KEY ECONOMIC INDICATORS

Foreign exchange reserve has come down slightly this week after it reached a record high in the previous week. Call money rate has abruptly dipped to 3.91% after hovering around 5% in the last few months. Tax revenue has witnessed its first ever negative growth of -2.63% since independence due to the effects of the coronavirus. In addition, point-to-point inflation has surged by 50 bps in June due to the swelling food inflation on the back of the supply chain disruption and damage of vegetables and other crops caused by the rain and floods.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	35.68	36.02	-0.95%	8.91%
Call Money Rate (Weighted Average)	3.91%	5.02%	-111 bps	-104 bps
Exchange Rate (BDT-USD)	84.80	84.85	-0.06%	-0.12%
Oil Price (USD per barrel of WTI)	40.55	40.28	0.67%	-33.59%
		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

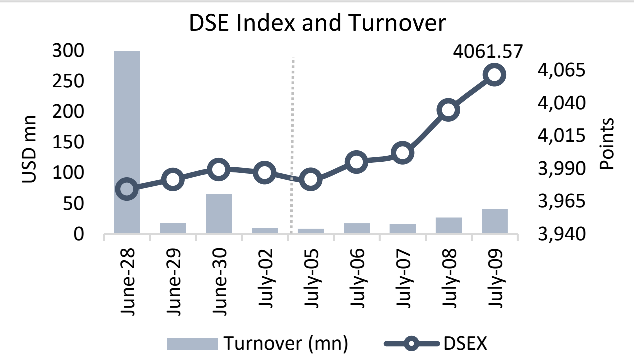
Source: Bangladesh Bank and Investing.com

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.

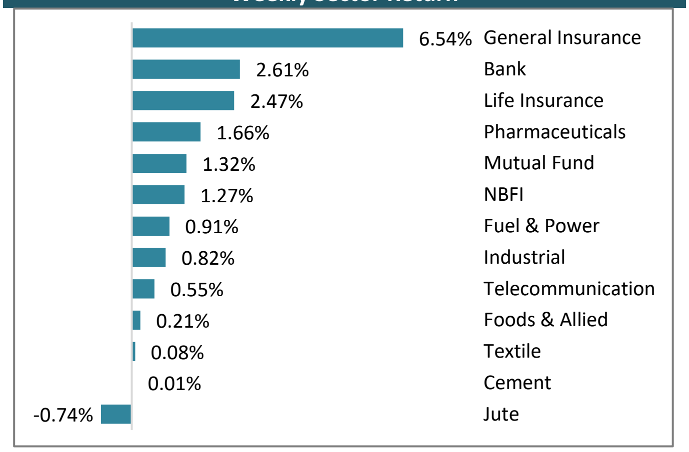
CAPITAL MARKET UPDATE

The DSEX climbed 75 points (1.88%) during the week, crossing the psychological threshold of 4,000 points, as a large number of investors flocked back to the market with some renewed confidence as several initiatives from regulators created a positive sentiment in the market. During the week, the securities regulator mandated the listing of bank-issued perpetual bonds and asked the directors of 21 companies to comply with the mandatory rule of holding a minimum of 2% shares of their respective companies within 45 days. In addition, with a view to attract more foreign investment, re-investment of dividend in the capital market by foreign investors will now be treated as fresh foreign investment by the central bank. Trading hours were brought back to the regular 4-hour schedule Wednesday onwards.

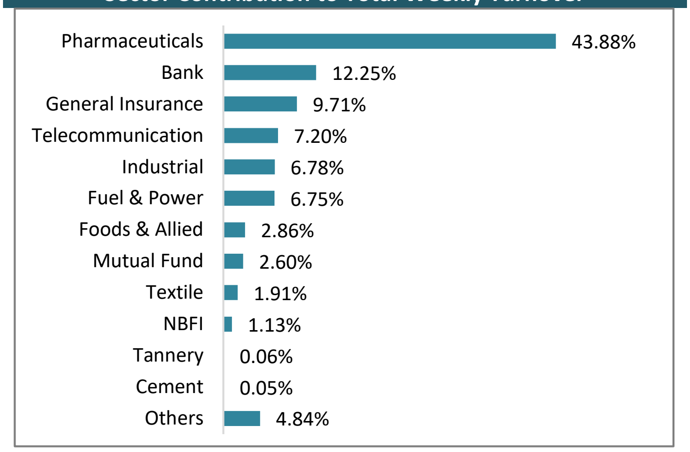


Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	4,061.57	3,986.74	1.88%	-8.80%
DS30	1,369.37	1,339.49	2.23%	-8.82%
Market Cap ($ mn)	37,080.71	36,701.02	1.03%	-7.37%
Total Turnover ($ mn)	110.72	392.56	-71.80%	-43.98%
Avg. Daily Turn. ($ mn)	22.14	98.14	-77.44%	-43.98%
S&P 500	3,185.04	3,130.01	1.76%	-2.23%
DJIA	26,075.30	25,827.36	0.96%	-9.68%
FTSE 100	6,095.41	6,157.30	-1.01%	-19.84%
NIKKEI 225	22,290.81	22,306.48	-0.07%	-3.94%

Weekly Sector Return



Sector Contribution to Total Weekly Turnover



NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

Out of the total 13 earnings that were declared during the week, 23.1% companies posted positive growth while 76.9% were negative. BATASHOE's net earnings fell down by 36.5% in Jan-Mar'20 period compared to similar period of previous year as sales volume collapsed and surge in administrative, selling and distribution expenses. SILVAPHL experienced a negative growth in net earnings as turnover increased marginally while costs increased significantly. PHOENIXFIN also witnessed negative growth in earnings as operating income dwindled by 11.18% while operating expenses escalated by 5.23%.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Jan-Mar)	EPS 2019 (Jan-Mar)	CHANGE
MJLBD	MJL Bangladesh Limited	Fuel & Power	1.81	1.51	19.9%
EASTERNINS	Eastern Insurance Company Ltd.	General Insurance	0.89	0.79	12.7%
SILVAPHL	Silva Pharmaceuticals Limited	Pharmaceuticals	0.20	0.26	-23.1%
BATASHOE	Bata Shoe Company (Bangladesh) Limited	Tannery	2.07	3.26	-36.5%

TICKER	COMPANY NAME	SECTOR	EPS 2019 (Jan-Dec)	EPS 2018 (Jan-Dec)	CHANGE	DIVIDEND (2019)
EASTERNINS	Eastern Insurance Company Ltd.	General Insurance	3.65	3.56	2.5%	20% cash
PHOENIXFIN	Phoenix Finance and Investments Ltd.	NBFI	1.89	2.02	-6.4%	6% cash, 6% stock
BATASHOE	Bata Shoe Company (Bangladesh) Limited	Tannery	36.11	72.70	-50.3%	No dividend

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	4,568	13,417	3,959	4,240	26,183	4,289	5,020	3,393	2,743	15,445	2,704
NBFI	2,280	2,061	1,407	3,332	9,080	1,632	-738	-613	1,203	1,485	1,838
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	10.9%	431.4%	19.4%	11.2%	90.1%	-6.1%	-62.6%	-14.3%	-35.3%	-41.0%	-36.9%
NBFI	-38.1%	-13.6%	-48.6%	60.2%	-16.6%	-28.4%	-135.8%	-143.5%	-63.9%	-83.6%	12.6%
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

Number of COVID-19 test decreases by 16.5% amid the imposition of fees on tests: COVID-19 Update

The growth rate of COVID-19 cases in Bangladesh appears to have declined this week. During the week, 21,450 new positive cases and 308 more deaths were reported, taking the total number of cases to 181,129 as of 11th July, according to official tallies. Although the weekly growth rate of total positive cases in Bangladesh (13.4%) slowed down from the previous week (19.2%), it does not exude hope as the number of tests carried out per day have decreased (-16.5%) amid the imposition of fee on tests. In addition, the infection rate as percentage of total tested cases has increased (22.1%) compared to the previous week (21.4%). Till date, 12.9 million people have been infected by the virus globally and more than 0.57 million have lost their lives amid record number of new cases worldwide this week.

Foreign investment policy eased to allow dividends to be kept in FC accounts

In a bid to attract more foreign investment, the central bank has allowed foreign investors to deposit their dividend income earned from Bangladesh in their foreign currency (FC) accounts, which can then be re-invested to buy shares. The FC account can be encashed locally (which will be treated as inward remittance) or remitted to their destination country (which will be considered as outward remittance).

Listing of bank-issued perpetual bonds made mandatory

The BSEC has mandated that perpetual bonds issued by banks will need to be listed on exchanges. At present, a good number of commercial banks need to boost their Tier-1 capital bases for which the issuance of perpetual bonds is being preferred.

Directors of 22 listed companies in non-compliance with shareholding rule

Despite the mandatory rule being in place since 2011, at present 61 directors of 22 listed companies have failed to comply with holding minimum of 2% shares of the company's paid-up capital. The securities regulator has sent letters to the companies in this regard asking to comply with the rules within 45 working days in order to be able to continue holding their directorship.