

KEY ECONOMIC INDICATORS

Bangladesh's forex reserve has crossed USD 34 bn for the first time as foreign aid has begun to arrive and the slowdown in foreign trade. Call money rate slightly decreased by 2 bps after crossing 5%. Meanwhile, oil prices retreated and against the backdrop of waning optimism regarding global economic recovery and the risk of a second virus wave in the U.S.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	34.35	34.23	0.33%	4.86%
Call Money Rate (Weighted Average)	5.00%	5.02%	-0.40%	1.01%
Exchange Rate (BDT-USD)	84.95	84.95	0.00%	0.06%
Oil Price (USD per barrel of WTI)	36.26	39.55	-8.32%	-40.62%
		FY 2019-20	FY 2018-19	% Change
Export (USD mn) (Jul-May)		30,955	37,751	-18.0%
Import (USD mn) (Jul- Apr)		42,974	50,161	-14.3%
Remittances (USD mn) (Jul-May)		16,388	15,042	8.9%
Current Account Balance (USD mn) (Jul- Apr)		(4,125)	(5,322)	N/A
Tax Revenue (NBR) (USD mn) (Jul-Apr)		20,596	20,373	1.1%
Credit to the Private Sector (USD mn) (Apr)		126,558	116,295	8.8%
Point-to-point Inflation (May)		5.35%	5.63%	-28 bps

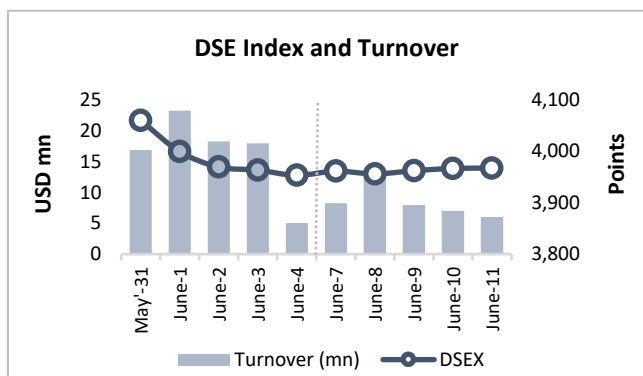
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

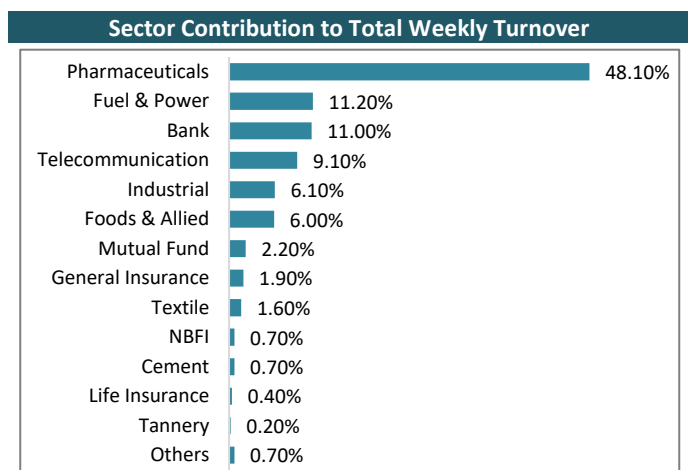
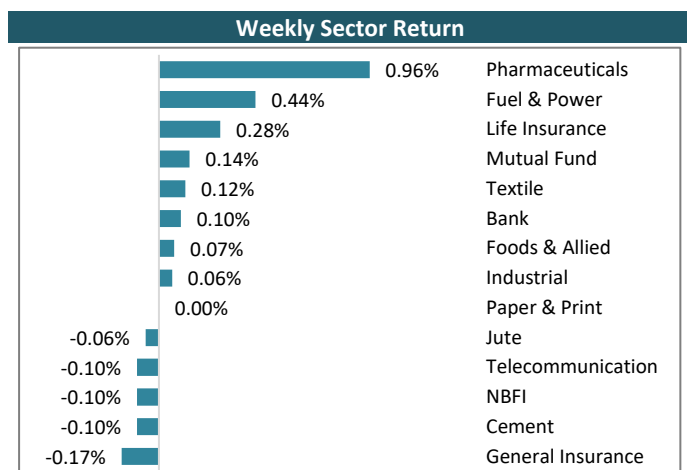
Risk factor	Risk Level	Impact
Demand contraction	High	High uncertainty and virus fears have resulted in subdued demand, which in turn have led to large scale job losses and more demand contraction as discretionary spending takes a hit. According to ILO's projections, around 200 mn full-time workers' jobs may be lost, and Bangladesh will not be immune to this. Purchasing power is likely to remain weak 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	Remittance enjoying a positive double-digit growth in - but amidst the pandemic, March, April and May contrasted with a -11.83% and -24.48%, -14.29% decline, respectively. Expatriates are facing mass deportations from Middle East countries in phases and globally, ~2 mn Bangladeshi workers are now facing the risk of deportation. As the World Bank expects global remittance to decline by 20% this year, at this time recovery is a far cry.
Subdued tax revenue collection	High	The virus effects resulted in a -57.32% decline in tax collection in April, bucking the general revenue collection trend in Bangladesh where it usually picks up towards the end of the fiscal year. 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 9.32%, compounded with eroding capital and weak deposit growth. 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. DSEX, the key index of the Dhaka Stock Exchange, continued its losing streak and dipped below 3900 points for the first time since 2015 and the new floor price mechanism has resulted in a significant decline in market turnover and overall liquidity. Going forward, these conditions are unlikely to improve until the core issues of the capital market are addressed which will in turn affect the capital flow to the companies.

CAPITAL MARKET UPDATE

The DSEX broad index inched up by 14 points (0.35%) during the week amid sluggish investor participation and growing virus scare. The market has been unable to attract buyers with the imposed floor price mechanism, which has been making the market significantly illiquid. Consequently, average daily turnover declined by -48.80% compared to the previous week. The DSEX has been hovering below the 4,000 points mark from the second trading day since it resumed after a 66-day halt. Despite the moribund conditions, the pharma sector held on to its position as the most traded sector, as investors continue to anticipate robust earnings growth due to the rising virus cases in the country. However, irrespective of fundamentals or economic events, the market did not exude any overall significant reaction due to the slump in investor participation.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	3,967.31	3,953.39	0.35%	-10.91%
DS30	1,331.75	1,321.49	0.78%	-11.32%
Market Cap	36,567.93	36,488.10	0.22%	-8.65%
Total Turnover	41.71	81.45	-48.80%	-78.90%
Avg. Daily Turn.	8.34	16.29	-48.80%	-78.90%
S&P 500	3,041.31	3,193.93	-4.78%	-6.65%
DJIA	25,605.54	27,110.98	-5.55%	-11.30%
FTSE 100	6,105.18	6,484.30	-5.85%	-19.71%
NIKKEI 225	22,305.48	22,863.73	-2.44%	-3.88%



NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

Out of the total 45 earnings that were declared in the last week, 31.1% companies posted positive growth while 68.9% were negative. SQRPHARMA's earnings increased by 16% in Q3 as pharmaceutical products have received a boost in sales due to the virus outbreak. Banks such as BANKASIA and DUTCHBANGL reported substantial increase in earnings as heavy government borrowing from the banking sector augmented investment income. BARKAPOWERS earnings grew significantly by 90% during the same period as the commercial operation its new subsidiary and associate resulted in a jump in revenue.

TICKER	COMPANY NAME	SECTOR	EPS 2019 (Jan-Dec)	EPS 2018 (Jan-Dec)	CHANGE	DIVIDEND (2019)
LANKABAFIN	LankaBangla Finance Ltd.	Financial Institution	0.98	0.85	15.3%	7% cash, 5% stock
SHAHJABANK	Shahjalal Islami Bank Ltd.	Bank	1.78	1.33	33.8%	5% Cash, 5% stock

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Jan-Mar)	EPS 2019 (Jan-Mar)	CHANGE
BANKASIA	Bank Asia Ltd.	Bank	1.16	0.59	96.6%
BARKAPOWERS	Baraka Power Limited	Fuel & Power	0.57	0.30	90.0%
DUTCHBANGL	Dutch-Bangla Bank Ltd.	Bank	1.51	0.95	58.9%
ICB	Investment Corporation Of Bangladesh	Financial Institutions	1.33	0.33	303.0%
KPCL	Khulna Power Company Limited	Fuel & Power	0.67	0.81	-17.3%
LANKABAFIN	LankaBangla Finance Ltd.	Financial Institutions	0.14	0.10	40.0%

SHAHJABANK	Shahjalal Islami Bank Ltd.	Bank	0.64	0.50	28.0%
SQURPHARMA	Square Pharmaceuticals Ltd.	Pharmaceuticals	4.28	3.69	16.0%
UPGDCL	United Power Generation & Distribution Company Ltd.	Fuel & Power	2.93	4.72	-37.9%

Source: DSEX, Investing.com, LR Global Research

MAJOR EVENTS DURING THE WEEK

Bangladesh's virus cases surpass China: COVID-19 Update

COVID-19 cases have been rapidly surging in Bangladesh amid the relaxation of countrywide general holidays since May 31, 2020. Bangladesh's total number of cases have crossed that of China, the ground zero of the virus, and now ranks 18th in terms of total number of cases in the world. Over the last week, new cases have risen 15.9% over the preceding week, taking the total number of cases to 84,379 and 1,139 lives to date, according to the official tallies. Till date, more than 7.8 mn people have been affected by the virus globally and more than 0.43 mn people have lost their lives.

National budget proposed Budget of FY21 placed in the parliament:

Despite the gloomy outlook ahead, the Government of Bangladesh has proposed a total budget size of BDT 5,680 bn which is 13.24% higher than the revised budget of FY20, with a GDP growth and inflation target of 8.2% and 5.4% respectively. Moreover, the revenue target has been set at BDT 3,780 bn, implying a growth rate of 8.60% from the revised budget of FY20. Hence, the deficit for FY21 has been estimated at BDT 1,900 bn (6% of GDP), out of which 44.72% is expected to be financed through the banking channel of the country.

Inflow of work orders in the RMG sector drops 45%:

Although some economies around the world have reopened, subdued demand has resulted in a 40-45% plunge in work orders from international retailers and brands in June. Buyers have also been demanding deferred payment terms and discounts.

Another NBFIs awarded a license by the central bank:

Even though the NBFIs sector has been plagued with mounting default loans, the central bank has awarded a license to Strategic Finance and Investments. At present, 10 out of the 35 NBFIs are grappling to return funds to banks and customers on time.

BSEC asks the stock exchanges to form automation plans:

In order to ensure there are no disruptions in trading activities in the future, the BSEC has asked the bourses to fully digitalize the trading platforms. This move has come about after a 66-day pause in trading during the lockdown due to the lack of automation in the local bourses.