

KEY ECONOMIC INDICATORS

With a view to increase export earnings and exporters' competitiveness amid the pandemic, the size of the Export Development Fund has been enhanced again with a boost of USD 500 mn, taking its size to a total of USD 6 bn. At this time, increased labor and logistical support-related problems due to the Covid situation in India and the military coup in Myanmar and Bangladesh's own implementation of proper ethical and health protocols is has been diverting more RMG work orders towards Bangladesh. Higher remittance, foreign loans and continuous purchase of US currency from commercial banks have pushed the forex reserve beyond the USD 46 bn mark for the first time. During the July-May period of FY21, remittance went up by more than 39% to USD 22.84 bn compared to USD 16.37bn in the previous FY. Oil price is showing positivity over expectation of reduction in production restrictions and worldwide economic recovery.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	45.59	45.46	0.28%	5.59%
Call Money Rate (Weighted Average)	2.27%	2.29%	-2 bps	15 bps
Exchange Rate (BDT-USD)	84.80	84.80	0.00%	0.00%
Oil Price (USD per barrel of WTI)	75.23	73.30	2.63%	55.43%
		FY 2020-21	FY 2019-20	% Change
Export (USD mn) (Jul-May)		35,181	30,959	13.64%
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 (USD mn) (Apr)		137,303	126,788	8.29%
Point-to-point Inflation (May)		5.26%	5.35%	-26 bps
Tax Revenue (NBR) (USD mn) (Jul-Apr)		23,300	20,644	12.87%

Source: Bangladesh Bank and Investing.com

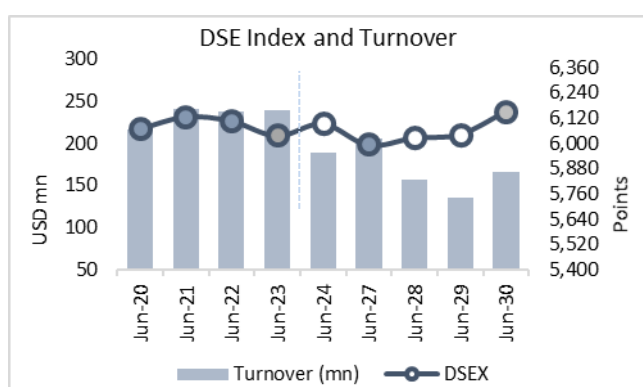
*All data except oil has been kept unchanged from last week as BB has not provided updated data.

ECONOMIC RISKS

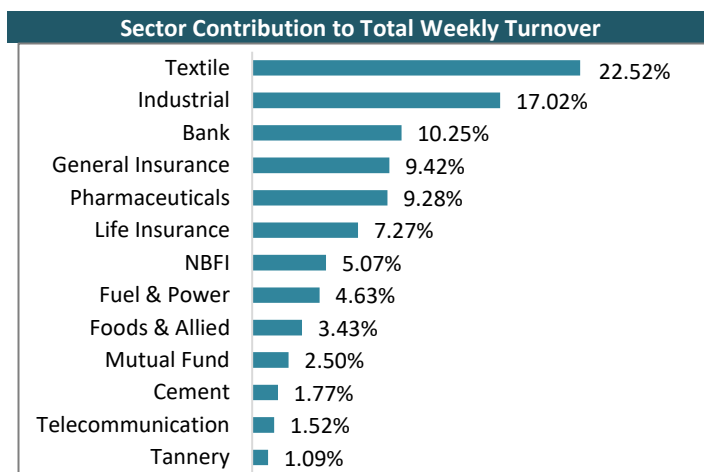
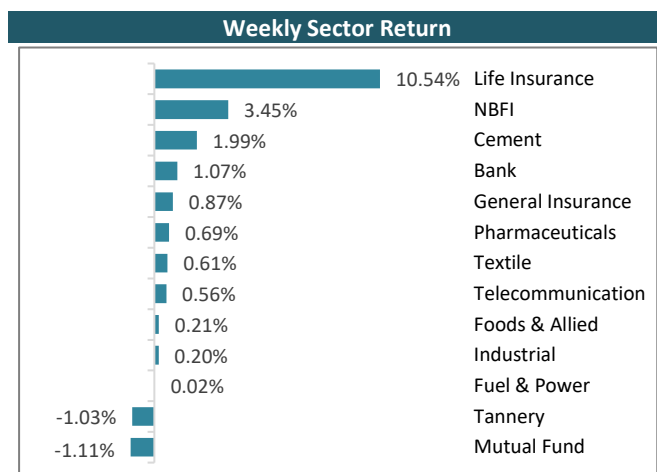
Risk factor	Risk Level	Impact
Subdued tax revenue collection	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 5.16% in the Jul-Feb period of FY21 as businesses 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 broad index of the premier bourse gained 58 points (0.95%) during the week despite the impending shutdown as June closing neared its end and the extension of the provision to whiten black money exerted buying pressure in the market. Amid an alarming rise in local virus cases and the imposition of a strict lockdown for a week starting July 1st to curb the infection rate, the decision to keep the market open in line with banks slightly eased investors' worries. This move coupled with June closing kept the market from plunging further after the index dropped 100 points on Sunday. Moreover, the decision to provide the scope of whitening undisclosed money in FY22 as well but with harder terms – 25% regular tax plus 5% penalty – resulted in a 108 points surge on the last trading session of the week. The extension of this provision is likely to funnel more funds into the market in the coming days. During the week, the life insurance sector picked up pace after a week's descent to register the highest return (10.54%) for the week, followed by NBFI, cement and the banking sector. The financial sector, with the privilege to remain open, performed well except the mutual fund sector which returned -1.11%, the worst of them all. Overall average turnover declined by -26.18% compared to the previous week, indicating investors' preference to wait and watch. Meanwhile, Dawn Global, a London-based boutique investment firm, has launched an NYSE listed ETF that will provide global investors access to five frontier markets including Bangladesh. In addition to that, BSEC has issued a set of rules last week to govern the Tk 210 bn fund that was created for investors to stabilize the market. The regulator has also decided to form a Shariah supervisory board to manage Islamic products.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	6,150	6,093	0.95%	13.85%
DS30	2,208	2,200	0.40%	12.45%
Market Cap (\$ mn)	60,646	60,217	0.71%	14.74%
Total Turnover (\$ mn)	663	1,123	-40.94%	-22.46%
Avg. Daily Turn. (\$ mn)	166	225	-26.18%	-3.08%
S&P 500	4,298	4,281	0.39%	14.41%
DJIA	34,503	34,434	0.20%	12.73%
FTSE 100	7,037	7,136	-1.38%	8.93%
NIKKEI 225	28,792	29,066	-0.94%	4.91%


NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK

FINFOODS posted negative earnings as their turnover decreased by 14.5% and the cost of goods sold experienced an abnormal growth of 162.17% which contributed to their EPS degrowth. On the other hand, PHOENIXFIN's EPS increased by 25% as their operational earnings increased moderately and financial costs reduced due to the interest rate ceiling.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Jan-Mar)	EPS 2020 (Jan-Mar)	CHANGE
FINFOODS	Fine Foods Limited	Food & Allied	-0.018	0.601	N/A
PHOENIXFIN	Phoenix Finance and Investments Ltd.	NBFI	0.45	0.36	25.00%

TICKER	COMPANY NAME	SECTOR	EPS 2020	EPS 2019	CHANGE	Dividend
PIONEERINS	Pioneer Insurance Company Ltd.	Insurance	7.61	4.89	55.62%	20% c & 10% 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 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 NBF sector recorded the second highest earnings growth during the quarter followed by bank, pharmaceuticals, and ceramic. Banks and NBFs continued its profit growth trend from the previous quarter. In the Jul-Sep'20 quarter, a good number of NBFs 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	2,892
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	5,779	6,208
NBFI	1,716	-243	-743	981	2,000	1,728	2,272	2,638	1,798
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%	-9.3%
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%	95.4%	207.4%
NBFI	-34.7%	-111.6%	-141.0%	-80.1%	16.5%	810.3%	405.8%	-	-6.7%
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 214 and 181 companies, respectively, that have been declared so far out of the 261 tracked.

MAJOR EVENTS DURING THE WEEK

COVID-19 positivity rate increases to 25.1% this week in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases increased by 51.29% while the total tests conducted increased by 19.46% compared to the previous week. During the week, 53,118 new positive cases and 859 more deaths were reported in Bangladesh, taking the total number of cases to 936,256 as of 4th July, according to official tallies. The positivity rate increased to 25.1%. Total 1.25 mn doses of Moderna Covid-19 vaccine arrived in Bangladesh during the hard lockdown. The second consignment will also reach soon. Globally, the total number of cases has crossed 183 mn and the death count has also crossed 3.97 mn.

Higher borrowing target for July by the government

In order to adjust spending in June and finance a part of the budget deficit, the government has decided a higher borrowing target for July. Gross borrowing might go up to BDT 206.50 bn. Through the issuance of treasury bills and bonds, the government is going to collect the amount from the banking system in the first month July of FY22.

More widened money whitening scope for black money holders

By paying only a flat 10% tax, black money holders now can whiten their money through investment in new factories. They have another year to legalize their dirty money when no one will ask questions regarding the income sources through investments in almost all sectors. More opportunities for whitening money like investment in apartments, land, bank deposit, savings instruments, stocks etc have also been included in the Finance Act.