

KEY ECONOMIC INDICATORS

Global credit rating agency Fitch has maintained its rating of "stable outlook" for Bangladesh amid the pandemic mainly due to the country's strong forex reserve. However, the credit rating agency expressed its concerns over the sustainability of remittance growth and uncertainty of exports. Export earnings declined by -4.08% in October after a recovery trend in the first quarter of the ongoing fiscal. Alongside this, prices of apparel goods procured from Bangladesh are on a declining trend (-2.1% in Jan-Sep, 2020) due to the opportunistic behavior of Western buyers. Remittance growth also slowed down in October, bringing down Jul-Oct remittance growth to 43.3%. Oil started a good week in response to Pfizer's vaccine news but its extremely challenging storage conditions and delivery logistics as well as rising virus cases caused the gains to diminish.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	40.40	39.96	1.10%	23.35%
Call Money Rate (Weighted Average)	2.09%	2.09%	0 bps	- 286 bps
Exchange Rate (BDT-USD)	84.80	84.80	0.00%	-0.12%
Oil Price (USD per barrel of WTI)	40.13	37.14	8.05%	-34.28%
		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%

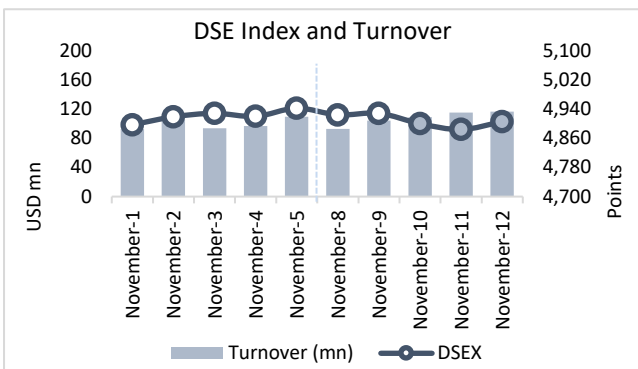
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

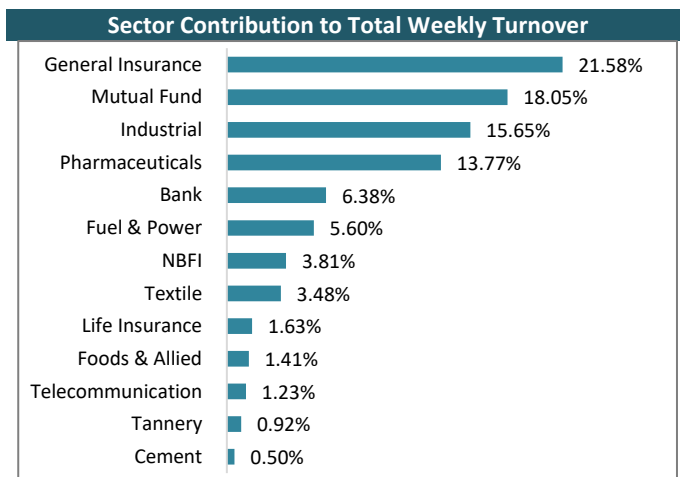
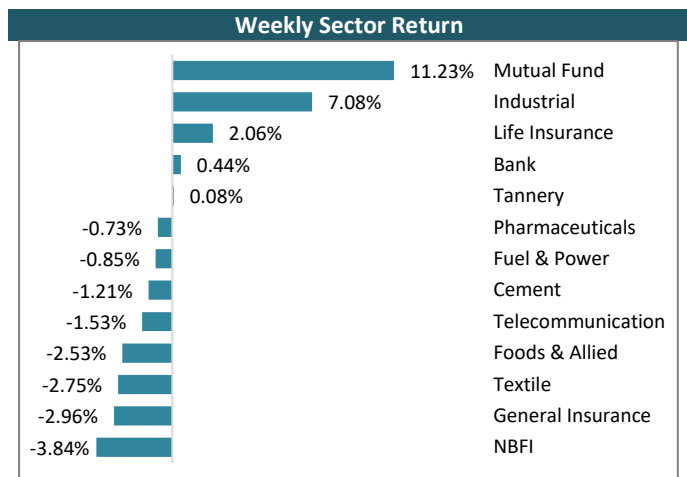
Risk factor	Risk Level	Impact
Remittance shock	High	Inward remittances made an exceptional recovery in the first quarter of FY21 amid the pandemic with nearly a 50% jump during the period. This increase has defied World Bank's projection of a -22% decline for 2020. The reason behind this increase can 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 lost 37 points (-0.75%) during the week as some investors moved to liquidate their positions according to corporate declarations while others are preparing to keep cash aside for upcoming IPOs. The recent spike in the daily number of virus cases may have also kept some investors wary. However, overall market turnover edged up by 7.91% compared to the previous week. The mutual fund sector registered the highest gain of 11.23% over the previous week and ranked second highest in the sector turnover chart. The mutual fund stocks have been gaining momentum in recent times as the securities regulator is currently working on bringing transparency and accountability to the sector.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	4,905	4,942	-0.75%	10.14%
DS30	1,712	1,726	-0.81%	13.97%
Market Cap (\$ mn)	46,907	46,856	0.11%	17.18%
Total Turnover (\$ mn)	536	497	7.91%	171.40%
Avg. Daily Turn. (\$ mn)	107	99	7.91%	171.40%
S&P 500	3,585	3,509	2.16%	10.05%
DJIA	29,480	28,323	4.08%	2.12%
FTSE 100	6,316	5,910	6.88%	-16.94%
NIKKEI 225	25,386	24,325	4.36%	9.40%



NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

Out of the total 73 earnings that were declared during the week, 30.1% companies posted a positive growth while 69.9% companies posted a negative growth. Pharmaceutical companies such as SQRPHARMA and IBNSINA 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. TITASGAS's earnings slumped by 6.9% as the company's topline declined by 4.5%.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (July-Sep)	EPS 2019 (July-Sep)	CHANGE
SQRPHARMA	Square Pharmaceuticals Ltd.	Pharmaceuticals	4.66	3.97	17.4%
IBNSINA	The IBN SINA Pharmaceutical Industry Ltd.	Pharmaceuticals	3.25	2.86	13.6%
TITASGAS	Titas Gas Transmission & Dist. Co. Ltd.	Fuel & Power	0.67	0.72	-6.9%

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	466
Ceramic	230	59	261	287	837	167	-278	109
Food & Allied	1,820	1,205	2,661	2,663	8,349	2,526	2,019	2,452
Fuel & Power	8,931	11,261	10,654	8,812	39,659	7,198	3,139	5,828
Industrial	5,111	5,300	4,343	3,581	18,335	3,384	-57	1,673
NBFI	1,757	-396	-785	1,216	1,791	2,017	1,702	2,263
Pharmaceuticals	6,310	6,927	7,577	7,350	28,164	6,751	4,935	5,240
Telecommunication	8,926	9,553	7,269	8,766	34,514	10,694	7,265	8,898
Textile	1,437	-5,921	1,154	1,175	-2,155	460	-3,248	257
Tannery	270	101	371	144	886	-27	-869	-548

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%	-48.6%
Food & Allied	-29.9%	-74.1%	27.4%	28.4%	-12.8%	38.8%	66.0%	-3.0%
Fuel & Power	23.8%	9.8%	-1.3%	-7.6%	4.9%	-19.4%	-60.5%	-6.2%
Industrial	-1.3%	-65.0%	-8.0%	-27.1%	-38.8%	-33.8%	-101.5%	12.7%
NBFI	-33.2%	-118.9%	-143.4%	-75.3%	-84.4%	14.8%	529.4%	286.2%
Pharmaceuticals	7.5%	5.9%	26.0%	20.8%	14.9%	7.0%	-26.4%	16.8%
Telecommunication	39.6%	-11.6%	-18.3%	-3.3%	-1.8%	19.8%	-24.0%	22.4%
Textile	-10.6%	-476.4%	-41.5%	-26.9%	-131.9%	-68.0%	45.5%	-59.3%
Tannery	-34.1%	-63.8%	-38.8%	-55.0%	-45.2%	-109.9%	-962.9%	-350.5%

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 188 and 86 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 nine-week high: COVID-19 Update

The COVID-19 infection rate reached a nine-week high of 12.1% and weekly new cases also rose to a nine-week high this week. During the week, 11,732 new positive cases and 124 more deaths were reported in Bangladesh, taking the total number of cases to 430,496 as of 14th November, according to official tallies. Globally, the total number of cases has crossed 54 mn and the death count has also crossed 1.3 mn. At this time, it is urgent to increase the robustness of tests amid the rising cases in our country to detect the possibility of a second wave and take steps accordingly.

BB benchmarks government securities for secondary bond market

The central bank has selected a set of government securities as a benchmark in its bid to make the secondary bond market more vibrant. Bonds have been divided into 6 classes and 30 government bonds have been selected as the benchmark bonds based on their liquidity. This can help determine a proper yield curve of fixed-income instruments alongside help them trade at a more effective rate.

Bangladesh's no tariff benefits to UK to continue after Brexit

The UK has announced that Bangladesh along with 46 other LDCs will continue to enjoy their tariff benefits even after the former's Brexit transition period ends under UK's Generalised Scheme of Preferences (GSP). This will allow low and middle income countries to gain from the low tariffs compared to the UK Global tariff.