

KEY ECONOMIC INDICATORS

Overall export earnings for November witnessed a mere increase of 0.73% while RMG sector exports were down by -4.00% as it continued its downward spiral on the back of aggressive price negotiations, low order volumes and increase in prices of raw materials. Furthermore, suppliers are being paid after 60-120 days of shipments, which in turn has been pushing up their liabilities and costs. Imports for October also tumbled by -17.11%, exhibiting weak industrial demand. Meanwhile, remittance continued its gushing inflow as the migrants remitted \$2.07 bn during November. This brings the total remittance receipts for 5 months to \$ 10.90 bn, up 41.32% YoY. Crude oil prices increased again this week by 1.60% fueled by optimism from the vaccine news and high demand from Asian markets.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	41.36	41.18	0.91%	26.27%
Call Money Rate (Weighted Average)	1.83%	1.95%	-12 bps	- 312 bps
Exchange Rate (BDT-USD)	84.80	84.80	0.00%	-0.12%
Oil Price (USD per barrel of WTI)	46.26	45.53	1.60%	-24.24%
		FY 2020-21	FY 2019-20	% Change
Export (USD mn) (Jul-Nov)		15,920	15,770	1.0%
Remittances (USD mn) (Jul-Nov)		10,894	7,716	41.2%
Import (USD mn) (Jul-Oct)		17,062	19,603	-13.0%
Current Account Balance (USD mn) (Jul-Oct)		4,054	(1,521)	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%

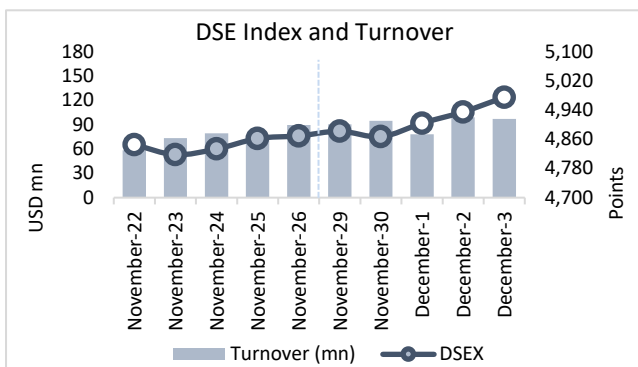
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

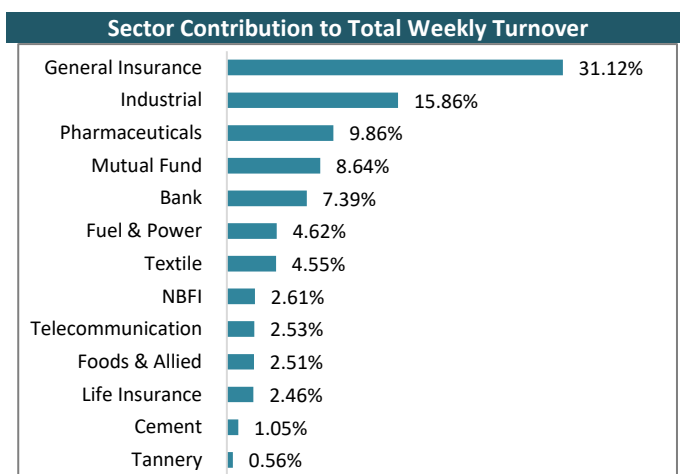
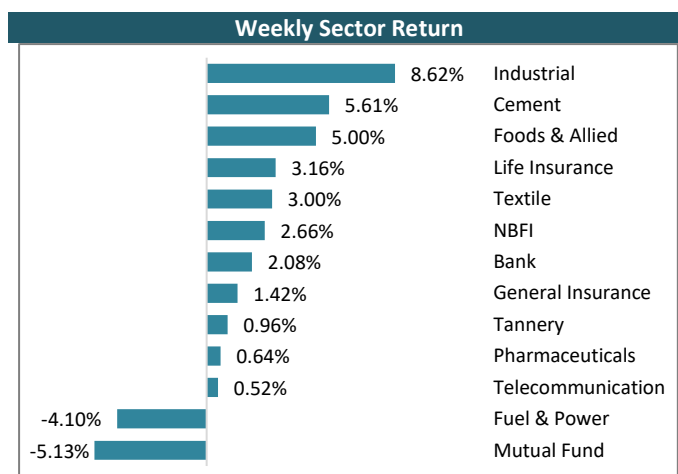
Risk factor	Risk Level	Impact
Remittance shock	High	Inward remittances made an exceptional recovery in the first quarter of FY21 amid the pandemic with nearly a 50% jump during the period. This increase has defied World Bank's projection of a -22% decline for 2020. The reason behind this increase can 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 market gained 106 points (2.17%) this week as regulatory action by BSEC, bargain share prices, and multiple positive news on the coronavirus vaccine front pushed the market up. Investors' confidence received a boost as the securities regulator sought explanations from newly listed companies for declaring unsatisfactory dividends as well as from companies who have lent money to sister concerns at almost no cost. The regulator is also soon likely to restructure the boards of 28 companies that failed to comply with the joint minimum 30% shareholding requirement of their respective companies within the stipulated deadline. The market correction in the last few weeks have also made stock prices attractive. Alongside this, the week brought some positive developments in the battle against the pandemic as the UK became the first country in the world to authorize wide-scale use of the vaccine amid the second wave. Bangladesh too is expected to receive the first shipment of the vaccine in the first half of 2021. Overall market turnover spiked by 23.79% and investors' trading remained largely concentrated in the general insurance and industrial sector.



	This Week	Last Week	Weekly Change	YTD Change
DSEX	4,975	4,869	2.17%	11.71%
DS30	1,727	1,690	2.22%	15.00%
Market Cap (\$ mn)	47,002	45,972	2.24%	17.42%
Total Turnover (\$ mn)	459	371	23.79%	132.18%
Avg. Daily Turn. (\$ mn)	92	74	23.79%	132.18%
S&P 500	3,699	3,638	1.67%	13.54%
DJIA	30,218	29,910	1.03%	4.67%
FTSE 100	6,550	6,368	2.87%	-13.86%
NIKKEI 225	26,751	26,645	0.40%	15.28%



NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

Out of the total 9 earnings that were declared during the week, 11.1% companies posted a positive growth while 81.9% companies posted a negative growth. MICEMENT saw its profit shrink for the first quarter as the cement-maker is still trying to recover from the sluggish demand from the construction sector due to COVID-19. The company's topline decreased by 5% due to lower domestic and export sales. ESQUIRENIT enjoyed 30% increase in its revenue but the positive impact was gobbled up by the sharp increase in raw material prices and finance costs which forced the company to report a decline in its earnings. SKTRIMS also experienced a dip in its earnings as it faces derived demand from the RMG sector which itself is grappling from the second wave at this time.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (July-Sep)	EPS 2019 (July-Sep)	CHANGE
MICEMENT	M.I. Cement Factory Limited	Cement	0.51	0.57	-10.5%
ESQUIRENIT	Esquire Knit Composite Limited	Textile	0.52	0.66	-21.2%
SKTRIMS	SK Trims & Industries Limited	Miscellaneous	0.52	0.66	-21.2%

Source: DSEX, Investing.com, LR Global Research

QUARTERLY EARNINGS UPDATE

During Jul-Sep'20 period, the performance was relatively better for most of the sectors due to the slow rebounding of the companies after the nationwide lockdown ended in May. NBFi sector posted the highest earnings growth while cement, banking, telecommunication, and pharmaceutical sectors were also among the sectors showing positive 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	640
Ceramic	230	59	261	287	837	167	-278	141
Food & Allied	2,294	1,683	3,219	3,156	10,352	3,020	2,497	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	1,467	-5,890	1,197	1,271	-1,955	427	-3,346	499
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%	59.0%
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%	48.0%	-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	-9.2%	-481.6%	-39.2%	-21.0%	-129.0%	-70.9%	44.6%	-59.2%
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 197 and 148 companies, respectively, that have been declared so far out of the 251 tracked.

MAJOR EVENTS DURING THE WEEK

COVID-19 positivity rate climbs to a new high of 14.3% in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases decreased by 0.51% as the total tests conducted also fell by 1.87% compared to the previous week. During the week 15,260 new positive cases and 227 more deaths were reported in Bangladesh, taking the total number of cases to 475,879 as of 5th December, according to official tallies. The positivity rate reached a new high of 14.3% while the death rate is hovering around the same region. The overall situation has started to look gloomy again as there are now no empty ICU beds at COVID-19 dedicated hospitals. In a bid to stop the second wave the government has started "antigen" tests in 10 bordering districts to ensure quicker delivery of results. Globally, the total number of cases has crossed 66.6 mn and the death count is also about to reach 1.53 mn.

Bangladesh bank increases loan limit for trade-based small enterprises

The central bank has decided to allow banks to lend 35% of their annual loans to trade-based cottage, micro, small and medium enterprises (CMSMEs) due to unsatisfactory disbursement of the stimulus package to the sector. The usual ceiling was 20% which was increased to 30% in October

S&P labels banking sector in Bangladesh as extremely risky

Bangladesh's banking sector has been placed in group 9 by S&P, down by one notch from its previous position, signifying the high risk associated with the industry. The global credit agency in its latest report stated that the credit risk in Bangladesh is excessively high due to weakness in foreclosure laws, underwriting standards, governance and monitoring.