

**KEY ECONOMIC INDICATORS**

BGMEA has estimated that apparel exports will fetch nearly US\$ 33.7 bn in FY22 while the government is expecting overall exports to reach a hit US\$ 50 bn in FY22. Demand is likely to bounce back at major export destinations as mass immunization has helped a good number of developed economies bring infection rate under control. Hence, at this time it is being expected that the RMG sector will see a full turnaround before the year ends. Meanwhile, BB is likely to issue a circular by June 30 on the extension of export stimulus loan repayment deadline again, considering the current Covid situation. ADB has confirmed a loan of USD 940 mn to Bangladesh to procure safe and effective Covid vaccines. Net FDI inflow declined by 10.80% to US\$ 2.56 bn in 2020 YoY, showing similarity with the global trend amid the pandemic. Oil prices jumped due to the bull expectations over the prospects of upcoming 23-nation OPEC+ monthly meeting next week.

	This Week	Last Week	Weekly Change	YTD Change
<b>Foreign Exchange Reserve (USD bn)</b>	45.59	45.46	0.28%	5.59%
<b>Call Money Rate (Weighted Average)</b>	2.27%	2.29%	-2 bps	15 bps
<b>Exchange Rate (BDT-USD)</b>	84.80	84.80	0.00%	0.00%
<b>Oil Price (USD per barrel of WTI)</b>	73.30	71.04	3.18%	51.45%
		<b>FY 2020-21</b>	<b>FY 2019-20</b>	<b>% Change</b>
<b>Export (USD mn) (Jul-May)</b>		35,181	30,959	13.64%
<b>Remittances (USD mn) (Jul-May)</b>		22,837	16,372	39.48%
<b>Import (USD mn) (Jul-Apr)</b>		52,490	46,443	13.02%
<b>Current Account Balance (USD mn) (Jul-Apr)</b>		-47	-3,772	N/A
<b>Credit to the Private Sector (USD mn) (Apr)</b>		137,303	126,788	8.29%
<b>Point-to-point Inflation (May)</b>		5.26%	5.35%	-26 bps
<b>Tax Revenue (NBR) (USD mn) (Jul-Apr)</b>		23,300	20,644	12.87%

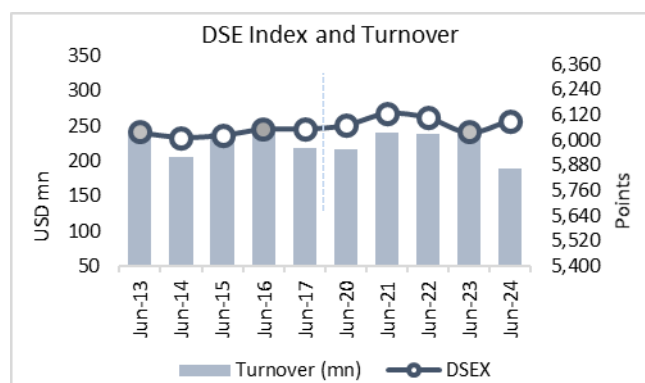
Source: Bangladesh Bank and Investing.com

**ECONOMIC RISKS**

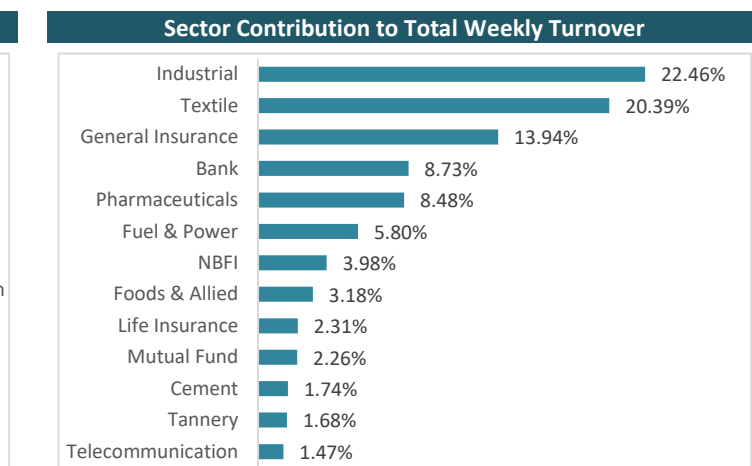
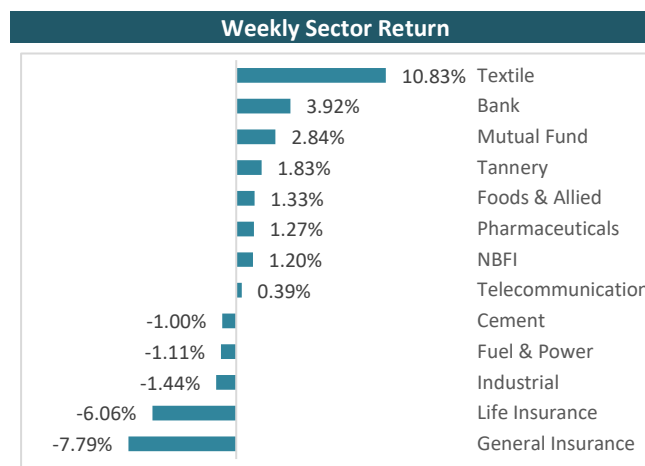
Risk factor	Risk Level	Impact
<b>Subdued tax revenue collection</b>	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 12.87% in the Jul-Apr period of FY21 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.
<b>Soaring default loan in financial sector</b>	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.
<b>Remittance shock</b>	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.
<b>Demand contraction</b>	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.
<b>Export slump</b>	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).
<b>Volatile capital market</b>	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 broad index managed to bounce back with a 40 points (0.66%) gain during the week despite virus apprehensions as institutional investors kept the market busy after the floor price restriction was lifted from all listed securities in the previous week. The market hit a 41-month high on Monday and traders wasted no time in bagging profits causing the market to go down in the next two sessions as they were nervous about the recent spike in infection rate in the country. Investors saw hope in textiles in anticipation of an increase in purchase orders in the RMG sector as the Western economies are expected to gradually rebound with the effect of vaccination, allowing the sector to generate the highest return (10.83%) and second highest turnover (20.39%) during the week. On the other hand, the insurance sector, both life and general, took a massive hit after weeks of momentum, falling by 6.06% and 7.79% respectively which heavily contributed to the two bearish sessions. The banking sector gained 3.92% as investors bet on the financial system and kept buying pressure high. Overall average turnover declined by -2.80% compared to the previous week. Indicating a new era, NGOs are set to raise fund from the capital market for their microfinance programmes by issuing zero-coupon bonds; Brac and Sajida Foundation have already received approval to issue \$159 mn and \$12 mn bonds, respectively. Meanwhile, BSEC approved 16 additional companies for DSE's trading license and started an initiative to revamp the operational and financial health of distressed companies, through ensuring good governance and proper valuation, to serve investors' interest.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	6,093	6,053	0.66%	12.79%
DS30	2,200	2,197	0.11%	11.99%
Market Cap (\$ mn)	60,217	59,922	0.49%	13.92%
Total Turnover (\$ mn)	1,123	1,156	-2.80%	31.29%
Avg. Daily Turn. (\$ mn)	225	231	-2.80%	31.29%
S&P 500	4,281	4,166	2.74%	13.97%
DJIA	34,434	33,290	3.44%	12.51%
FTSE 100	7,136	7,017	1.69%	10.46%
NIKKEI 225	29,066	28,964	0.35%	5.91%



**NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK**

BSC's earnings per share increased by 28.57% as the revenue from both freight & services increased while financial expenses decreased due to the interest rate ceiling. On the other hand, the SAIFPOWER's EPS decreased by 35.71% as revenue was significantly impacted by the effects of the virus.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Jan-Mar)	EPS 2020 (Jan-Mar)	CHANGE
BSC	Bangladesh Shipping Corporation	Industrial	1.17	0.91	28.57%
SAIFPOWER	SAIF Powertec Limited	Fuel & Power	0.09	0.14	-35.71%

TICKER	COMPANY NAME	SECTOR	EPS 2020	EPS 2019	CHANGE	Dividend
RUPALIBANK	Rupali Bank Ltd.	Bank	0.49	1.38	-64.49%	10% stock

Source: DSEX, Investing.com, LR Global Research

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 211.0% 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. However, Telecommunication industry suffered a loss due to degrowth in total active subscriber during the lockdown. 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.

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	16,988	16,725
Cement	872	958	582	250	814	194	944	1,558	2,712
Ceramic	230	59	261	287	167	-278	142	355	249
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	9,119
Industrial	4,736	4,823	3,873	3,169	2,931	-670	3,441	5,763	6,183
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	518
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%	-16.9%	8.0%
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%	49.3%
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%	30.0%
Industrial	-2.2%	-65.2%	-12.2%	-30.8%	-38.1%	-113.9%	-11.2%	96.3%	211.0%
NBFi	-34.7%	-111.6%	-141.0%	-80.1%	16.5%	810.3%	405.8%	473.4%	-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%	-962.7%	-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 216 and 197 companies, respectively, that have been declared so far out of the 261 tracked.

MAJOR EVENTS DURING THE WEEK

**COVID-19 positivity rate increase to 19.9% this week in Bangladesh: COVID-19 Update**

The weekly new COVID-19 cases increased by 49.15% while the total tests conducted increased by 18.60% compared to the previous week. During the week, 35,111 new positive cases and 587 more deaths were reported in Bangladesh, taking the total number of cases to 883,138 as of 27th June, according to official tallies. The positivity rate increased to 19.9%. Bangladesh government has declared a new lockdown plan, limited scale restrictions from June 28, followed by a stricter lockdown for 7 days from July 1, with an aim to control Covid outbreak ahead of Eid. Globally, the total number of cases has crossed 181 mn and the death count has also crossed 3.91 mn.

**BB launches another BDT 25.20 bn refinancing fund for CMSMEs**

With support from AIB, BB has initiated another BDT 25.20 bn refinancing funds for CMSMEs, with an intention to assist recovery of COVID losses. The CMSME sector will get the loans from the fund as working capital, a 3 three-year term loan with an interest rate of 4% and BB will manage this fund. According to the policy on the fund management, any organization that received 50% of required loan from last year's fund for refinancing, can get remaining 50% from this new fund.

**A minimum 5% cash margin on issuance of bank guarantees imposed by BB**

BB has made it mandatory that at least 5% cash margin is maintained for issuance of bank guarantees against term loans from overseas sources. The objective of this cash margin ceiling is to mitigate banks' foreign exchange risk. In the revised policy, there are additional 4 requirements as well for AD banks to follow.