26,574	4,443	5,037	3,612	2,871	15,962	2,804
NBFI	2,331	2,029	1,421	3,311	9,092	1,673	-891	-655	1,437	1,565	1,854
Pharmaceuticals	4,729	4,791	4,549	4,547	18,617	4,787	4,985	6,093	5,920	21,786	5,391
Telecommunication	6,394	10,804	8,892	9,070	35,160	8,926	9,553	7,269	8,766	34,514	10,694
Textile	1,304	1,238	1,594	1,249	5,384	1,218	-6,076	817	814	-3,227	283
Tannery	411	278	607	321	1,616	269	99	352	144	864	-55

QoQ Growth (Sectorwise)	2018				Yearly Growth	2019				Yearly Growth	2020
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec		Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec		Jan-Mar
Bank	1.5%	0.5%	-17.4%	36.1%	6.1%	20.6%	22.4%	1.0%	-21.7%	1.1%	32.0%
Cement	-25.0%	55.7%	-43.8%	113.3%	13.8%	-8.9%	1.9%	98.8%	-95.0%	-24.0%	-18.2%
Ceramic	20.5%	-42.9%	11.3%	36.9%	3.9%	-20.3%	-71.3%	-22.7%	-35.6%	-34.5%	-27.5%
Food & Allied	23.3%	58.2%	4.2%	26.9%	27.3%	-28.2%	-74.1%	33.5%	32.8%	-10.7%	45.1%
Fuel & Power	8.6%	23.7%	29.6%	26.2%	22.7%	23.8%	9.8%	-1.3%	-7.6%	4.9%	-19.4%
Industrial	13.2%	378.4%	21.2%	12.5%	86.6%	-4.9%	-62.3%	-13.4%	-34.1%	-39.9%	-36.9%
NBFI	-38.0%	-16.3%	-49.0%	54.3%	-18.2%	-28.2%	-143.9%	-146.1%	-56.6%	-82.8%	10.8%
Pharmaceuticals	-1.9%	-4.8%	-11.3%	-22.4%	-10.7%	1.2%	4.1%	33.9%	30.2%	17.0%	12.6%
Telecommunication	-2.5%	36.3%	27.6%	51.8%	28.2%	39.6%	-11.6%	-18.3%	-3.3%	-1.8%	19.8%
Textile	-9.8%	-8.6%	24.0%	-10.8%	-1.9%	-6.6%	-591.0%	-48.7%	-34.8%	-159.9%	-76.8%
Tannery	51.8%	37.5%	16.3%	-4.4%	21.5%	-34.4%	-64.5%	-42.0%	-55.1%	-46.6%	-120.2%

*Note: Sector represents more than 70% of the companies (according to large market capital) Source: DSEX, LR Global Research.

MAJOR EVENTS DURING THE WEEK

COVID-19 positive cases cross 200,000 mark amid rising infection rate: COVID-19 update

COVID-19 cases in Bangladesh have crossed the 200,000 mark this week since reporting its first case five months ago. During the week, 20,937 new positive cases and 276 more deaths were reported, taking the total number of cases to 202,066 as of 18th July, according to official tallies. Although the weekly growth rate of total positive cases in Bangladesh (11.6%) have fallen below the global average (12.2%), it does not exude hope as the number of tests carried out per day have continued to decrease (-2.4%) this week amid the imposition of fees on tests. In addition, the infection rate as a percentage of total number of tested cases has increased (23.7%) compared to the previous week (22.1%).

Foreign aid crosses USD 7 billion record in FY 20 amid COVID-19:

The opening balance of foreign assistance at the beginning of the FY21 stands at USD 49.55 billion compared to the USD 47.26 billion in the previous FY. Bangladesh's development partners disbursed a record amount of USD 7.2 billion in FY 20. The implementation of the mega-projects may be delayed as authorities are mainly focusing on the COVID-19 related projects.

BSEC directs DSE to upgrade the electronic bidding platform by December:

After examining the electronic bidding process of Walton via the Electronic Subscription System (ESS), the securities regulator has identified a number of potential weaknesses in the system and has directed DSE to upgrade the platform. DSE has agreed to establish a sound technological base, access control, user authentication, tracing, and information encryption by December.

Interest rate spread tumbles below 3 percentage points

Bangladesh's banking sector overall weighted average interest rate spread has dropped down to below 3 percentage points for the first time. Recent enforcement of the 9% cap on the lending rate of the banks has worsened credit growth in the sector. In such a situation, banks have responded by initiating job cuts, disapproving the loan application of the SMEs and cutting down the deposit rate which in turn has been affecting both small borrowers and savers.