

KEY ECONOMIC INDICATORS

Export earnings growth slipped into the negative territory in October after a recovery trend in Q1. International buyers were found to have placed 30% lower orders YOY for the next four months as per recent preliminary findings of BGMEA, amid a resurgence of virus cases in major export destinations. The outlook for exports is looking uncertain at this time until working vaccines become accessible for the mass population. Meanwhile, a record US\$ 1.2 bn in remittances entered the country in the first 15 days of November alone, pushing aside Fitch's concerns regarding the sustainability of Bangladesh's remittance growth trend. Crude oil prices rose by 5.03% this week as investors weighed up the COVID-19 vaccine news against the prospect of more lockdowns which may cause demand to contract further.

| | This Week | Last Week | Weekly Change | YTD Change |
|----------------------------------------------------|-----------|-------------------|-------------------|-----------------|
| Foreign Exchange Reserve (USD bn) | 40.81 | 40.40 | 1.00% | 24.59% |
| Call Money Rate (Weighted Average) | 1.87% | 2.09% | -22 bps | - 308 bps |
| Exchange Rate (BDT-USD) | 84.80 | 84.80 | 0.00% | -0.12% |
| Oil Price (USD per barrel of WTI) | 42.15 | 40.13 | 5.03% | -30.97% |
| | | 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% |

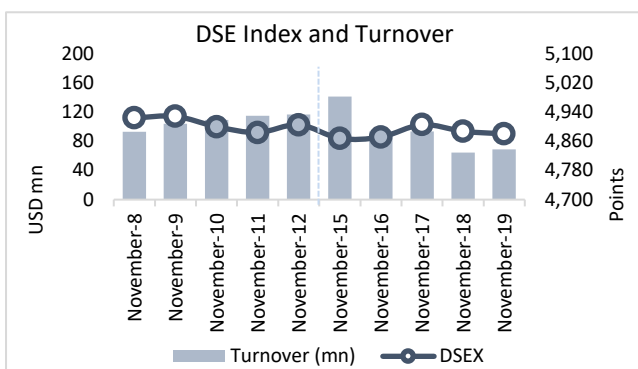
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

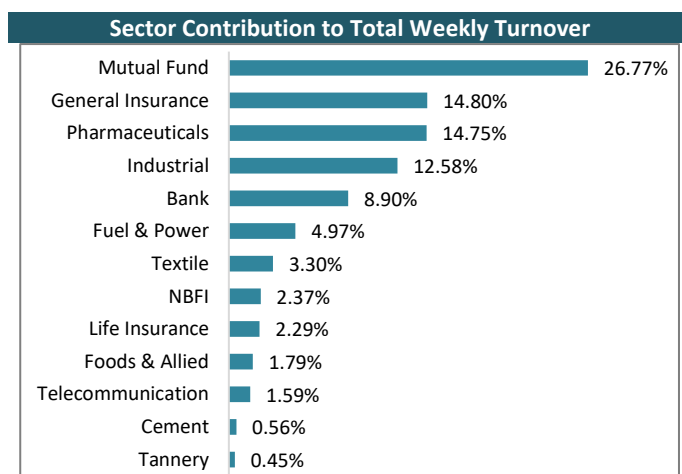
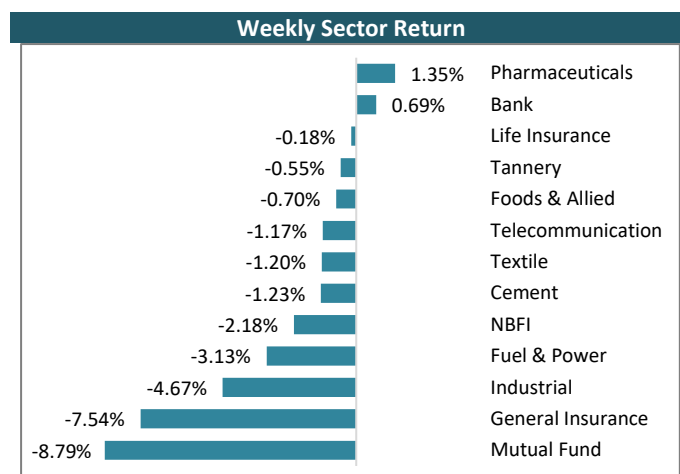
| Risk factor | Risk Level | Impact |
|-------------------------------------------------|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 DSEX lost 25 points (-0.51%) during the week as the subscription period for Robi, the country's largest IPO yet, commenced, shifting investors' focus to the primary market. Hence, a large number of investors opted for liquidating their positions in the market, which kept the secondary market depressed. At the same time, investors have also been anxious due to the uncertainty over the economic outlook as virus cases are surging both domestically and in major export destinations. As a result, turnover fell by -14.21% and almost all sectors eroded in value compared to the previous week. Mutual funds experienced the highest decline (-8.79%) after it was announced that BSEC would investigate the unusual price hike of 5 closed-end mutual funds. In addition, DSE introduced a pre-opening (15 mins) and post-opening (10 mins) session to bring down the burden in the trading system during market opening and closing time and to boost dynamism in the market.



| Market Statistics | | | | |
|--------------------------|-----------|-----------|---------------|------------|
| | This Week | Last Week | Weekly Change | YTD Change |
| DSEX | 4,880 | 4,905 | -0.51% | 9.58% |
| DS30 | 1,701 | 1,712 | -0.60% | 13.29% |
| Market Cap (\$ mn) | 46,298 | 46,907 | -1.30% | 15.66% |
| Total Turnover (\$ mn) | 460 | 536 | -14.21% | 132.84% |
| Avg. Daily Turn. (\$ mn) | 92 | 107 | -14.21% | 132.84% |
| S&P 500 | 3,558 | 3,585 | -0.77% | 9.20% |
| DJIA | 29,263 | 29,480 | -0.73% | 1.37% |
| FTSE 100 | 6,351 | 6,316 | 0.56% | -16.48% |
| NIKKEI 225 | 25,527 | 25,386 | 0.56% | 10.01% |



NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

Out of the total 92 earnings that were declared during the week, 40.2% companies posted a positive growth while 59.8% companies posted a negative growth. Pharmaceutical companies, namely BXPHERMA and RENATA, posted a healthy growth in earnings as people are now starting to visit hospitals to seek treatment for reasons other than COVID-19 which they had previously avoided due to the lockdown. OLYMPIC continued to remain unfazed by the pandemic as its top-line revenue grew 17.5% compared to the corresponding quarter in the previous year.

| TICKER | COMPANY NAME | SECTOR | EPS 2020 (July-Sep) | EPS 2019 (July-Sep) | CHANGE |
|----------|------------------------------|-----------------|---------------------|---------------------|--------|
| BXPHERMA | Beximco Pharmaceuticals Ltd. | Pharmaceuticals | 2.65 | 2.13 | 24.4% |
| RENATA | Renata Ltd. | Pharmaceuticals | 13.97 | 11.62 | 20.2% |
| OLYMPIC | Olympic Industries Ltd. | Foods & Allied | 2.85 | 2.79 | 2.2% |

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, cement, banking, telecommunication, and pharmaceutical sectors have generated the highest earnings growth. A good number of NBFIs logged in higher earnings due to lower provisioning and reduced deposit rates. Banks too experienced a significant boost in earnings due to similar reasons. 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 the Jul-Sep quarter 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 | 564 |
| Ceramic | 230 | 59 | 261 | 287 | 837 | 167 | -278 | 141 |
| Food & Allied | 2,294 | 1,683 | 3,219 | 3,156 | 10,352 | 3,020 | 2,499 | 2,966 |
| Fuel & Power | 8,931 | 11,261 | 10,654 | 8,812 | 39,659 | 7,198 | 3,139 | 7,376 |
| Industrial | 4,601 | 4,776 | 3,762 | 3,069 | 16,208 | 2,849 | -621 | 3,003 |
| NBFI | 1,757 | -396 | -785 | 1,216 | 1,791 | 2,017 | 1,702 | 2,263 |
| Pharmaceuticals | 6,344 | 6,951 | 7,617 | 7,387 | 28,298 | 6,778 | 4,949 | 8,368 |
| Telecommunication | 8,926 | 9,553 | 7,269 | 8,766 | 34,514 | 10,694 | 7,265 | 8,898 |
| Textile | 1,500 | -5,888 | 1,195 | 1,251 | -1,942 | 484 | -3,278 | 421 |
| Tannery | 270 | 101 | 371 | 144 | 886 | -27 | -869 | -459 |

| 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% | 77.5% |
| Ceramic | -20.3% | -71.3% | -22.7% | -35.6% | -34.5% | -27.5% | -567.8% | -45.9% |
| Food & Allied | -25.0% | -74.1% | 25.3% | 25.6% | -18.8% | 31.6% | 47.5% | -7.8% |
| Fuel & Power | 23.8% | 9.8% | -1.3% | -7.6% | 4.9% | -19.4% | -60.5% | -11.1% |
| Industrial | -2.5% | -64.2% | -11.0% | -31.2% | -39.4% | -38.1% | -118.8% | -13.4% |
| NBFI | -33.2% | -118.9% | -143.4% | -75.3% | -84.4% | 14.8% | 529.4% | 404.6% |
| Pharmaceuticals | 7.7% | 6.0% | 25.6% | 20.7% | 14.9% | 6.8% | -26.5% | 13.6% |
| Telecommunication | 39.6% | -11.6% | -18.3% | -3.3% | -1.8% | 19.8% | -24.0% | 22.4% |
| Textile | -7.3% | -473.8% | -39.8% | -22.7% | -128.6% | -67.7% | 43.9% | -59.1% |
| Tannery | -34.1% | -63.8% | -38.8% | -55.0% | -45.2% | -109.9% | -962.9% | -224.5% |

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 191 and 143 companies, respectively, that have been declared so far out of the 251 tracked.

MAJOR EVENTS DURING THE WEEK
Weekly new COVID-19 cases rise by 26% in Bangladesh: COVID-19 Update

The weekly new COVID-19 case spiked by 26% while tests were increased by only 11.1% compared to the previous week. During the week, 14,785 new positive cases and 177 more deaths were reported in Bangladesh, taking the total number of cases to 445,281 as of 21st November, according to official tallies. Infection rate reached an eleven-week high of 13.7% and the number of deaths also climbed to a seven-week high. COVID-19 tests urgently need to be ramped up in our country to detect the possibility of a second wave and take steps accordingly. Globally, the total number of cases has crossed 58 mn and the death count has also crossed 1.3 mn.

Excess liquidity in the banking sector surges

Excess liquidity in the banking sector has surged to BDT 1,696.58 bn at the end of Q1 due to the central bank's expansionary monetary policy, sluggish private sector credit growth, low imports and high remittance inflow amid the pandemic. Banks have also been careful in disbursing loans due to the poor health of businesses and the interest rate cap in the banking sector. A significant drop in government borrowing from the banking sector has also contributed today this increase.

Central bank extends time frame of brining export earnings home to 120 days

The central bank has decided to allow local exporters to realize export proceeds up to 210 days instead of the existing 180 months up until March 2021 in view of the pandemic. The facility has now also been extended to all export sectors instead of only the RMG and textile sector.