

KEY ECONOMIC INDICATORS

Remittance growth is expected to exceed that of October as the first 15 days of November already brought in US\$ 1.2 bn. However, concerns are rising regarding increasing government incentive expenditure as funds worth BDT 13.2 bn have been allocated for Q2, which is 42% higher than Q1, as remittance growth continues to surge. Meanwhile, sluggish demand and aggressive price negotiation have been blamed for the reversal in the positive growth trend in export earnings in October. Similarly, the slight uptrend of private sector credit growth in Q1 also reversed as it came down by 87 bps in October compared to the previous month. This is because businesses are being reluctant to take fresh loans anticipating the second wave. Oil prices maintained a bullish momentum as it increased further by 8.02% banking on the positive vaccine news.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	41.18	40.81	0.91%	25.72%
Call Money Rate (Weighted Average)	1.95%	1.87%	+8 bps	- 300 bps
Exchange Rate (BDT-USD)	84.80	84.80	0.00%	-0.12%
Oil Price (USD per barrel of WTI)	45.53	42.15	8.02%	-25.43%
		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) (Oct)		131,406	120,986	8.6%
Point-to-point Inflation (Oct)		6.44%	5.47%	+97 bps
Tax Revenue (NBR) (USD mn) (Jul-Sep)		5,895	5,662	4.1%

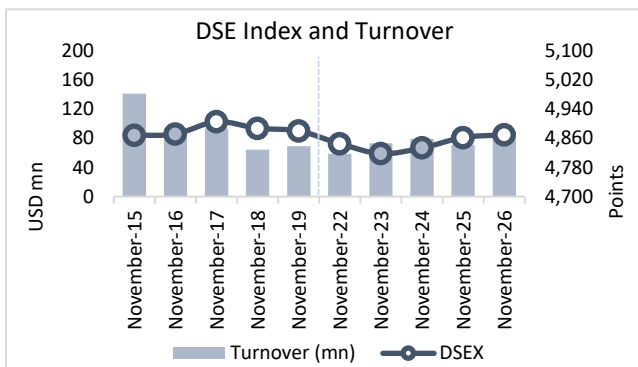
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

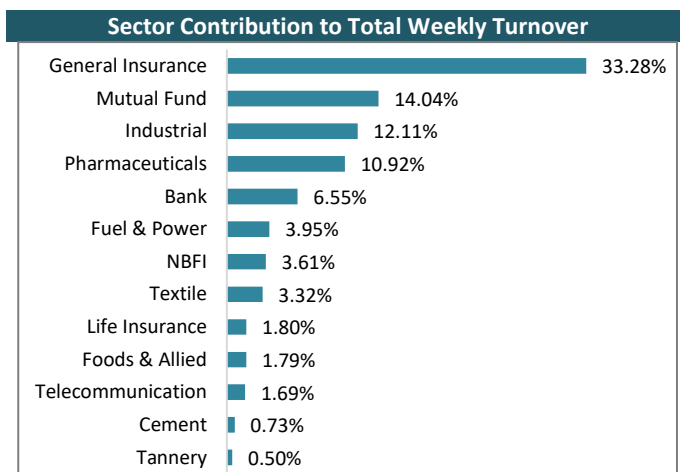
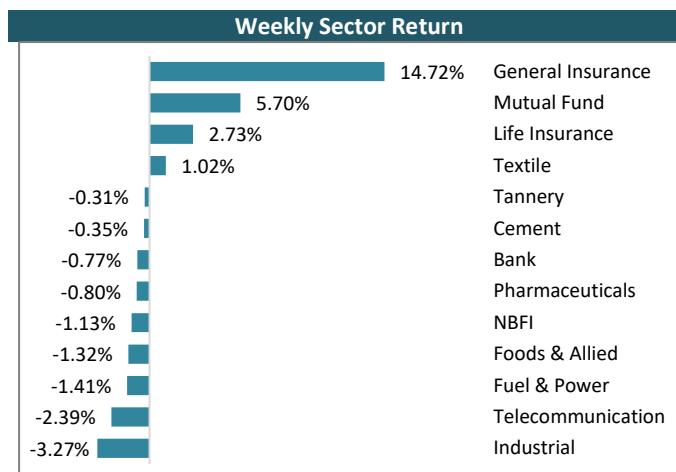
Risk factor	Risk Level	Impact
Remittance shock	High	Inward remittances made an exceptional recovery in the first quarter of FY21 amid the pandemic with nearly a 50% jump during the period. This increase has defied World Bank's projection of a -22% decline for 2020. The reason behind this increase can 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 11 points (-0.22%) during the week as the market continued its downward trend for the 3rd straight week as the spike in virus cases both home and abroad kept investors wary about its impact on the economy. Hence, overall turnover declined by 19.45% compared to the previous week. The general insurance sector gained momentum once again and topped the sector turnover chart as it experienced higher participation from investors as 72% companies in the sector booked an earnings growth in Q3. Investors also traded mutual funds heavily as the securities regulator clarified that margin loans can be availed against the listed mutual funds. Meanwhile, the new deadline for directors and sponsors to jointly hold minimum 30% shares of their respective companies is set to expire on 30th November following which BSEC may take action against these companies by restructuring their boards. Apart from this, DSE has is looking to acquire more power in providing its recommendations regarding IPO proposals to ensure quality firms come to the market, subject to the regulator's approval.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	4,869	4,880	-0.22%	9.34%
DS30	1,690	1,701	-0.68%	12.51%
Market Cap (\$ mn)	45,972	46,298	-0.70%	14.85%
Total Turnover (\$ mn)	371	460	-19.45%	87.56%
Avg. Daily Turn. (\$ mn)	74	92	-19.45%	87.56%
S&P 500	3,638	3,558	2.27%	11.68%
DJIA	29,910	29,263	2.21%	3.61%
FTSE 100	6,368	6,351	0.25%	-16.26%
NIKKEI 225	26,645	25,527	4.38%	14.82%


NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

Out of the total 11 earnings that were declared during the week, 18.2% companies posted a positive growth while 81.8% companies posted a negative growth. EBL posted a hefty increase in their EPS for its third quarter, riding on its profits from stock market investments, investment in government securities, and lower provisioning. The bank's income from investments went up by almost 100%. SSSTEEL saw its topline decrease due to COVID-19 which hampered its profits. LEGACYFOOT's earnings took a nosedive as the company's major export destinations were under lockdown due to the outbreak of the virus.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (July-Sep)	EPS 2019 (July-Sep)	CHANGE
EBL	Eastern Bank Ltd.	Bank	1.70	0.88	93.2%
SSSTEEL	S. S. Steel Limited	Engineering	0.71	0.79	-10.1%
LEGACYFOOT	Legacy Footwear Ltd.	Tannery Industries	0.06	0.18	-66.7%

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	18,370
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	-793	3,194
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	4,870	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	-3,346	421
Tannery	270	101	371	144	886	-27	-869	-458

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%	44.3%
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%	-14.2%
Industrial	-2.5%	-64.2%	-11.0%	-31.2%	-39.4%	-38.1%	-123.6%	-5.5%
NBFI	-33.2%	-118.9%	-143.4%	-75.3%	-84.4%	14.8%	810.3%	404.6%
Pharmaceuticals	7.7%	6.0%	25.6%	20.7%	14.9%	6.8%	-28.5%	12.7%
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%	44.6%	-59.1%
Tannery	-34.1%	-63.8%	-38.8%	-55.0%	-45.2%	-109.9%	-962.9%	-223.4%

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 196 and 145 companies, respectively, that have been declared so far out of the 251 tracked.

MAJOR EVENTS DURING THE WEEK
Weekly new COVID-19 cases reach a 12-week high in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases increased by 4% while the tests were increased by only 0.21% compared to the previous week. The death rate has reached a nine-week high and COVID positivity rate also peaked to a twelve-week high at 14.15%. During the week, 15,338 new positive cases and 230 more deaths were reported in Bangladesh, taking the total number of cases to 460,619 as of 28th November, according to official tallies. The surge in positive cases for the 3rd consecutive week is pointing at the probable second wave of the outbreak as the country heads towards winter. Globally, the total number of cases has crossed 62 mn and the death count is also about to reach 1.5 mn.

Bangladesh Bank cuts interest rate to 6% for ADB-funded refinancing scheme

The central bank has reduced the interest rate by 3% for ADB-funded refinancing scheme in its bid to help the COVID-19-hit cottage, micro and small enterprises (CMSEs). Banks can now charge a maximum of 6% to their CMSEs clients under this refinancing scheme and lenders can borrow from the central bank at 2% instead of the 4% previously stated.

NBR won't entertain BIDA proposals related to VAT cut

NBR has rejected proposals made by the Bangladesh Investment Development Authority (BIDA) to improve the ease of doing business which included: relaxing tax burden, submission of quarterly VAT returns, risk-based investigation while providing VAT registration and risk-based audit. The main reason cited for the rejection was that VAT is paid by consumers and so there should not be any problem for companies to pass it on to the public exchequer.