

KEY ECONOMIC INDICATORS

Export earnings declined by -4.08% in October after a recovery trend in Q1 on the back of revival of outstanding RMG orders. But now with the prospects of the availability of Pfizer's vaccine given its potential approval in a few weeks' time, the demand for fresh orders in the RMG sector is likely to bounce back faster than expected. On the other hand, import orders jumped by 53.82% in September from the previous month, reflecting the gaining momentum of economic activities. Remittance growth slowed down in October compared to the last few months, bringing down Jul-Oct remittance growth to 43.3%. Point-to-point inflation rate spiked up to 6.44% in October from 5.97% in September, mainly driven by an increase in food inflation. Oil price settled below US\$ 40 as rising virus cases stoked fear and the US presidential election kept investors on the edge.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	39.96	41.03	-2.60%	22.01%
Call Money Rate (Weighted Average)	2.09%	2.76%	- 67 bps	- 286 bps
Exchange Rate (BDT-USD)	84.80	84.80	0.00%	-0.12%
Oil Price (USD per barrel of WTI)	37.14	35.79	3.77%	-39.17%
		FY 2020-21	FY 2019-20	% Change
Export (USD mn) (Jul-Oct)		12,845	12,721	1.0%
Remittances (USD mn) (Jul-Oct)		8,826	6,161	43.3%
Import (USD mn) (Jul-Sep)		12,687	14,324	-11.4%
Current Account Balance (USD mn) (Jul-Sep)		3,530	-715	NA
Credit to the Private Sector (USD mn) (Sep)		131,260	119,893	9.5%
Point-to-point Inflation (Oct)		6.44%	5.47%	+97 bps
Tax Revenue (NBR) (USD mn) (Jul-Sep)		5,895	5,662	4.1%

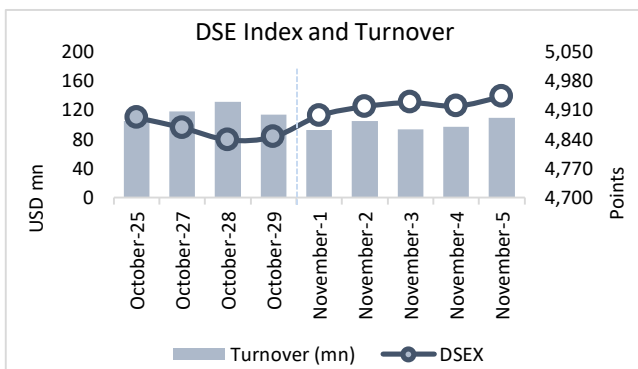
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

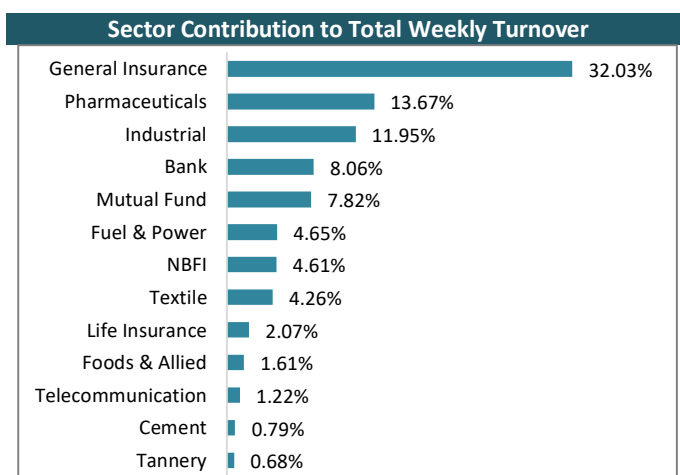
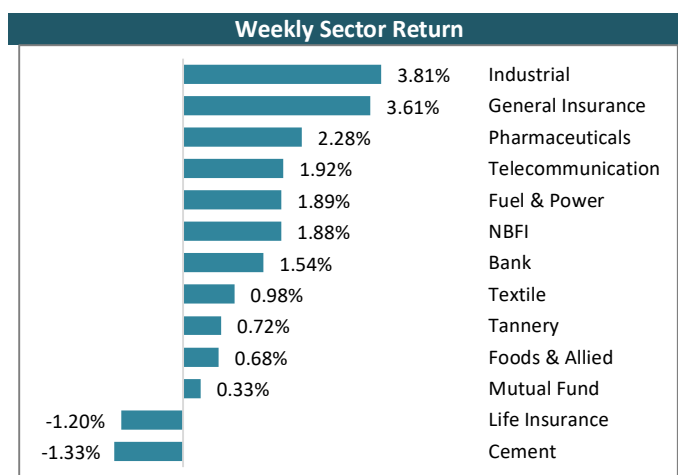
Risk factor	Risk Level	Impact
Remittance shock	High	Inward remittances made an exceptional recovery in the first quarter of FY21 amid the pandemic with nearly a 50% jump during the period. This increase has defied World Bank's projection of a -22% decline for 2020. The reason behind this increase can be attributed to the usage of formal channels amid the pandemic as well as the 2% cash incentive. A total of 209,245 migrant workers have returned to Bangladesh between 1 st April to 18 th October, with the highest number of returnees coming from petrostates such as the UAE (56,046) and Saudi Arabia (54,408). However, in recent times, workers have gradually started to return to their workplaces.
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% in Q1 FY21 as businesses and economic activities are slowly reviving. But the gap between the target and actual tax collection has widened further, with collection remaining BDT 137.24 bn less than the target amount in Q1. 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 9.16% 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 loan moratorium was recently extended till December by the central bank. Once this moratorium period ends, a sharp rise in default loans is expected. This is likely to undermine the sector further in the long term.
Demand contraction	Medium	Economic activities have been gradually picking up in recent times 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, the risk of a second virus wave remains which may affect demand again if adequate preparations are not taken.
Export slump	Medium	It has been projected that global merchandise trade might plummet by ~13% due to the pandemic. Recently some cancelled and suspended orders are starting to pour back into the RMG sector in Bangladesh as economies across the globe are reopening. 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). Although the 2 nd wave in the Western countries and looming risks of the same in our country remain, the learnings from the first wave can help reduce the intensity of the damage.
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 96 points (1.98%) during the week as a good number of companies declared decent earnings, indicating slow revival of economic activities in the country. At the same time, the dip in October's export earnings raised some concerns among investors. Almost all sectors registered a gain in value and the market remained in the green zone in 4 out of the 5 trading days during the week. Overall average daily turnover, however, declined by 15.03% in comparison to the previous week. The securities regulator extended the deadline to 9th December for sponsor-directors to comply with its directive to hold at least 30% shares and barred a brokerage firm from participating in the next three book building method IPOs for violating rules during the application process of WALTONHIL.



	This Week	Last Week	Weekly Change	YTD Change
DSEX	4,942	4,846	1.98%	10.98%
DS30	1,726	1,680	2.72%	14.91%
Market Cap (\$ mn)	46,856	46,057	1.73%	17.05%
Total Turnover (\$ mn)	497	466	6.66%	151.51%
Avg. Daily Turn. (\$ mn)	99	117	-15.03%	151.51%
S&P 500	3,509	3,270	7.32%	7.72%
DJIA	28,323	26,502	6.87%	-1.89%
FTSE 100	5,910	5,577	5.97%	-22.28%
NIKKEI 225	24,325	22,977	5.87%	4.83%



NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

Out of the total 61 earnings that were declared during the week, 34.4% companies posted a positive growth while 65.6% companies posted a negative growth. IDLC registered a 269.1% growth in EPS in the Jul-Sep'20 quarter compared to the same period in the previous year as the company's investment income increased by 1408% and provision charges reduced by 162%. BERGERPBL's earnings jumped by 50.3% as pent up demand drove up the company's revenue by 10.39% while selling and distribution costs declined by 27.19%.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (July-Sep)	EPS 2019 (July-Sep)	CHANGE
IDLC	IDLC Finance Ltd.	NBFI	2.51	0.68	269.1%
BERGERPBL	Berger Paints Bangladesh Ltd.	Industrial	14.26	9.49	50.3%
POWERGRID	Power Grid Company of Bangladesh Ltd.	Fuel & Power	1.91	1.85	3.2%
IFIC	IFIC Bank Ltd.	Bank	0.22	0.40	-45.0%

Source: DSEX, Investing.com, LR Global Research

QUARTERLY EARNINGS UPDATE

In the Jul-Sep'20 quarter, most sectors performed relatively better as businesses are slowly rebounding after the nationwide lockdown ended in May. So far, the NBFI, pharmaceutical, cement, banking, industrial sectors have generated the highest earnings growth. Most banks experienced a significant boost in earnings as the central bank relaxed loan classification and provisioning requirements due to the pandemic. However, the tannery sector continued to experience negative earnings as BATASHOE's earnings plunged significantly in this quarter as well. While this is a stark contrast to the previous quarter (Apr-Jun'20) where majority companies experienced a harsh phase due to the double whammy of the pandemic and the country-wide lockdown, the number of companies being considered for Jul-Sep is still low as a large number of companies are yet to disclose their earnings for the quarter. In the previous quarter (Apr-Jun'20), only the NBFI 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
Bank	13,988	21,244	13,891	22,880	72,003	18,311	13,382	16,990
Cement	872	958	582	250	2,662	803	11	466
Ceramic	230	59	261	287	837	167	-278	124
Food & Allied	1,820	1,205	2,661	2,663	8,349	2,526	2,021	2,443
Fuel & Power	9,057	11,367	10,850	8,938	40,212	7,198	3,139	3,788
Industrial	5,111	5,300	4,343	3,581	18,335	3,384	90	1,319
NBFI	1,757	-396	-785	1,216	1,791	2,017	1,702	1,956
Pharmaceuticals	6,343	6,954	7,617	7,389	28,303	6,778	5,372	10,992
Telecommunication	8,926	9,553	7,269	8,766	34,514	10,694	7,265	8,898
Textile	1,447	-5,902	1,152	1,174	-2,130	460	-3,106	0
Tannery	270	101	371	144	886	-27	-773	-514

QoQ Growth (Sectorwise)	2019				Yearly Growth	2020		
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec		Jan-Mar	Apr-Jun	Jul-Sep
Bank	20.2%	20.4%	-0.3%	-14.1%	3.1%	30.9%	-37.0%	41.4%
Cement	-4.6%	-0.4%	93.8%	-72.4%	-13.6%	-7.9%	-97.8%	76.6%
Ceramic	-20.3%	-71.3%	-22.7%	-35.6%	-34.5%	-27.5%	-567.8%	-35.3%
Food & Allied	-29.9%	-74.1%	27.4%	28.4%	-12.8%	38.8%	68.3%	-0.5%
Fuel & Power	22.5%	9.3%	-1.2%	-7.3%	4.7%	-20.5%	-60.5%	27.5%
Industrial	-1.3%	-65.0%	-8.0%	-27.1%	-38.8%	-33.8%	-97.3%	29.0%
NBFI	-33.2%	-118.9%	-143.4%	-75.3%	-84.4%	14.8%	529.4%	224.0%
Pharmaceuticals	7.6%	6.0%	25.6%	20.7%	14.9%	6.9%	-23.0%	161.6%
Telecommunication	39.6%	-11.6%	-18.3%	-3.3%	-1.8%	19.8%	-24.0%	22.4%
Textile	-10.0%	-469.8%	-41.4%	-27.3%	-131.4%	-68.2%	46.3%	N/A
Tannery	-34.1%	-63.8%	-38.8%	-55.0%	-45.2%	-109.9%	-799.8%	-341.4%

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

Source: DSEX, LR Global Research

*Apr-Jun '20 & Jul-Sep'20 earnings growth have been calculated based on the earnings of 168 and 61 companies, respectively, that have been declared so far out of the 251 tracked.

MAJOR EVENTS DURING THE WEEK

Bangladesh COVID-19 infection rate rises to five-weeks high: COVID-19 Update

The COVID-19 infection rate reached a five-week high of 11.8% and weekly new cases rose to a seven weeks high of 11,080 this week. During the week, 11,080 new positive cases and 126 more deaths were reported in Bangladesh, taking the total number of cases to 418,764 as of 7th November, according to official tallies. Globally, the total number of cases is nearing 50 mn and the death count has crossed 1.2 mn. Meanwhile, many of the European countries are re-imposing lockdowns to curb the second wave of the virus.

Only 48% of stimulus package disbursed so far

As of September, only 48% of the BDT 760 bn that banks are to lend out to sectors that are ailing due to the pandemic have been disbursed so far. Although banks have been entrusted with disbursing a majority of the BDT 1.2 trillion stimulus package, banks have been slow in implementing this. The finance division has decided to arrange 3 meetings towards the end of November to discuss the progress with stakeholders to help speed up the process.

Loan moratorium extended for NBFIs till December

The loan moratorium facility has now also been extended for NBFIs until December, similar to the facility provided for banks. Loans for both banks and NBFIs will now not be classified as default even if borrowers do not make payments. Working capital or demand loans will also be able to enjoy this facility.