

**KEY ECONOMIC INDICATORS**

The rebounding effects of economies gradually reopening in the US and Europe allowed exports to earn USD 3.13 bn in April, which is 6 times higher than last year. However, this growth is significantly high as exports were drastically low (USD 0.52 bn) in April last year as RMG production activities were suspended due to the lockdown during that time. So far in the FY, remittances have exceeded the USD 20 bn mark (up 39% YoY) in the first 10 months as migrant workers kept sending money home through formal banking channels. This upward trend in remittances and lower imports has taken the country's forex to a new high of USD 45.1 bn. However, given the alarming surge in coronavirus infections in recent times, only 41.39% of businesses were confident in the Apr-Jun quarter compared to 57.90% in the Jan-Mar quarter, according to a survey by SANEM. Oil prices re-entered a range bound trading due to concerns on US job growth and the virus situation condition in India.

	This Week	Last Week	Weekly Change	YTD Change
<b>Foreign Exchange Reserve (USD bn)</b>	43.58	44.83	-2.78%	0.94%
<b>Call Money Rate (Weighted Average)</b>	2.13%	2.06%	7 bps	1 bps
<b>Exchange Rate (BDT-USD)</b>	84.80	84.80	0.00%	0.00%
<b>Oil Price (USD per barrel of WTI)</b>	64.71	61.43	5.34%	33.70%
		<b>FY 2020-21</b>	<b>FY 2019-20</b>	<b>% Change</b>
<b>Export (USD mn) (Jul-Apr)</b>		32,073	29,494	8.74%
<b>Remittances (USD mn) (Jul-Apr)</b>		20,666	14,868	39.00%
<b>Import (USD mn) (Jul-Feb)</b>		40,069	39,308	1.94%
<b>Current Account Balance (USD mn) (Jul-Feb)</b>		1,557	-2,108	N/A
<b>Credit to the Private Sector (USD mn) (Mar)</b>		116,038	106,658	8.79%
<b>Point-to-point Inflation (Mar)</b>		5.47%	5.48%	-5 bps
<b>Tax Revenue (NBR) (USD mn) (Jul-Feb)</b>		18,054	17,168	5.16%

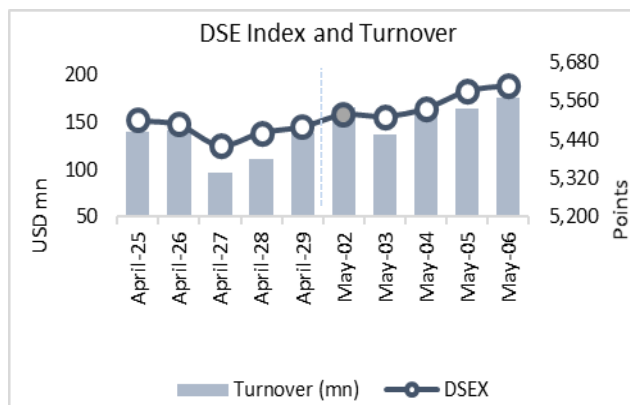
Source: Bangladesh Bank and Investing.com

**ECONOMIC RISKS**

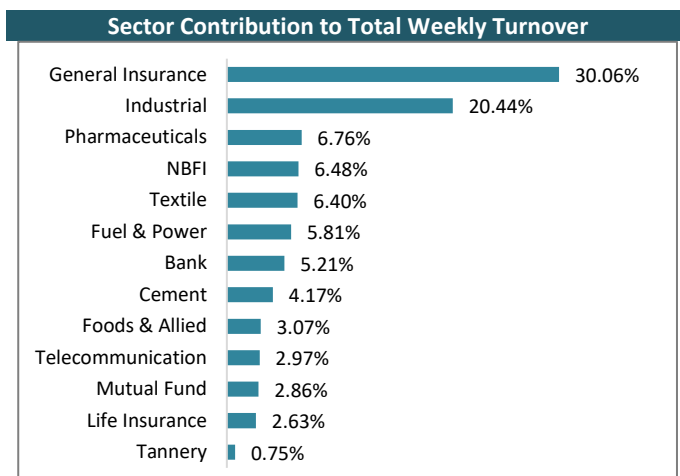
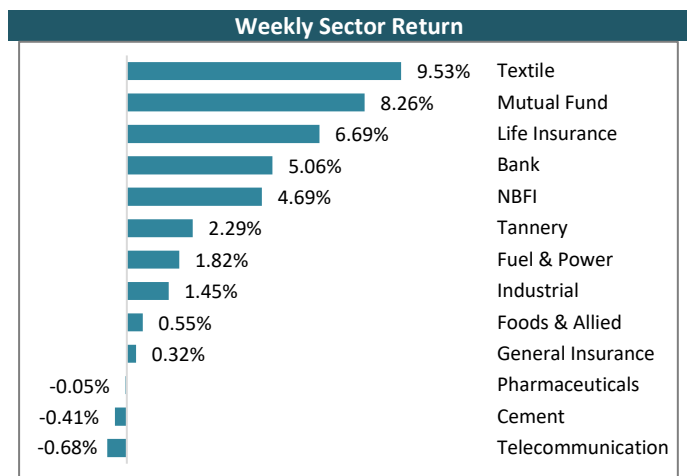
Risk factor	Risk Level	Impact
<b>Subdued tax revenue collection</b>	High	Tax collection registered a negative growth of -2.63% in FY20 for the first time since the country's independence due to the effects of the virus. However, revenue collection has increased by 5.16% in the Jul-Feb period of FY21 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.
<b>Soaring default loan in financial sector</b>	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.
<b>Remittance shock</b>	Medium	Inward remittances made an exceptional recovery in the Jul-Mar period amid the pandemic with a 35.06% 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.
<b>Demand contraction</b>	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.
<b>Export slump</b>	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).
<b>Volatile capital market</b>	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 DSEX increased by 126 points (2.31%) during the week and crossed the 5,600 points mark as investors continued to take positions in attractive stocks, which was further fueled by some encouraging corporate declarations and relaxation in lockdown restrictions. A good number of companies have been declaring encouraging earnings growth and dividends recently which has provided further support to the current market uptrend. In addition, the country's daily infection rate has been declining amid the countrywide lockdown, allowing for slight relaxation of lockdown rules while the government's vaccine procurement developments have also played a part in boosting investors' confidence. During the week, the securities regulator also approved the rules for the BDT 210 bn capital market stabilization fund and decided to allow foreign companies to become sponsors of locally managed mutual funds, which also positively impacted the market. The BSEC also took a decision to cap the circuit breaker of newly listed stocks on the first two trading days to 10% from the previous 50%. Overall market turnover jumped 27.91% compared to the previous week. The general insurance sector continued to remain in top position as it generated 28.54% of market turnover.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	5,606	5,480	2.31%	3.78%
DS30	2,137	2,111	1.25%	8.83%
Market Cap (\$ mn)	56,228	55,411	1.48%	6.57%
Total Turnover (\$ mn)	801	627	27.91%	-6.16%
Avg. Daily Turn. (\$ mn)	160	125	27.91%	-6.16%
S&P 500	4,233	4,181	1.23%	12.69%
DJIA	34,778	33,879	2.65%	13.63%
FTSE 100	7,130	6,970	2.29%	10.36%
NIKKEI 225	29,358	28,813	1.89%	6.97%


**NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK**

BXPHERMA's profit surged 62.38% in the Jan-Mar quarter, a significant part of came from its vaccines and medications to treat the virus. POWERGRID has posted negative return of -17.44% as total power transmission reduced by 10.51% from April'20 to June'20 due to the COVID-19 situation in the country.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Jan-Mar)	EPS 2020 (Jan-Mar)	CHANGE
BXPHERMA	Beximco Pharmaceuticals Ltd.	Pharmaceuticals & Chemicals	3.28	2.02	62.38%
DOREENPWR	Doreen Power Generations and Systems Limited	Fuel & Power	1.72	0.76	126.32%

TICKER	COMPANY NAME	SECTOR	EPS 2021	EPS 2020	CHANGE	Dividend
MATINSPINN	Matin Spinning Mills Ltd.	Textile	2.16	0.97	122.68%	18% cash
POWERGRID	Power Grid Company of Bangladesh Ltd.	Fuel & Power	4.45	5.39	-17.44%	20% cash

Source: DSEX, Investing.com, LR Global Research

**QUARTERLY EARNINGS UPDATE**

During the Jan-Mar'21 quarter, the cement sector experienced a significant growth of 163.4%, based on the earnings disclosed so far, owing to a revival in demand in the sector. The tannery industry 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. 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 NBFIs recorded the second highest earnings growth during the quarter followed by bank, pharmaceuticals, and ceramic. Banks and NBFIs continued its profit growth trend from the previous quarter. 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 NBFIs 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				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	13,184	6,675
Cement	872	958	582	250	803	173	930	1,558	1,512
Ceramic	230	59	261	287	167	-278	142	355	220
Food & Allied	2,428	1,817	3,474	3,619	3,200	2,638	3,101	272	357
Fuel & Power	9,076	11,399	10,862	8,961	7,336	5,705	9,939	9,130	7,982
Industrial	4,733	4,834	3,870	3,165	2,929	-665	3,439	5,829	2,192
NBFI	1,716	-243	-743	981	2,000	1,728	2,272	2,132	1,196
Pharmaceuticals	6,210	6,820	7,362	6,926	6,598	4,446	8,735	8,659	7,864
Telecommunication	8,926	9,553	7,269	8,766	10,694	7,265	8,898	10,330	8,912
Textile	1,474	-5,658	1,223	1,268	457	-3,852	473	885	310
Tannery	270	101	371	144	-27	-869	-455	69	86

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%	-3.6%	4.4%
Cement	-4.6%	-0.4%	93.8%	-72.4%	-7.9%	-81.9%	59.7%	-	163.4%
Ceramic	-20.3%	-71.3%	-22.7%	-35.6%	-27.5%	-567.8%	-45.7%	23.7%	54.4%
Food & Allied	-24.0%	-74.1%	75.2%	92.7%	31.8%	45.2%	-10.7%	-67.8%	-4.5%
Fuel & Power	22.5%	9.4%	-1.1%	-7.3%	-19.2%	-50.0%	-8.5%	6.4%	32.8%
Industrial	-2.3%	-65.2%	-12.0%	-30.8%	-38.1%	-113.8%	-11.1%	96.7%	-
NBFI	-34.7%	-111.6%	-141.0%	-80.1%	16.5%	810.3%	405.8%	103.9%	-16.9%
Pharmaceuticals	8.0%	4.7%	10.7%	2.5%	6.2%	-34.8%	18.6%	25.1%	19.0%
Telecommunication	39.6%	-11.6%	-18.3%	-3.3%	19.8%	-24.0%	22.4%	17.8%	-16.7%
Textile	-13.4%	-440.5%	-40.7%	-25.5%	-69.0%	31.9%	-61.4%	-28.7%	-
Tannery	-34.1%	-63.8%	-38.8%	-55.0%	-109.9%	-962.9%	-222.6%	-27.5%	-

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 197 and 47 companies, respectively, that have been declared so far out of the 261 tracked.

**MAJOR EVENTS DURING THE WEEK**
**COVID-19 infection rate decreases by 36.52% this week in Bangladesh: COVID-19 Update**

The weekly new COVID-19 cases decreased by 36.52% while the total tests conducted decreased by only 19.90% compared to the previous week. During the week, 11,543 new positive cases and 368 more deaths were reported in Bangladesh, taking the total number of cases to 772,127 as of 9th May, according to official tallies. Although the positivity rate has declined to 8.9%, the government has extended the lockdown to 16th May as the risk of virus resurgence still remains as neighboring country India's situation continues to worsen. Globally, the total number of cases has crossed 158 mn and the death count has also crossed 3.28 mn.

**Active mobile connections increase to 174.60 mn in Q1 (Jan-Mar), 2021**

According to BTRC data, the number of mobile connections stood at 170.10 mn at the end of Dec 2020 and grew by a further 4.49 mn in the Jan to Mar 2021 period. The improvement in overall COVID situation throughout the country and increased economic activities made this growth possible. The number of internet connections also increased by 3.98 mn in this quarter. Among the phone operators, Grameenphone acquired the highest number of connections of 1.71 mn.

**FDI declines 10.8% in 2020 amid stagnant economy**

According to the recent data published by BB, Bangladesh received USD 2.56 bn in FDI in 2020, which was USD 2.87 bn a year ago. A sluggish economy throughout the country due to the pandemic was the main reason behind this fall. No new foreign investment came last year, and overall private investment was also stagnant. Prudent management of the ongoing virus situation and 100% vaccination of country's people can help bring back confidence among foreign investors.