

KEY ECONOMIC INDICATORS

Bangladesh's forex reserve has crossed another all-time high of USD 36 bn this week on the back of strong inward remittances, slowdown in international trade and influx of foreign aid to fight the pandemic. Remittance jumped 33.58% YOY in June 2020, creating another history in terms of the highest one-month remittance received by the country. This growth may have been largely driven by the latest policy relaxation regarding incentives and the last pennies sent by the expatriates facing deportation risks. Crude oil price rose 4.65% this week due to a surprise decline (~1.33%) in the US crude oil stock from the previous week.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	36.02	35.33	1.94%	9.96%
Call Money Rate (Weighted Average)	5.02%	5.00%	0.40%	1.41%
Exchange Rate (BDT-USD)	84.85	84.80	0.06%	-0.06%
Oil Price (USD per barrel of WTI)	40.28	38.49	4.65%	-34.03%
	FY 2019-20		FY 2018-19	% Change
Export (USD mn) (Jul-May)	30,955		37,751	-18.0%
Import (USD mn) (Jul- May)	46,508		55,430	-16.1%
Remittances (USD mn) (Jul-Jun)	18,218		16,412	11.0%
Current Account Balance (USD mn) (Jul- May)	(4,374)		(5,154)	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

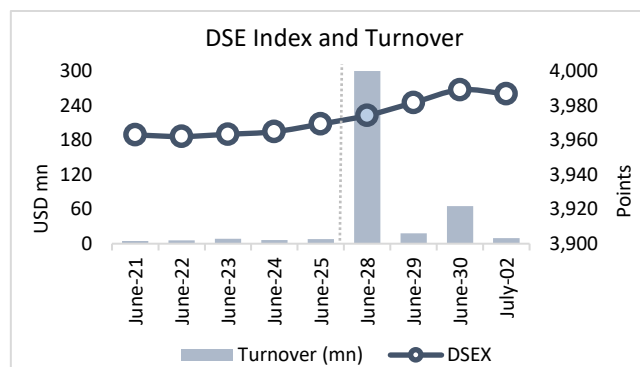
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

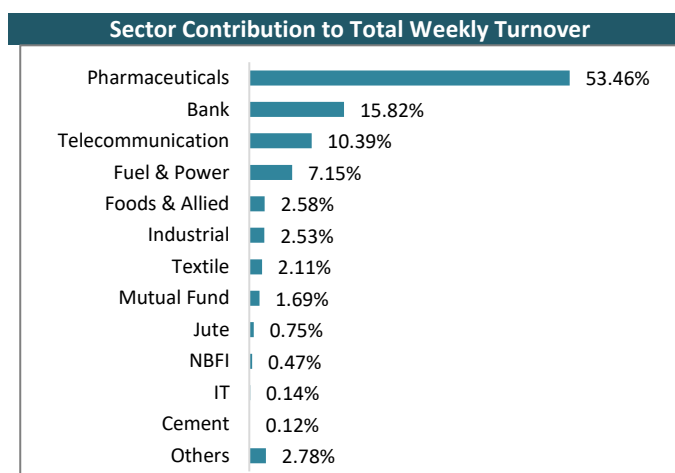
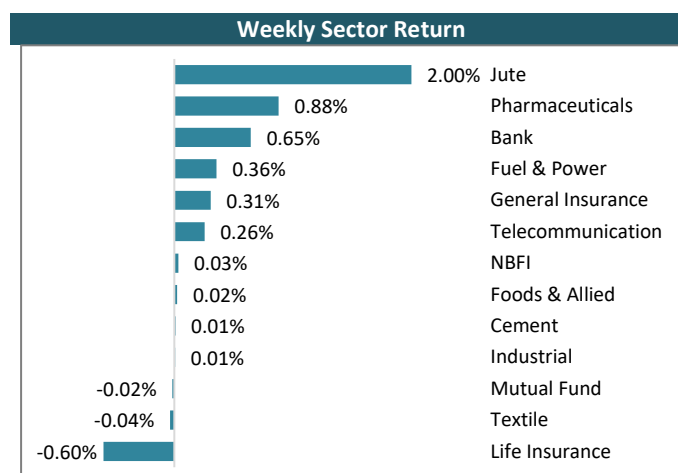
Risk factor	Risk Level	Impact
Demand contraction	High	High uncertainty and virus fears have resulted in subdued demand, which in turn have led to large scale job losses and more demand contraction as discretionary spending takes a hit. According to ILO's projections, around 200 mn full-time workers' jobs may be lost, and Bangladesh will not be immune to this. Purchasing power is likely to remain weak 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	Although March (-11.83%), April (-24.48%) and May (-14.29%) registered double digit negative growth in inward remittance YOY amid the pandemic, June registered a positive gain (33.58%). However, as the World Bank expects global remittance to decline by 20% this year, the overall outlook is gloomy. Expatriates are facing mass deportations from Middle East countries in phases and globally ~2 mn Bangladeshi workers are now facing the risk of deportation.
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 9.03%, compounded with weak deposit growth and a CAR of 11.60% that is the lowest in South Asia. 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

Although overall investor sentiment remained largely unchanged, the DSEX posted another minimal gain of 17 points (0.44%) during the week amid a boost in turnover stemming from the effects of the FY closing. The week began with turnover jumping to USD 299.45 mn for the first time in 9.5 years as GSK Bangladesh transacted USD 261.98 mn (87.9% of the day's total turnover) in the block market to transfer its shares to Unilever Overseas Holdings B.V. Moreover, market liquidity remained relatively high in the last few trading sessions of the FY as some investors tried to take advantage of the existing income tax benefit from investing in stocks. The decision to reduce the lock-in period of undisclosed money to 1 year instead of 3 years also had a positive impact on the market. We expect investor participation to dip again unless any new developments arise.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	3,986.74	3,969.28	0.44%	-10.48%
DS30	1,339.49	1,330.32	0.69%	-10.81%
Market Cap (\$ mn)	36,701.02	36,590.32	0.30%	-8.31%
Total Turnover (\$ mn)	392.56	33.47	1072.77%	98.63%
Avg. Daily Turn. (\$ mn)	98.14	6.69	1365.97%	148.29%
S&P 500	3,130.01	3,009.05	4.02%	-3.92%
DJIA	25,827.36	25,015.55	3.25%	-10.54%
FTSE 100	6,157.30	6,159.30	-0.03%	-19.03%
NIKKEI 225	22,306.48	22,512.08	-0.91%	-3.87%



NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

Out of the total 67 earnings that were declared during the week, 29.9% companies posted positive growth while 70.1% were negative. ONEBANKLTD experienced increased earnings mainly because of 6.56% topline growth and 99.33% reduction in provision for loans and advances. BATBC secured a positive earnings growth due to a surge in sales volume before the lockdown. TITASGAS saw a negative growth in EPS even after securing a 33.21% revenue growth due to a 36.18% increase in cost of sales. ARAMITCEM's net earnings collapsed owing to increased sales cost, operating and financial expenses.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Jan-Mar)	EPS 2019 (Jan-Mar)	CHANGE
ONEBANKLTD	One Bank Limited	Bank	0.83	0.23	260.9%
BATBC	British American Tobacco Bangladesh Company Limited	Foods & Allied	16.87	11.44	47.5%
TITASGAS	Titas Gas Transmission & Dist. Co. Ltd.	Fuel & Power	0.49	0.73	-32.9%
ARAMITCEM	Aramit Cement Limited	Cement	-1.18	-0.84	N/A

TICKER	COMPANY NAME	SECTOR	EPS 2019 (Jan-Dec)	EPS 2018 (Jan-Dec)	CHANGE	DIVIDEND (2019)
ABBANK	AB Bank Limited	Bank	0.16	0.06	166.7%	5% stock
PEOPLESINS	Peoples Insurance Company Ltd.	General Insurance	1.87	1.56	19.9%	8% cash
ISLAMIBANK	Islami Bank Bangladesh Limited	Bank	3.40	3.92	-13.3%	10% cash
MTB	Mutual Trust Bank Ltd.	Bank	2.03	2.73	-25.6%	5% cash, 5% stock

QUARTERLY EARNINGS UPDATE

Most of the sectors demonstrated negative earnings growth in Jan-Mar, 2020 compared to the same quarter in 2019. Tannery, Textile & industrial sectors were the worst performers in this quarter mainly due to demand contraction. On the other hand, pharmaceuticals sector reported positive earnings as they received a boost in sales due to virus outbreak. Banking sector also posted positive earnings as few of the banks such as ONEBANKLTD, STANDBANKL, SOUTHEASTB, NBL, NCCBANK, etc. could manage topline growth and lower provisioning for loans and advances. The major player in the Food & allied sector, BATBC also secured a positive earnings growth due to a surge in sales volume.

Sector	2018					2019					2020
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total	Jan-Mar
Bank	11,064	15,187	13,525	23,762	63,537	13,344	18,592	13,659	18,615	64,210	17,619
Cement	800	863	203	835	2,701	729	879	403	42	2,053	596
Ceramic	288	207	337	446	1,279	230	59	261	287	837	167
Food & Allied	2,701	2,691	1,959	2,016	9,367	1,938	1,138	2,615	2,677	8,369	2,812
Fuel & Power	6,533	9,677	10,314	9,042	35,565	8,343	10,719	10,132	8,281	37,476	6,625
Industrial	4,568	13,417	3,959	4,240	26,183	4,289	5,020	3,393	2,743	15,445	2,704
NBFI	2,280	2,061	1,407	3,332	9,080	1,632	-738	-613	1,203	1,485	1,838
Pharmaceuticals	4,729	4,791	4,549	4,547	18,617	4,787	4,985	6,093	5,920	21,786	5,391
Telecommunication	6,394	10,804	8,892	9,070	35,160	8,926	9,553	7,269	8,766	34,514	10,694
Textile	1,304	1,238	1,594	1,249	5,384	1,218	-6,076	817	814	-3,227	283
Tannery	411	278	607	321	1,616	269	99	352	144	864	-55

QoQ Growth (Sectorwise)	2018					2019					2020
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Yearly Growth	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Yearly Growth	Jan-Mar
Bank	1.5%	0.5%	-17.4%	36.1%	6.1%	20.6%	22.4%	1.0%	-21.7%	1.1%	32.0%
Cement	-25.0%	55.7%	-43.8%	113.3%	13.8%	-8.9%	1.9%	98.8%	-95.0%	-24.0%	-18.2%
Ceramic	20.5%	-42.9%	11.3%	36.9%	3.9%	-20.3%	-71.3%	-22.7%	-35.6%	-34.5%	-27.5%
Food & Allied	23.3%	58.2%	4.2%	26.9%	27.3%	-28.2%	-74.1%	33.5%	32.8%	-10.7%	45.1%
Fuel & Power	8.0%	26.2%	33.1%	27.3%	24.5%	27.7%	10.8%	-1.8%	-8.4%	5.4%	-20.6%
Industrial	10.9%	431.4%	19.4%	11.2%	90.1%	-6.1%	-62.6%	-14.3%	-35.3%	-41.0%	-36.9%
NBFI	-38.1%	-13.6%	-48.6%	60.2%	-16.6%	-28.4%	-135.8%	-143.5%	-63.9%	-83.6%	12.6%
Pharmaceuticals	-1.9%	-4.8%	-11.3%	-22.4%	-10.7%	1.2%	4.1%	33.9%	30.2%	17.0%	12.6%
Telecommunication	-2.5%	36.3%	27.6%	51.8%	28.2%	39.6%	-11.6%	-18.3%	-3.3%	-1.8%	19.8%
Textile	-9.8%	-8.6%	24.0%	-10.8%	-1.9%	-6.6%	-591.0%	-48.7%	-34.8%	-159.9%	-76.8%
Tannery	51.8%	37.5%	16.3%	-4.4%	21.5%	-34.4%	-64.5%	-42.0%	-55.1%	-46.6%	-120.2%

*Note: Sector represents more than 70% of the companies (according to large market capital) Source: DSEX, LR Global Research.

MAJOR EVENTS DURING THE WEEK

Bangladesh now ranks 8th in terms of top weekly increase in positive cases worldwide: COVID-19 Update

COVID-19 cases in Bangladesh are rising in tandem with the global trend. During the week, 25,701 new positive cases and 302 more deaths were reported, taking the total number of cases to 159,679 as of 4th July, according to official tallies. Although the weekly growth rate of total positive cases in Bangladesh (19.2%) slightly slowed down from the previous week (23.2%), it does not exude much hope as Bangladesh now ranks 8th in terms of top weekly increase in positive cases worldwide, according to WHO. In addition, the infection rate as percentage of total tested cases has remained almost at the same level (21.4%) compared to the previous week (21.9%). Till date, more than 11 mn people have been infected by the virus globally and more than 0.53 mn have lost their lives amid record number of new cases worldwide this week.

Remittance registers 10.84% growth in FY20

The just-concluded FY20 registered a 10.84% growth in remittance, largely powered by the government's policy support. Bangladesh has been able to record USD 18.20 bn remittance inflow in FY20 as against the USD 16.42 bn in FY19. The country also earlier recorded the highest 1-month remittance of USD 1.83 bn in June FY20, up 33.57% from the same month a year ago.

ADP implementation plummets to 10-year low

ADP execution rate has plunged to 57% in the July-May period of FY20, hitting a 10-year low. The pandemic situation has acutely disrupted development activities in the country. Moreover, according to official data, in the past decade, ADP implementation rate has been on a declining trend due to poor accountability. Bangladesh's ADP execution rate surpassed 70% only once in FY11.

Government takes decision to shut down state-owned jute mills

The government has arrived at a decision to close down 26 state-owned jute mills after paying all workers' dues. This closure entails part of the plan to transform the jute sector into a modernized private-public partnership and production-oriented industry. The 25,000 affected workers will be compensated with a BDT 50 bn, which will include retirement benefits. In the last 44 years, state-owned jute mills had registered profits in only 4 years.