

KEY ECONOMIC INDICATORS

In order to ease foreign trade, export policy supports such as additional time to bring in export earnings and borrowing from EDF have been extended till December 2021. Meanwhile, NSC sales fell by more than 50% to BDT 15.25 bn in April from BDT 36.91 bn in March due to the second wave of the pandemic. At this time, a marginal rise of 6% (BDT 3.4) is being expected in government total liabilities, domestic and foreign, in the upcoming FY22. In the first 11 months of current FY, BB purchased USD 7.68 bn from the banking system, the highest on record, with an aim to suppress any abnormal local currency appreciation. In addition, increased demand for required raw materials such as polymer and yarn in the international market is pushing the production cost upward by 40% to 80% for garment manufacturers. Oil prices have been on a tear lately amid projections for one of the biggest ever summer demand periods for fuel in the US as the country reopens fully.

| | This Week | Last Week | Weekly Change | YTD Change |
|--|-----------|-------------------|-------------------|-----------------|
| Foreign Exchange Reserve (USD bn) | 45.25 | 45.09 | 0.37% | 4.82% |
| Call Money Rate (Weighted Average) | 2.27% | 2.39% | -12 bps | 15 bps |
| Exchange Rate (BDT-USD) | 84.80 | 84.80 | 0.00% | 0.00% |
| Oil Price (USD per barrel of WTI) | 70.29 | 68.81 | 2.15% | 45.23% |
| | | FY 2020-21 | FY 2019-20 | % Change |
| Export (USD mn) (Jul-Apr) | | 32,073 | 29,494 | 8.74% |
| Remittances (USD mn) (Jul-May) | | 22,837 | 16,372 | 39.48% |
| Import (USD mn) (Jul-Apr) | | 52,490 | 46,443 | 13.02% |
| Current Account Balance (USD mn) (Jul-Apr) | | -47 | -3,772 | N/A |
| Credit to the Private Sector (BDT bn) (Apr) | | 137,303 | 126,788 | 8.29% |
| Point-to-point Inflation (Apr) | | 5.56% | 5.96% | 40 bps |
| Tax Revenue (NBR) (USD mn) (Jul-Apr) | | 23,300 | 20,644 | 12.87% |

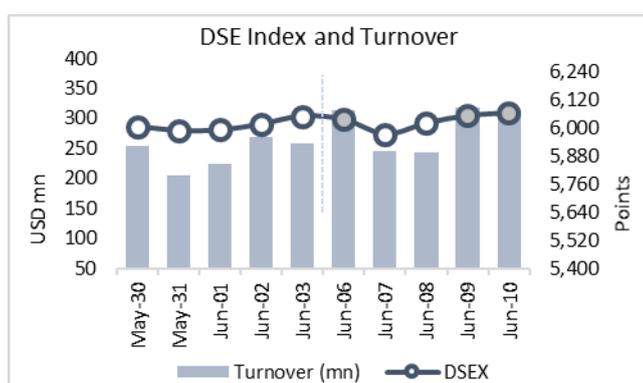
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

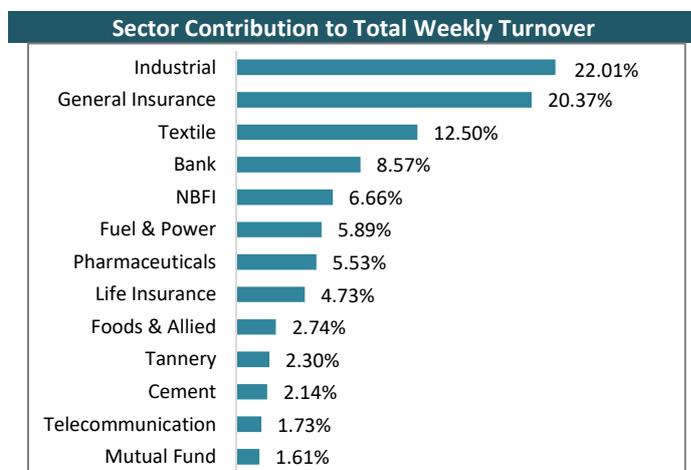
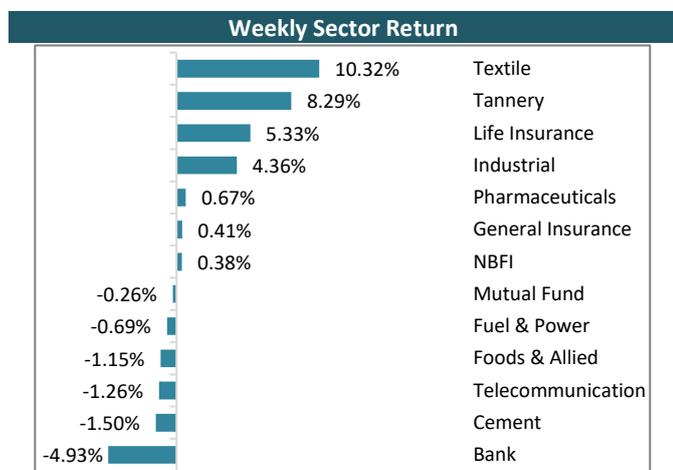
| Risk factor | Risk Level | Impact |
|---|------------|---|
| Subdued tax revenue collection | High | Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 5.16% in the Jul-Feb 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 7.66% 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. In addition, banks and NBFIs have been permitted to declare dividends depending on the strength of their capital base. |
| Remittance shock | Medium | Inward remittances made an exceptional recovery in the Jul-Mar period amid the pandemic with a 39% 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. While consumer confidence is likely to strengthen as the percentage of vaccinated population continues to increase, the recent spike in virus cases and new lockdown is concerning. |
| 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, the resurgence of virus cases is likely to delay recovery. 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 and how the recent spike in virus cases play out. |

CAPITAL MARKET UPDATE

The DSEX rose by 13 points (0.22%) during the week and settled at 6,067, surging by a total of 812 points in 9th consecutive weeks. This jump is primarily attributable to investors' confidence in the new commission, low interest rates and a business-friendly budget proposed by the finance ministry. In addition, the impact of the corporate tax cut for manufacturing companies was also reflected in the market during the week. The banking sector, that accounted for 8.57% of the total turnover, experienced selling pressure and registered a negative return of -4.93% while the telecommunication sector returned -1.26%, which was the 2nd lowest turnover as the corporate tax cut benefit was not extended to them. Upon hope of recovery, the textile sector climbed by 10.32% as investors put their fresh bet on textile stocks that have long remained in a bearish trend due to subdued demand at major RMG export destinations. The fading opportunity of whitening black money via the capital market might also may have incentivized investors to inject more money into the market due to uncertainty regarding whether the next FY will continue to allow this. Market capitalization also reached a fresh all-time high of US\$ 60,017 mn while average daily turnover improved by 19.02% compared to the previous week. During the week, BSEC's decision to remove the ICB and its subsidiary from the trusteeship of two open-end mutual funds being managed by its asset management arm is expected to accelerate confidence in the mutual fund sector, as separation of trusteeship would help improve accountability and transparency.



| Market Statistics | | | | |
|--------------------------|-----------|-----------|---------------|------------|
| | This Week | Last Week | Weekly Change | YTD Change |
| DSEX | 6,067 | 6,053 | 0.22% | 12.30% |
| DS30 | 2,205 | 2,204 | 0.07% | 12.28% |
| Market Cap (\$ mn) | 60,017 | 59,181 | 1.41% | 13.55% |
| Total Turnover (\$ mn) | 1,437 | 1,208 | 19.02% | 68.01% |
| Avg. Daily Turn. (\$ mn) | 287 | 242 | 19.02% | 68.01% |
| S&P 500 | 4,247 | 4,230 | 0.41% | 13.08% |
| DJIA | 34,480 | 34,756 | -0.80% | 12.65% |
| FTSE 100 | 7,134 | 7,069 | 0.92% | 10.43% |
| NIKKEI 225 | 28,949 | 28,942 | 0.02% | 5.48% |



NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK

Although ACTIVEFINE generated higher turnover from the same quarter of the previous year, its EPS decreased by 89.47% in this quarter as cost of goods sold increased by 154% due to higher raw material costing and other overhead costs. Significant increase in underwriting profit drove EPS upward by 11.11% even though DHAKAINS's net premium income decreased.

| TICKER | COMPANY NAME | SECTOR | EPS 2021 (Jan-Mar) | EPS 2020 (Jan-Mar) | CHANGE |
|------------|-------------------------------|-----------------------------|--------------------|--------------------|---------|
| ACTIVEFINE | Active Fine Chemicals Limited | Pharmaceuticals & Chemicals | 0.02 | 0.19 | -89.47% |
| DHAKAINS | Dhaka Insurance Limited | Insurance | 0.7 | 0.63 | 11.11% |

| TICKER | COMPANY NAME | SECTOR | EPS 2020 | EPS 2019 | CHANGE | Dividend |
|--------|-----------------------------|--------|----------|----------|--------|------------|
| UCB | United Commercial Bank Ltd. | Bank | 2.42 | 2.35 | 2.98% | 5%c & 5% s |

QUARTERLY EARNINGS UPDATE

During the Jan-Mar'21 quarter, the cement sector experienced the highest growth of 233.3%, based on the earnings disclosed so far, owing to a revival in demand in the sector. The industrial sector also experienced a significant growth of 214.7% due to growth in demand where BEXIMCO played a significant role. The tannery sector managed to make a turnaround this quarter as it was able to recover some losses after remaining in the negative growth territory in the prior quarters. In the previous quarter (Oct-Dec'20), the industrial sector bounced back and recorded the second 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 subsided during that period. The NBFi sector recorded the second highest earnings growth during the quarter followed by bank, pharmaceuticals, and ceramic. Banks and NBFis continued its profit growth trend from the previous quarter. 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 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 | | | | 2021 |
|-------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | Jan-Mar | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar |
| Bank | 13,988 | 21,244 | 13,891 | 22,880 | 18,311 | 13,382 | 20,078 | 17,857 | 15,475 |
| Cement | 872 | 958 | 582 | 250 | 814 | 194 | 944 | 1,558 | 2,712 |
| Ceramic | 230 | 59 | 261 | 287 | 167 | -278 | 142 | 355 | 242 |
| Food & Allied | 2,428 | 1,817 | 3,474 | 3,619 | 3,200 | 2,638 | 4,255 | 1,283 | 2,893 |
| Fuel & Power | 9,076 | 11,399 | 10,862 | 8,961 | 7,336 | 5,705 | 9,939 | 9,130 | 9,086 |
| Industrial | 4,736 | 4,823 | 3,873 | 3,169 | 2,931 | -670 | 3,441 | 5,763 | 3,194 |
| NBFi | 1,716 | -243 | -743 | 981 | 2,000 | 1,728 | 2,272 | 2,553 | 1,732 |
| Pharmaceuticals | 6,210 | 6,820 | 7,362 | 6,926 | 6,598 | 4,443 | 8,735 | 8,659 | 8,501 |
| Telecommunication | 8,926 | 9,553 | 7,269 | 8,766 | 10,694 | 7,265 | 8,898 | 10,330 | 8,912 |
| Textile | 1,516 | -5,641 | 1,238 | 1,278 | 475 | -3,934 | 444 | 853 | 516 |
| Tannery | 270 | 101 | 371 | 144 | -27 | -869 | -455 | -37 | 46 |

| QoQ Growth (Sectorwise) | 2019 | | | | 2020 | | | | 2021 |
|-------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | Jan-Mar | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar |
| Bank | 20.2% | 20.4% | -0.3% | -14.1% | 30.9% | -37.0% | 44.5% | -9.1% | 8.1% |
| Cement | -4.6% | -0.4% | 93.8% | -72.4% | -6.7% | -79.8% | 62.2% | - | 233.3% |
| Ceramic | -20.3% | -71.3% | -22.7% | -35.6% | -27.5% | -567.8% | -45.7% | 23.7% | 49.7% |
| Food & Allied | -24.0% | -74.1% | 75.2% | 92.7% | 31.8% | 45.2% | 22.5% | -64.5% | -9.1% |
| Fuel & Power | 22.5% | 9.4% | -1.1% | -7.3% | -19.2% | -50.0% | -8.5% | 6.4% | 31.9% |
| Industrial | -2.2% | -65.2% | -12.2% | -30.8% | -38.1% | -113.9% | -11.2% | 96.3% | 214.7% |
| NBFi | -34.7% | -111.6% | -141.0% | -80.1% | 16.5% | 810.3% | 405.8% | - | -7.6% |
| Pharmaceuticals | 8.0% | 4.7% | 10.7% | 2.5% | 6.2% | -34.8% | 18.6% | 25.1% | 32.5% |
| Telecommunication | 39.6% | -11.6% | -18.3% | -3.3% | 19.8% | -24.0% | 22.4% | 17.8% | -16.7% |
| Textile | -12.5% | -433.4% | -41.0% | -26.4% | -68.6% | 30.3% | -64.1% | -31.9% | 6.0% |
| Tannery | -34.1% | -63.8% | -38.8% | -55.0% | -109.9% | -962.9% | -222.6% | -125.4% | - |

Note: Sector represents more than 70% of the companies (according to large market capital),

Source: DSEX, LR Global Research

* Oct-Dec'20 & Jan-Mar'21 earnings growth have been calculated based on the earnings of 214 and 189 companies, respectively, that have been declared so far out of the 261 tracked.

MAJOR EVENTS DURING THE WEEK

COVID-19 positivity rate increase to 12.4% this week in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases increased by 27.20% while the total tests conducted increased by 2.43% compared to the previous week. During the week, 15,172 new positive cases and 270 more deaths were reported in Bangladesh, taking the total number of cases to 824,486 as of 13th June, according to official tallies. The positivity rate increased to 12.4%. Meanwhile, Bangladesh has signed a deal with China to purchase Sinopharm vaccine. As the authority is maintaining strict non-disclosure clauses this time; the date of the deal, price or quantity of doses are unknown. Globally, the total number of cases has crossed 176 mn and the death count has also crossed 3.79 mn.

Net FDI soars 32.12% to USD 1.46 bn in Jul-Apr FY21

Amid the pandemic, net foreign investment went up by 32.12% to USD 1.46 bn in just the first 10 months of FY21. During this period, total investment was USD 3 bn which is 7.85% higher than the same period in FY20. However, it remains to be known whether this indicates an overall improvement in FDI or whether this increase is only due to an investment in only one or two companies.

Broadband internet now cheaper

A uniform price had been set by BTRC for broadband internet, starting with BDT 500 per month for 5 Mbps of. In addition, 10 Mbps internet will be charged BDT 800-1,000 a month and 20 Mbps will be charged at BDT 1,100 - 1,200 a month. All the internet service providers must follow this pricing across the country.