

KEY ECONOMIC INDICATORS

Bangladesh's forex reserve has crossed USD 35 bn for the first time this week on the back of foreign aid and slowdown in international trade. BDT has gained strength against USD, which in turn has added to the worries of exporters. Although a slight elevation in private sector credit growth rate of May elicited some hope, this is merely on paper as the growth stemmed from the fund release from stimulus packages and capitalization of the unpaid interests of banks. Oil prices fell by 3.17% this week due to fear of further economic disruptions as COVID-19 cases continue to rise.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	35.33	34.60	2.12%	7.86%
Call Money Rate (Weighted Average)	5.00%	5.01%	-0.20%	1.01%
Exchange Rate (BDT-USD)	84.80	84.95	-0.17%	-0.11%
Oil Price (USD per barrel of WTI)	38.49	39.75	-3.17%	-36.96%
		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) (May)		128,491	118,033	8.9%
Point-to-point Inflation (May)		5.35%	5.63%	-28 bps

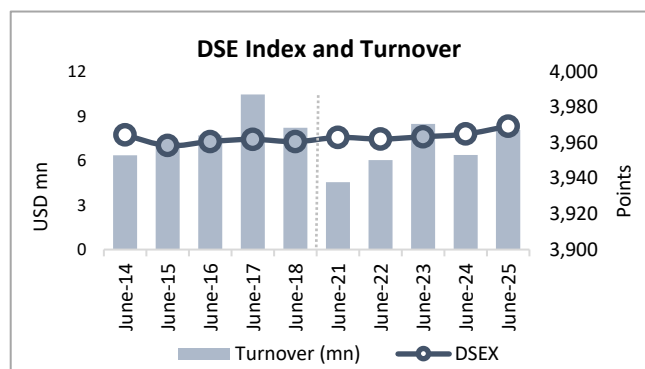
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

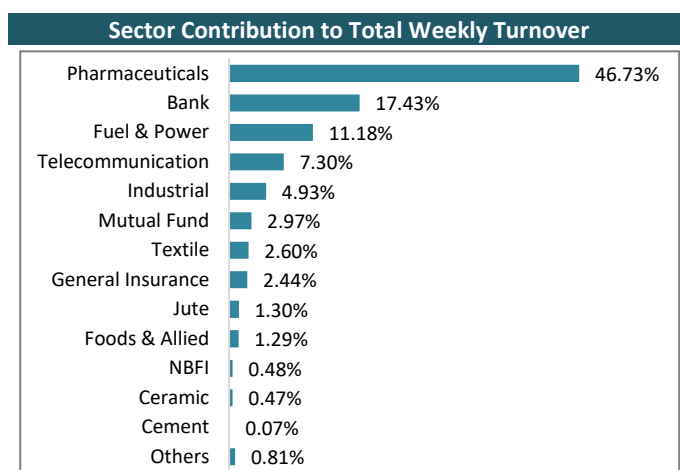
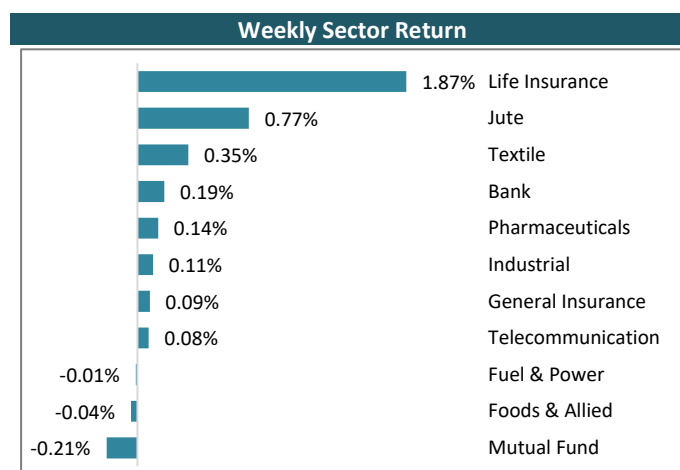
Risk factor	Risk Level	Impact
Demand contraction	High	High uncertainty and virus fears have resulted in subdued demand, which in turn have led to large scale job losses and more demand contraction as discretionary spending takes a hit. According to ILO's projections, around 200 mn full-time workers' 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 -32.72% decline in tax collection in May, 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 prime bourse crawled up by 9 points (0.22%) during the week as the floor price mechanism remained intact and the virus showed no signs of retreating. Average daily turnover declined by -16.18% over the previous week. The DSEX has continued to witness flat sessions and trading activities have been hitting fresh lows as it has been unable to attract buyers with the floor price restrictions and economic uncertainty has also persisted due to the worsening situation of the pandemic. Investors stuck to their cautious stance and mostly bet their money on the pharmaceutical sector, while a large number of share prices were left unchanged. 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	3,969.28	3,960.58	0.22%	-10.87%
DS30	1,330.32	1,325.43	0.37%	-11.42%
Market Cap (\$ mn)	36,590.32	36,546.94	0.12%	-8.59%
Total Turnover (\$ mn)	33.47	39.93	-16.18%	-83.06%
Avg. Daily Turn. (\$ mn)	6.69	7.99	-16.18%	-83.06%
S&P 500	3,009.05	3,097.74	-2.86%	-7.64%
DJIA	25,015.55	25,871.46	-3.31%	-13.35%
FTSE 100	6,159.30	6,292.60	-2.12%	-19.00%
NIKKEI 225	22,512.08	22,478.79	0.15%	-2.99%


NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

Out of the total 41 earnings that were declared during the week, 29.3% companies posted positive growth while 70.7% were negative. OLYMPIC reported positive earnings due to top-line growth. BXPHERMA and PHARMAID also registered a positive earnings growth of 20.7% and 4.3%, respectively. However, while BXPHERMA's growth mainly stemmed from an increase in revenue, PHARMAID's earnings growth came from reduced costs though it experienced a sales decline during the period. Meanwhile, APEXFOOT's net profit recorded a significant decline due to cancellations of most export orders and shipments.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Jan-Mar)	EPS 2019 (Jan-Mar)	CHANGE
DHAKABANK	Dhaka Bank Ltd.	Bank	0.68	0.50	36.0%
CITYBANK	The City Bank Ltd.	Bank	0.75	0.75	0.0%
EXIMBANK	Export Import (Exim) Bank of Bangladesh Limited	Bank	0.04	0.25	-84.0%
FIRSTSBANK	First Security Islami Bank Limited	Bank	0.72	0.54	33.3%
OLYMPIC	Olympic Industries Ltd.	Foods & Allied	2.47	2.37	4.2%
DESCO	Dhaka Electric Supply Company Ltd.	Fuel & Power	-0.07	0.23	N/A
UNITEDFIN	United Finance Limited	NBFI	0.16	0.38	-57.9%
ADVENT	Advent Pharma Limited	Pharmaceuticals	0.25	0.54	-53.7%
PHARMAID	Pharma Aids	Pharmaceuticals	4.33	4.15	4.3%
BXPHERMA	Beximco Pharmaceuticals Ltd.	Pharmaceuticals	2.22	1.84	20.7%
APEXFOOT	Apex Footwear Limited.	Tannery	1.16	2.30	-49.6%

TICKER	COMPANY NAME	SECTOR	EPS 2019 (Jan-Dec)	EPS 2018 (Jan-Dec)	CHANGE	DIVIDEND (2019)
CITYBANK	The City Bank Ltd.	Bank	2.59	2.19	18.3%	15% cash
FIRSTSBANK	First Security Islami Bank Limited	Bank	2.40	1.84	30.4%	10% stock
IFIC	IFIC Bank Ltd.	Bank	1.92	1.12	71.4%	10% stock

Source: DSEX, Investing.com, LR Global Research

MAJOR EVENTS DURING THE WEEK

Global COVID-19 cases crossed 10 million with record number of new cases this week: COVID-19 Update

Bangladesh is currently undergoing a critical phase of COVID-19 with surging daily cases. During the week, 25,203 new positive cases and 270 more deaths were reported, taking the total number of cases to 133,978 as of 27th June, according to official tallies. The weekly growth rate of total positive cases in Bangladesh (23.2%) stood nearly twice of the world (13.1%) and the country now ranks 17th in terms of total number of cases. In addition, the infection rate as percentage of total tested case is calculated as 21.8%, slightly lower than that of the previous week (22.2%). Till date, more than 10 million people have been affected by the virus globally and more than half a million people have lost their lives amid record number of new cases worldwide this week.

Stimulus package loan approval granted to 75 firms

Under the stimulus package for big borrowers in the industrial and service sector, 75 companies have received a nod from Bangladesh Bank to borrow low cost loans. Although having already received approval, most lenders are yet to disburse loans from the BDT 300 bn stimulus package.

Bangladesh's first perpetual bonds granted approval

The BSEC has given the approval to City Bank and Jamuna Bank to issue perpetual bonds each worth BDT 4 bn in a bid to hoist their additional tier-1 capital base. The bonds will be issued at 11-14% coupon rate, with a floating rate and will be unsecured in nature. These bond will mark the issuance of the first perpetual bonds in the country.

Two new restrictions imposed on GP

Sixteen months after declaring GP as an SMP (Significant Market Power) in the telecom sector, the telecom regulator has imposed two new restrictions on the MNO. As per the restrictions, effective from 1st July, before rolling out packages or offers, GP will have to acquire prior approval from BTRC. Existing packages/offers will also have to be validated by 31st August. The 2nd restriction will involve allowing GP subscribers to shift to another network under MNP (mobile number portability) facility after 60 days instead of the regular 90 days enjoyed by the other MNOs.

Crest Securities shuts down without informing DSE

Brokerage house Crest Securities has closed all its offices without prior approval from DSE. The matter was brought to attention when cheques of the brokerage began to bounce. In response to incident, DSE has suspended the depository participant account of the brokerage and asked clients to provide them with documents to help ensure safety of their investments.