

KEY ECONOMIC INDICATORS

Oil prices recouped the previous week's losses amid more compliance among OPEC+ and its allies, lower inventory of gasoline and distillates, and other signs of demand recovery. Call money rate inched up by 1 bps and is hovering around 5%. Bangladesh's forex reserve continues to grow after it crossed USD 34 bn for the first time last week on the back of foreign aid and the slowdown in international trade.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	34.60	34.35	0.73%	5.63%
Call Money Rate (Weighted Average)	5.01%	5.00%	0.20%	1.21%
Exchange Rate (BDT-USD)	84.95	84.95	0.00%	0.06%
Oil Price (USD per barrel of WTI)	39.75	36.26	9.62%	-34.90%
	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	

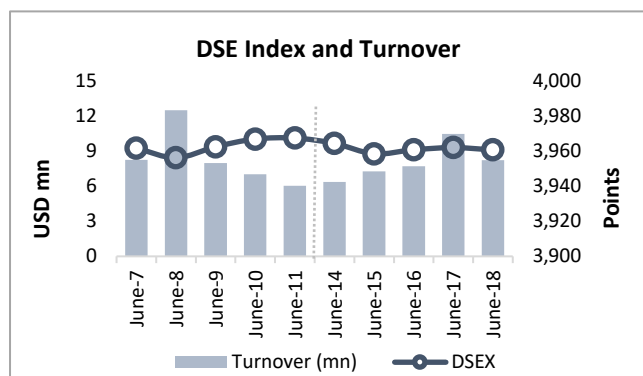
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

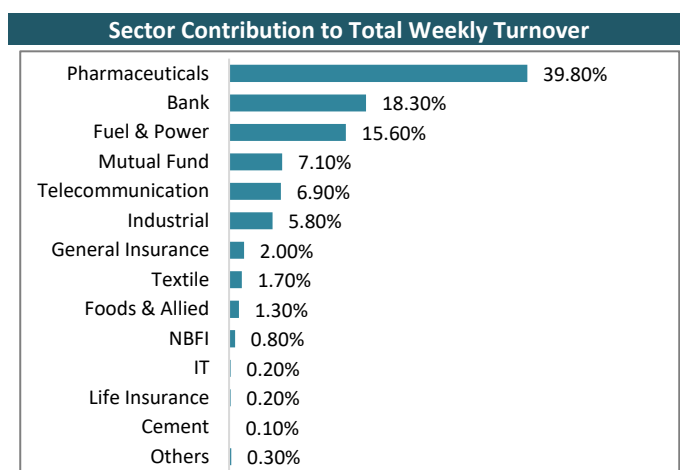
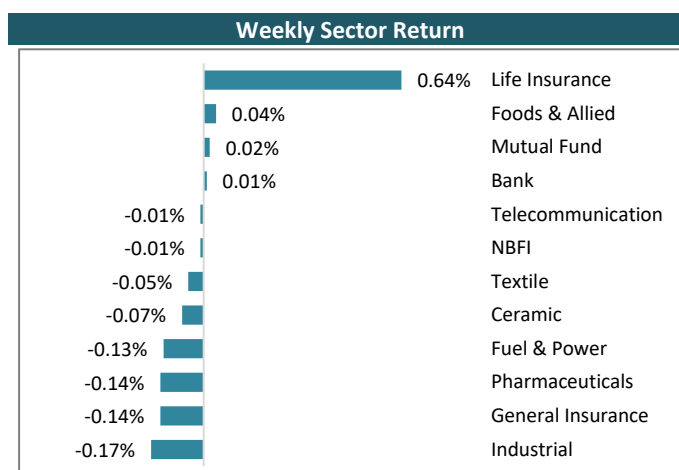
Risk factor	Risk Level	Impact
Demand contraction	High	High uncertainty and virus fears have resulted in subdued demand, which in turn have led to large scale job losses and more demand contraction as discretionary spending takes a hit. According to ILO's projections, around 200 mn full-time workers' 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 main bourse dipped by 7 points (-0.17%) during the week as low market turnover ensued. Although the turnover in the block market received a boost with the removal of the floor price limitation, stagnant trading persisted on the main board as it still remains subject to the floor price restrictions. In addition to the concerns over the bleak economic outlook, spiraling coronavirus cases and the country' reversion to a partial lockdown, the overall disappointment with the proposed budget has also been keeping investors at bay. Pharmaceuticals continued to grab most of the turnover (39.8%) in the market while the market capitalization in majority of the sectors registered a decline. 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	3,960.58	3,967.31	-0.17%	-11.06%
DS30	1,325.43	1,331.75	-0.47%	-11.74%
Market Cap	36,546.94	36,567.93	-0.06%	-8.70%
Total Turnover	39.93	41.71	-4.25%	-79.79%
Avg. Daily Turn.	7.99	8.34	-4.25%	-79.79%
S&P 500	3,097.74	3,041.31	1.86%	-4.91%
DJIA	25,871.46	25,605.54	1.04%	-10.38%
FTSE 100	6,292.60	6,105.18	3.07%	-17.25%
NIKKEI 225	22,478.79	22,305.48	0.78%	-3.13%



NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

Out of the total 28 earnings that were declared in the last week, 53.6% companies posted positive growth while 46.4% were negative. MPETROLEUM and PADMAOIL both reported an earnings growth despite a drop in sales as the former cut down its operating expenses while the latter received a boost in profit from petroleum trade and non-operating income. PTL also registered a significant gain of 44% due to a jump in profit from associates and ENVOYTEX reduced costs, allowing both companies to report positive earnings growth in the depressed textile sector.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Jan-Mar)	EPS 2019 (Jan-Mar)	CHANGE
DBH	Delta Brac Housing Finance Corp. Ltd.	NBFI	1.93	3.12	-38.1%
DOREENPWR	Doreen Power Generations and Systems Limited	Fuel & Power	0.84	1.28	-34.4%
MPETROLEUM	Meghna Petroleum Limited	Fuel & Power	5.97	5.91	1.0%
JAMUNAOIL	Jamuna Oil Company Limited	Fuel & Power	3.79	2.78	36.3%
PADMAOIL	Padma Oil Co. Ltd.	Fuel & Power	7.28	5.38	35.3%
JAMUNABANK	Jamuna Bank Ltd.	Bank	1.42	0.70	102.9%
MERCANBANK	Mercantile Bank Ltd.	Bank	0.58	0.55	5.5%
GREENDELTA	Green Delta Insurance Ltd.	General Insurance	0.98	0.83	18.1%
ENVOYTEX	Envoy Textiles Limited	Textile	0.91	0.88	3.4%
PTL	Paramount Textile Limited	Textile	1.21	0.84	44.0%
RENATA	Renata Ltd.	Pharmaceuticals	12.05	9.36	28.7%

TICKER	COMPANY NAME	SECTOR	EPS 2019 (Jan-Dec)	EPS 2018 (Jan-Dec)	CHANGE	DIVIDEND (2019)
JAMUNABANK	Jamuna Bank Ltd.	Bank	3.38	3.07	10.1%	15% cash

Source: DSEX, Investing.com, LR Global Research

MAJOR EVENTS DURING THE WEEK

Growth rate of new cases in Bangladesh more than twice of global: COVID-19 Update

Bangladesh is currently undergoing a critical phase of COVID-19 with surging daily cases. During the week, 24,396 new positive cases and 286 more deaths were reported, taking the total number of cases to 108,775 as of 20th June, according to the official tallies. The growth rate of weekly new cases in Bangladesh (28.9%) stood at more than twice of the world (13.1%) and the country moved up in rank to 17th position in terms of number of cases from its 18th position in the previous week. In addition, the mortality rate of the physicians (~4% of total fatality) in Bangladesh is the highest in the world compared to the global average rate of which stands at 2.5%. Till date, more than 8.9 mn people have been affected by the virus globally and more than 0.47 mn people have lost their lives.

Bangladesh-Bhutan FTA finalized:

The terms and conditions of Bangladesh's free trade agreement with Bhutan have been finalized and will soon be signed after it is appraised by the law ministry. Once this FTA comes into effect, this FTA would become the first for Bangladesh.

China grants duty-free access of 5,161 Bangladeshi products:

An additional 5,161 products from Bangladesh will no longer be subject to tariffs from July onwards. With this, now a total of 8,256 products from the country will be tariff-exempt as an LDC.

ADP projects 7.5% GDP growth for Bangladesh in FY21:

ADP's revised growth projections for Bangladesh indicate that the country's economy may grow by 4.5% in FY20 and 7.5% in FY21. Growth in the last quarter of FY20 is expected to plunge sharply, followed by gradual recovery the first two quarters of FY21 and an acceleration in growth in the subsequent quarters.

Block transaction floor prices allowed to move beyond 10%:

In a bid to boost turnover in the market, the lower price limit for block transactions have been revised to allow them to cross 10%. Earlier block transactions were subject to the same restrictions are the main board.