

KEY ECONOMIC INDICATORS

RMG exports is still battling to shrug off the effects of the pandemic as apparel sales to the US fell by -16% in Jan. However, suppliers have been receiving more queries and fresh orders in recent times as the severity of the pandemic is gradually reducing. Overall imports increased by -0.23% during the Jul-Jan 2021 period YoY as January saw a 35.64% jump in imports which significantly offset the sluggish trend during the past six months. Job creation too has reached pre-pandemic levels as job postings in February crossed that of the corresponding month in the previous year. Inflation crept up to 5.32% in Feb compared to 5.02% in Jan mainly due to an increase in the price of food and non-food items including prices of construction materials, rods and cement. Oil prices slipped slightly this week based on OPEC's news of lower global oil demand for Q2.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	42.98	42.74	0.56%	-0.45%
Call Money Rate (Weighted Average)	1.82%	1.79%	3 bps	-30 bps
Exchange Rate (BDT-USD)	84.80	84.80	0.00%	0.00%
Oil Price (USD per barrel of WTI)	65.61	66.09	4.03%	36.55%
	FY 2020-21	FY 2019-20	% Change	
Export (USD mn) (Jul-Feb)		25,862	26,242	-1.45%
Remittances (USD mn) (Jul-Feb)		16,687	12,499	33.51%
Import (USD mn) (Jul-Jan)		34,505	34,584	-0.23%
Current Account Balance (USD mn) (Jul-Jan)		2,235	(1,809)	N/A
Credit to the Private Sector (USD mn) (Jan)		134,466	124,112	8.32%
Point-to-point Inflation (Feb)		5.32%	5.46%	14 bps
Tax Revenue (NBR) (USD mn) (Jul-Jan)		15,585	14,927	4.41%

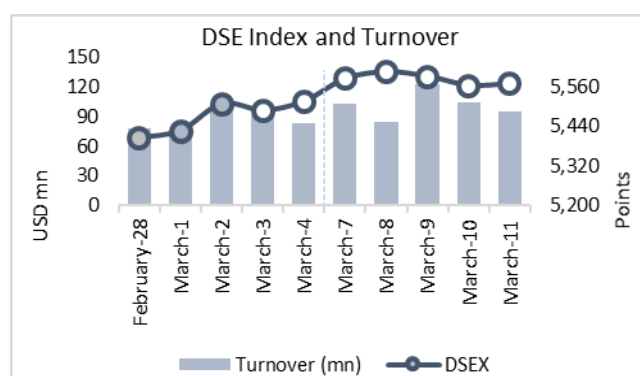
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

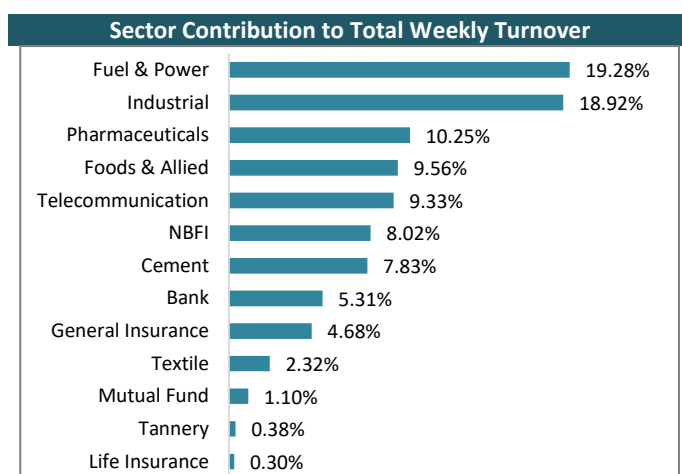
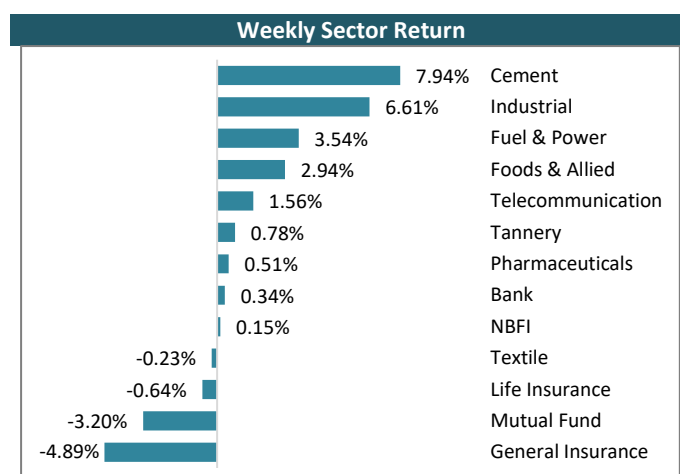
Risk factor	Risk Level	Impact
Subdued tax revenue collection	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 4.41% in the Jul-Jan period of FY21 as businesses 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 8.88% 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 a maximum of 15% cash dividend depending on the strength of their capital base.
Remittance shock	Medium	Inward remittances made an exceptional recovery in the Jul-Feb period amid the pandemic with a 33.51% 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. However, consumer confidence is likely to strengthen as the percentage of vaccinated population continues to increase.
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, it may take a while for demand recovery to take place. 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.

CAPITAL MARKET UPDATE

The premier bourse inched up by 53 points (0.96%) during the week amid a volatile market as it increased for the second consecutive week after a 6-week long downward trend. A large number of investors were focused on taking positions in large-cap stocks while others continued to adjust their portfolios amid the ongoing corporate declarations of December-end companies. The cement sector generated the highest return, followed by industrial and fuel & power. The fuel & power sector surpassed the industrial sector on the turnover board as investors heavily traded market debutant LRBDL. Average daily turnover improved by 20.44% compared to the previous week, suggesting better market participation. Meanwhile, during the week, BSEC decided to allow 12 tech companies to raise funds from DSE through the small-cap board, DSE SME, which was formed in 2019 with a view to help small and medium enterprises raise funds from the market. The market regulator also plans to revise the allocation of IPO shares to general investors to 70% from the current 50% and 40% under fixed-price method and book-building method respectively.



	Market Statistics			
	This Week	Last Week	Weekly Change	YTD Change
DSEX	5,569	5,516	0.96%	3.09%
DS30	2,155	2,113	1.99%	9.71%
Market Cap (\$ mn)	56,840	55,691	2.06%	7.72%
Total Turnover (\$ mn)	510	423	20.44%	-40.30%
Avg. Daily Turn. (\$ mn)	102	85	20.44%	-40.30%
S&P 500	3,943	3,842	2.64%	4.99%
DJIA	32,779	31,496	4.07%	7.10%
FTSE 100	6,761	6,631	1.97%	4.66%
NIKKEI 225	29,718	28,864	2.96%	8.28%


NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

Out of the 10 earnings that were declared during the week, 6 companies posted positive earnings growth, 3 companies posted negative growth and one company posted no changes in earnings. DUTCHBANGL's earnings leaped up by 26.74% as the company posted a record profit. This allowed the bank to declare a handsome 15% cash and 15% stock dividend. SHAHJABANK also posted positive earnings and declared 7% cash and 5% stock dividend. Banks performed better than expected due to BB's relaxation of provisioning rules. PARAMOUNT's earnings jumped by 371.93% but the company only declared stock dividend as they are investing in the making of a new building named Paramount Insurance Bhaban.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Jan-Dec)	EPS 2019 (Jan-Dec)	CHANGE	Dividend (2020)
DUTCHBANGL	Dutch-Bangla Bank Ltd.	Bank	10	7.89	26.74%	15%C & 15%B
SHAHJABANK	Shahjalal Islami Bank Ltd.	Bank	1.95	1.7	14.71%	7%C & 5%B
PARAMOUNT	Paramount Insurance Company Ltd.	Insurance	5.38	1.14	371.93%	20%B

QUARTERLY EARNINGS UPDATE

During the Oct-Dec'20 quarter, based on the data of 170 companies that have declared their earnings so far, the industrial sector bounced back and recorded the 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 subside. The pharmaceuticals sector recorded the second highest earnings growth during the quarter followed by ceramic, telecommunication, and fuel & power. In the Jul-Sep'20 quarter, a good number of NBFIs 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. Earlier in Apr-Jun'20 quarter, only the NBF and food & allied sector managed to report a positive growth mainly due to a significant boost in ICB's earnings and BATBC's resilient growth in stick sales, respectively.

Sector	2019					2020			
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Bank	13,988	21,244	13,891	22,880	72,003	18,311	13,382	20,078	-
Cement	872	958	582	250	2,662	803	173	930	778
Ceramic	230	59	261	287	837	167	-278	142	355
Food & Allied	2,294	1,683	3,219	3,156	10,352	3,020	2,501	2,960	201
Fuel & Power	9,076	11,399	10,862	8,961	40,298	7,336	5,683	9,997	9,130
Industrial	4,733	4,834	3,870	3,165	16,602	2,929	-665	3,439	5,895
NBFI	1,775	-393	-783	1,216	1,814	1,517	1,355	1,864	-
Pharmaceuticals	6,344	6,951	7,617	7,387	28,298	6,778	4,870	8,869	8,323
Telecommunication	8,926	9,553	7,269	8,766	34,514	10,694	7,265	8,898	10,330
Textile	1,465	-5,890	1,183	1,271	-1,971	417	-3,951	484	894
Tannery	270	101	371	144	886	-27	-869	-455	69

QoQ Growth (Sectorwise)	2019				Yearly Growth	2020			
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec		Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Bank	20.2%	20.4%	-0.3%	-14.1%	3.1%	30.9%	-37.0%	44.5%	-
Cement	-4.6%	-0.4%	93.8%	-72.4%	-13.6%	-7.9%	-81.9%	59.7%	-
Ceramic	-20.3%	-71.3%	-22.7%	-35.6%	-34.5%	-27.5%	-567.8%	-45.7%	23.7%
Food & Allied	-25.0%	-74.1%	25.3%	25.6%	-18.8%	31.6%	48.6%	-8.0%	-47.2%
Fuel & Power	22.5%	9.4%	-1.1%	-7.3%	4.7%	-19.2%	-50.1%	-8.0%	6.4%
Industrial	-2.3%	-65.2%	-12.0%	-30.8%	-40.0%	-38.1%	-113.8%	-11.1%	108.1%
NBFI	-32.7%	-118.7%	-142.2%	-75.6%	-84.3%	-14.5%	444.8%	338.0%	-
Pharmaceuticals	7.7%	6.0%	25.6%	20.7%	14.9%	6.8%	-29.9%	16.4%	27.1%
Telecommunication	39.6%	-11.6%	-18.3%	-3.3%	-1.8%	19.8%	-24.0%	22.4%	17.8%
Textile	-9.4%	-481.5%	-39.8%	-20.8%	-129.3%	-71.5%	32.9%	-59.1%	-29.7%
Tannery	-34.1%	-63.8%	-38.8%	-55.0%	-45.2%	-109.9%	-962.9%	-222.6%	-27.9%

Note: Sector represents more than 70% of the companies (according to large market capital),

Source: DSEX, LR Global Research

*Jul-Sep'20 & Oct-Dec'20 earnings growth have been calculated based on the earnings of 226 and 170 companies, respectively, that have been declared so far out of the 251 tracked.

MAJOR EVENTS DURING THE WEEK
COVID-19 infection rate increases to 5.60% this week in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases increased by 67.27% as the total tests conducted increased by 14.52% compared to the previous week. During the week, 6,512 new positive cases and 76 more deaths were reported in Bangladesh, taking the total number of cases to 556,236 as of 11th March, according to official tallies. The positivity rate increased to 5.60% while the death rate is hovering around the same region. The percentage of occupied ICU beds jumped to 42.76% on 13th March from 28.18% on February 13th as the country is experiencing a sudden increase in cases mainly due to people flouting the health guidelines. Globally, the total number of cases has crossed 119 mn and the death count is also about to reach 2.65 mn.

BB to support the economy with excess liquidity

The central bank will continue the policy of maintaining excess liquidity in the money market until the private sector's credit growth reaches 10%. Therefore, no reverse repo auctions were held in the last two quarters in a bid to allow the floatation of cash in the market. The credit growth in January stood at 8.32% which is much lower than the target of 11.5%.

General Investors to get better access with the help of IPO quota extension

The securities regulator has proposed to increase the quota for general investors considering their greater interest. Under current rules, general investors receive 50% and 40% IPO quota under the fixed price and book building method respectively. However, the amendment will make it 70% under both the methods.