

**KEY ECONOMIC INDICATORS**

Exports posted a growth of 2.6% in the first quarter of FY21. This growth can mainly be attributed to the reopening our major export markets. However, most of this growth came from old orders that were reinstated and due payments rather than fresh orders. Moreover, to remain competitive in the export market, after three years, Bangladesh Bank bought US\$ 2.63 bn dollars directly from banks in the first quarter to contain the appreciating taka against the falling dollar. Point to point inflation rate increased by 43 bps, thanks to the rising prices of essential food. Crude oil price recovered 9.58% this week with an outlook that it is not going to collapse again as much like it did back in April.

	This Week	Last Week	Weekly Change	YTD Change
<b>Foreign Exchange Reserve (USD bn)</b>	39.78	39.31	1.19%	21.45%
<b>Call Money Rate (Weighted Average)</b>	2.36%	2.66%	-30 bps	-259 bps
<b>Exchange Rate (BDT-USD)</b>	84.80	84.84	-0.04%	-0.12%
<b>Oil Price (USD per barrel of WTI)</b>	40.6	37.05	9.58%	-33.51%
		<b>FY 2020-21</b>	<b>FY 2019-20</b>	<b>% Change</b>
<b>Export (USD mn) (Jul-Sep)</b>		9,897	9,648	2.6%
<b>Remittances (USD mn) (Jul-Sep)</b>		6,713	4,519	48.5%
<b>Import (USD mn) (Jul-Aug)</b>		8,034	9,320	-13.8%
<b>Current Account Balance (USD mn) (Jul-Aug)</b>		3,296	204	1515.7%
<b>Credit to the Private Sector (USD mn) (Jul-Aug)</b>		129,853	118,741	9.4%
<b>Point-to-point Inflation (Aug)</b>		5.97%	5.54%	+43 bps
<b>Tax Revenue (NBR) (USD mn) (Jul-Aug)</b>		3,555	3,549	0.2%

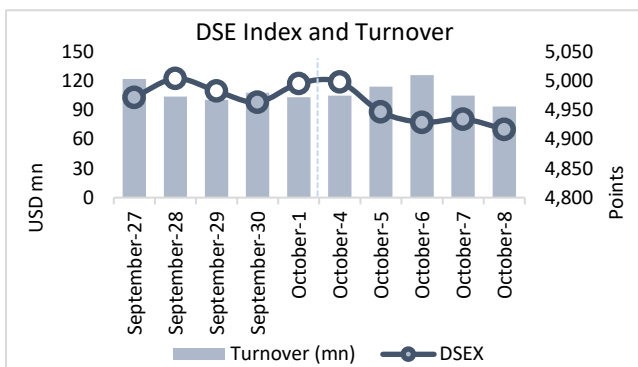
Source: Bangladesh Bank and Investing.com

**ECONOMIC RISKS**

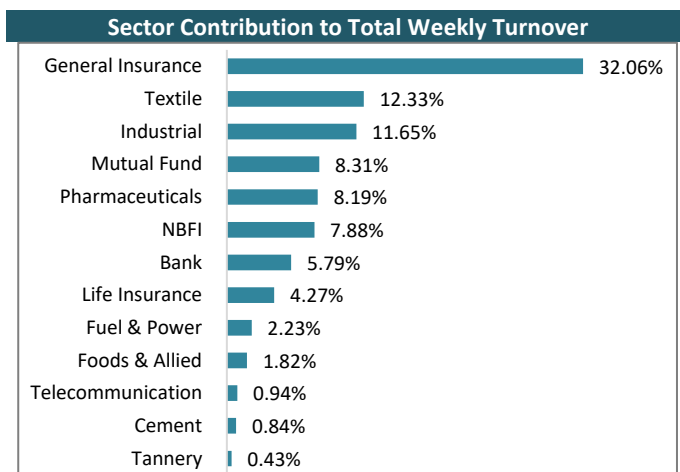
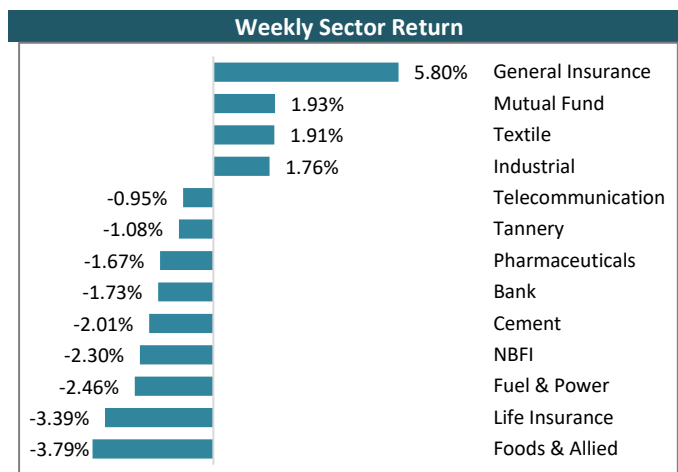
Risk factor	Risk Level	Impact
<b>Demand contraction</b>	High	High uncertainty and virus fears have resulted in subdued demand, which in turn have led to large scale job losses and more demand contraction as discretionary spending takes a hit. According to ILO's projections, around 200 mn full-time workers' jobs may be lost, and Bangladesh will not be immune to this. Although the overall economic outlook continues to remain bleak, 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.
<b>Remittance shock</b>	High	Although March, April and May registered double digit negative growth in inward remittance YOY amid the pandemic, June and July registered a positive gain. However, experts have attributed the recent positive gains to migrant workers' preparation to return to their home country. Moreover, as the World Bank expects global remittance to decline by 20% this year, the overall outlook is gloomy. Expatriates are facing mass deportations from Middle East countries in phases and globally ~2 mn Bangladeshi workers are now facing the risk of deportation.
<b>Subdued tax revenue collection</b>	High	Tax collection registered a negative growth of -2.63% for the first time since the country's independence due to the effects of the virus. The overall economic slowdown will continue to affect revenue collection and likely create a deeper budget deficit. According to ADB's forecast, Bangladesh may incur a tax revenue loss equivalent to 2% of GDP, which will likely exert an even greater pressure on the banking sector.
<b>Soaring default loan in financial sector</b>	High	The banking sector has been burdened with high non-performing loans (NPLs) at 9.16%, compounded with weak deposit growth 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 swelling damage in the economy may cause a sharp rise in the amassing default loans, undermining the sector further in the long term.
<b>Export slump</b>	Medium	It has been projected global merchandise trade might plummet by ~13% due to the pandemic. Recently some cancelled and suspended orders are starting to pour back in the RMG sector as economies across the globe are reopening. Unless export diversification is implemented and global economic activities pick up, Bangladesh will continue to be subject to the concentrated risks of the RMG sector (that accounts for ~80% of export earnings).
<b>Volatile capital market</b>	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 78 points (-1.57%) during the week as risk averse investors continued to book profits from the quick price gains made in the last two months. Out of the five trading days during the week, the market posted gains on three days while two ended up being red. The general insurance sector (5.80%) and mutual funds (1.93%) registered the highest gain followed by textile companies (1.91%), pushing up turnover by 1.10% this week. On the other hand, the food & allied sector (-3.79%) faced the highest correction. At this time, investors are being cautious ahead of the dividend declarations and quarterly earnings session which is going to factor in the financial damages of the pandemic. Such pessimism further deteriorated after the World Bank published a low GDP growth forecast of 1.60% for Bangladesh. Meanwhile, IPOs continued to receive approvals from the market regulator which has been diverting focus of some investors from secondary market to primary market. In the last three months, BSEC approved 9 IPOs to raise that will raise a total of BDT 10.76 bn.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	4,917	4,995	-1.57%	10.41%
DS30	1,669	1,711	-2.42%	11.16%
Market Cap (\$ mn)	47,048	47,486	-0.92%	17.53%
Total Turnover (\$ mn)	542	536	1.10%	174.29%
Avg. Daily Turn. (\$ mn)	108	107	1.10%	174.29%
S&P 500	3,477	3,348	3.84%	6.73%
DJIA	28,587	27,683	3.27%	-0.98%
FTSE 100	6,017	5,902	1.94%	-20.88%
NIKKEI 225	23,620	23,030	2.56%	1.79%


**NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK**

Out of the total 3 earnings that were declared during the week, 2 companies posted positive growth while 1 company posted negative growth. BDFINANCE's net earnings jumped up by 711.1% in Jul-Sep'20 compared to the similar period in the previous year as the company's interest expenses declined significantly, while income from investment, commission and brokerage fee and other operating activities increased. SUMITPOWER's net earnings grew by 8.2% in FY2019-20 compared to the previous year as the company realized capital gain from investment in shares as against capital loss in the previous year. BDTHAI's net earnings plunged by 62.5% mainly due to a decline in top line revenue during the year.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Apr-Jun)	EPS 2019 (Apr-Jun)	CHANGE	DIVIDEND (2020)
SUMITPOWER	Summit Power Ltd.	Fuel & Power	5.17	4.78	8.2%	5% cash, 5% stock
BDTHAI	BD Thai Aluminium Ltd.	Industrial	0.21	0.56	-62.5%	3% cash, 3% stock

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Jan-Mar)	EPS 2019 (Jan-Mar)	CHANGE
BDFINANCE	Bangladesh Finance and Investment Co. Ltd	NBFI	0.55	-0.09	711.1%

Source: DSEX, Investing.com, LR Global Research

QUARTERLY EARNINGS UPDATE

Most of the sectors experienced a double-digit negative earnings growth in the Jan-Mar, 2020 quarter compared to the same period in 2019. The food & allied, banking, and telecom sector reported the highest growth. Food & allied and telecom continued to perform well despite the economic slump as their goods and services fell under essential services and major player BATBC secured a positive earnings growth due to significant rise in stick sales. The banking sector was also able to post positive earnings as banks such as ONEBANKLTD, STANDBANKL, SOUTHEASTB, NBL, and NCCBANK were able to generate top line growth and kept aside lower provisioning for loans and advances. Alongside this, the pharmaceuticals sector reported positive earnings as it received a boost in sales due to the health crisis in the country. On the other hand, the tannery, textile, and industrial sectors were the worst performers mainly due to demand contraction amid the pandemic.

Sector	2018					2019					2020
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total	Jan-Mar
Bank	11,636	17,642	13,939	26,630	69,847	13,988	21,244	13,891	20,560	69,684	18,311
Cement	914	962	300	905	3,081	872	958	582	250	2,662	803
Ceramic	288	207	337	446	1,279	230	59	261	287	837	167
Food & Allied	2,595	2,821	2,090	2,073	9,578	1,820	1,205	2,661	2,663	8,349	2,533
Fuel & Power	7,214	10,255	10,792	9,542	37,802	8,931	11,261	10,654	8,812	39,659	7,198
Industrial	5,076	14,752	4,544	4,717	29,090	4,918	5,590	4,189	3,379	18,075	2,991
NBFI	2,725	2,114	1,826	4,908	11,573	1,776	-394	-781	1,259	1,860	2,026
Pharmaceuticals	4,929	5,375	4,776	4,835	19,915	5,095	5,266	6,260	6,033	22,654	5,460
Telecommunication	6,394	10,804	8,892	9,070	35,160	8,926	9,553	7,269	8,766	34,514	10,694
Textile	1,386	1,370	1,715	1,348	5,819	1,214	-6,079	917	888	-3,061	242
Tannery	411	278	607	321	1,616	269	99	352	144	864	-26

QoQ Growth (Sectorwise)	2018				Yearly Growth	2019				Yearly Growth	2020
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec		Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec		Jan-Mar
Bank	-2.6%	4.1%	-17.3%	40.0%	7.8%	20.2%	20.4%	-0.3%	-22.8%	-0.2%	30.9%
Cement	-25.8%	36.4%	-29.8%	86.1%	8.1%	-4.6%	-0.4%	93.8%	-72.4%	-13.6%	-7.9%
Ceramic	20.5%	-42.9%	11.3%	36.9%	3.9%	-20.3%	-71.3%	-22.7%	-35.6%	-34.5%	-27.5%
Food & Allied	12.9%	83.9%	10.1%	25.3%	29.7%	-29.9%	-74.1%	27.4%	28.4%	-12.8%	39.1%
Fuel & Power	8.6%	23.7%	29.6%	26.2%	22.7%	23.8%	9.8%	-1.3%	-7.6%	4.9%	-19.4%
Industrial	14.1%	388.4%	19.7%	10.5%	87.3%	-3.1%	-62.1%	-7.8%	-28.4%	-37.9%	-39.2%
NBFI	-24.9%	-8.0%	-33.2%	31.7%	-6.5%	-34.8%	-118.6%	-142.8%	-74.4%	-83.9%	14.1%
Pharmaceuticals	-2.0%	-8.1%	-10.3%	-20.3%	-10.6%	3.4%	-2.0%	31.1%	24.8%	13.7%	7.2%
Telecommunication	-2.5%	36.3%	27.6%	51.8%	28.2%	39.6%	-11.6%	-18.3%	-3.3%	-1.8%	19.8%
Textile	-8.6%	-4.3%	22.2%	-11.6%	-1.0%	-12.5%	-543.7%	-46.6%	-34.1%	-152.6%	-80.1%
Tannery	51.8%	37.5%	16.3%	-4.4%	21.5%	-34.4%	-64.5%	-42.0%	-55.1%	-46.6%	-109.8%

\*Note: Sector represents more than 70% of the companies (according to large market capital) Source: DSEX, LR Global Research.

MAJOR EVENTS DURING THE WEEK

**Global new COVID-19 cases surged by 14.3% this week: COVID-19 Update**

COVID-19 cases in our country continued to decrease this week too as the infection rate come down to 11.6%. During the week, 9,508 new positive cases and 175 more deaths were reported in Bangladesh, taking the total number of cases to 377,073 as of 10<sup>th</sup> October, according to official tallies. Globally, the total number of cases has crossed 37 mn and the death count is now over 1.0 mn. The growth rate for global new cases has surged by 14.3% this week due to the suspected second wave in European countries.

**Importers breathe a sigh of relief with policy support extension**

Bangladesh Bank has extended the deadline of the relaxed rules for foreign exchange businesses in various sectors from September this year to March next year. This decision to extend refinancing facilities to importers can help businesses weather the economic impact of the virus.

**Covid-19 has affected income and spending of two-thirds of the families: BBS**

According to a survey result conducted by BBS, COVID-19 has impacted the income and spending of two-thirds of the families in our country. Between March to August, family income fell by 20.25% and expenses dropped by 8.34% on an average. The survey further revealed that though the rate of joblessness has reduced, it is still 74% higher than usual.