

KEY ECONOMIC INDICATORS

Foreign exchange reserve has reached yet another high of USD 40 bn and is now able to cover 10 months of import payment as against the global standard of 3 months. Although export growth moved to a positive territory (2.6%) in the first quarter of FY21, import growth has remained in the negative zone (-13.8% in Jul-Aug). While such growth in exports has been showing some signs of a faster recovery, the second wave of the virus in Western world and the upcoming US national election have however dimmed the overall outlook. Crude oil price has showed mixed performance and ended up flat (0.69%) this week amid the surging global virus cases.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	40.29	39.78	1.27%	22.99%
Call Money Rate (Weighted Average)	2.70%	2.36%	+ 34 bps	- 229 bps
Exchange Rate (BDT-USD)	84.80	84.80	0.00%	-0.12%
Oil Price (USD per barrel of WTI)	40.88	40.6	0.69%	-33.05%
		FY 2020-21	FY 2019-20	% Change
Export (USD mn) (Jul-Sep)		9,897	9,648	2.6%
Remittances (USD mn) (Jul-Sep)		6,713	4,519	48.5%
Import (USD mn) (Jul-Aug)		8,034	9,320	-13.8%
Current Account Balance (USD mn) (Jul-Aug)		3,296	204	1515.7%
Credit to the Private Sector (USD mn) (Jul-Aug)		129,853	118,741	9.4%
Point-to-point Inflation (Sep)		5.97%	5.54%	+43 bps
Tax Revenue (NBR) (USD mn) (Jul-Aug)		3,555	3,549	0.2%

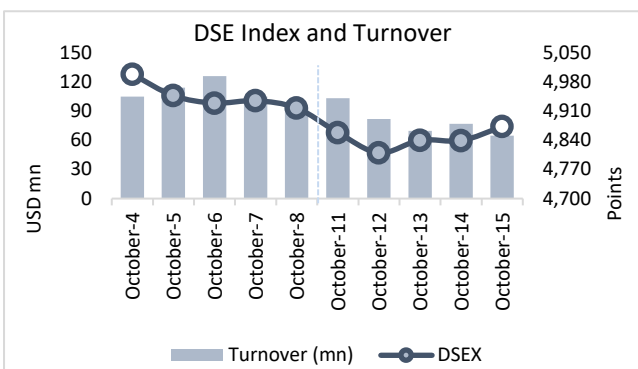
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

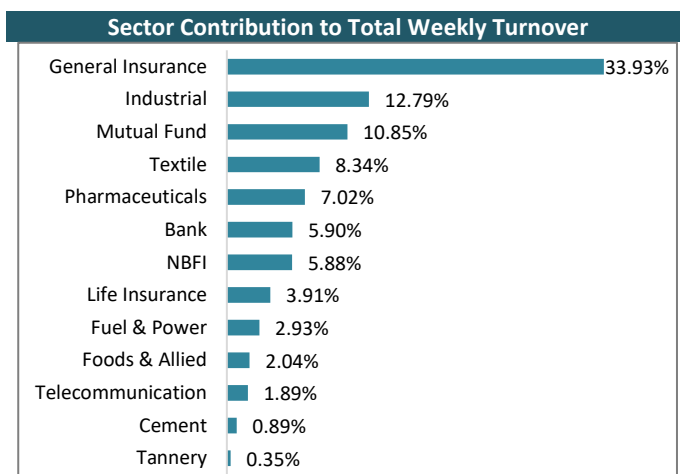
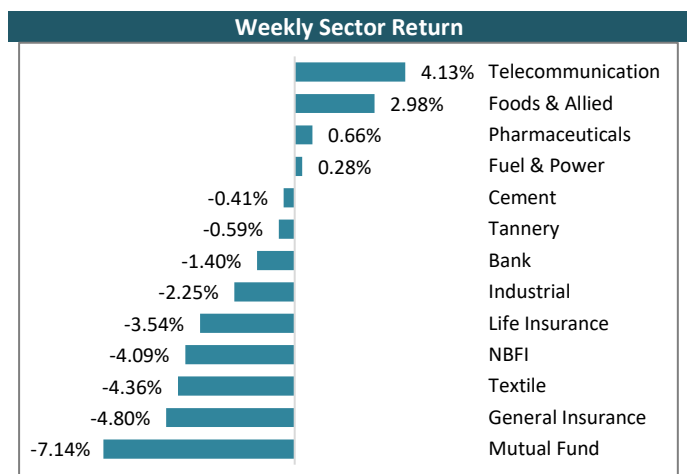
Risk factor	Risk Level	Impact
Demand contraction	High	High uncertainty and virus fears have resulted in subdued demand, which in turn have led to large scale job losses and more demand contraction as discretionary spending takes a hit. According to ILO's projections, around 200 mn full-time workers' 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.
Remittance shock	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.
Subdued tax revenue collection	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.
Soaring default loan in financial sector	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.
Export slump	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).
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 faced a correction of 45 points (-0.91%) during the week as investors continued to maintained a cautious stance in fear of a second wave of the virus in the upcoming winter that could negatively impact Bangladesh’s economy. IMF’s GDP growth projection of 4.4% for Bangladesh also further caused agitation among investors in addition to the release of World Bank’s projection of 1.6% in the previous week. Hence, the market remained in the red zone in three out of the five trading sessions. Investor participation also declined by 27.07% as some adopted a wait-and-watch strategy. The general insurance sector remained as the most heavily traded sector (33.93%) but also faced the 2nd highest correction of -4.80%. During the week, the securities regulator also instructed the four state owned banks and ICB to increase their exposure in the capital market.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	4,872	4,917	-0.91%	9.41%
DS30	1,670	1,669	0.06%	11.23%
Market Cap (\$ mn)	46,916	47,048	-0.28%	17.20%
Total Turnover (\$ mn)	395	542	-27.07%	100.03%
Avg. Daily Turn. (\$ mn)	79	108	-27.07%	100.03%
S&P 500	3,484	3,477	0.19%	6.94%
DJIA	28,606	28,587	0.07%	-0.91%
FTSE 100	5,920	6,017	-1.61%	-22.15%
NIKKEI 225	23,411	23,620	-0.89%	0.89%



NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

Out of the total 4 earnings that were declared during the week, 1 companies posted positive growth while 3 companies posted negative growth. ACME LAB’s earnings grew slightly earnings due to top-line revenue growth during the year compared to previous year. ENVOYTEX’s net earnings slumped by 50.8% as cost of goods sold increased while other income declined. SAMATALETH’s net earnings plunged as the company experienced a 31.4% fall in revenue during the Jan-Mar’20 period compared to the corresponding period in the previous year.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Jun)	EPS 2019 (Jun)	CHANGE	DIVIDEND (2020)
ACMELAB	The ACME Laboratories Ltd.	Pharmaceuticals	6.85	6.81	0.6%	5% cash, 5% stock
ENVOYTEX	Envoy Textiles Ltd.	Textile	1.63	3.31	-50.8%	5% Cash

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Jan-Mar)	EPS 2019 (Jan-Mar)	CHANGE
SAMATALETH	Samata Leather Complex Ltd.	Tannery	-0.04	0.08	N/A

Source: DSEX, Investing.com, LR Global Research

QUARTERLY EARNINGS UPDATE

Majority companies experienced a harsh phase in the Apr-Jun '20 quarter due to the double whammy of the pandemic and the country-wide lockdown to contain the virus. The food & allied sector reported the highest positive growth during the period so far as BATBC exhibited resilient grow in stick sales while operating expenses reduced materially as some of their operations remained closed during the period. The pharmaceutical sector registered the 2nd highest growth as it received a boost in sales due to the health crisis in the country. On the other hand, the tannery sector's earnings slumped substantially as the excess inventory purchased for the festival period remained largely unsold. The banking sector also experienced a decline due to the single digit interest rate cap and the effects of the pandemic.

Sector	2018					2019					2020	2020
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total	Jan-Mar	Apr-Jun
Bank	11,636	17,642	13,939	26,630	69,847	13,988	21,244	13,891	20,560	69,684	18,311	13,488
Cement	914	962	300	905	3,081	872	958	582	250	2,662	803	133
Ceramic	288	207	337	446	1,279	230	59	261	287	837	167	0
Food & Allied	2,595	2,821	2,090	2,073	9,578	1,820	1,205	2,661	2,663	8,349	2,533	2,967
Fuel & Power	7,214	10,255	10,792	9,542	37,802	8,931	11,261	10,654	8,812	39,659	7,198	-4,596
Industrial	5,076	14,752	4,544	4,717	29,090	4,918	5,590	4,189	3,379	18,075	2,991	-27
NBFI	2,725	2,114	1,826	4,908	11,573	1,776	-394	-781	1,259	1,860	2,026	664
Pharmaceuticals	4,929	5,375	4,776	4,835	19,915	5,095	5,266	6,260	6,033	22,654	5,460	-466
Telecommunication	6,394	10,804	8,892	9,070	35,160	8,926	9,553	7,269	8,766	34,514	10,694	7,265
Textile	1,386	1,370	1,715	1,348	5,819	1,214	-6,079	917	888	-3,061	242	-310
Tannery	410	278	606	321	1,616	270	101	471	144	986	-27	-765

QoQ Growth (Sectorwise)	2018				Yearly Growth	2019				Yearly Growth	2020	2020
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec		Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec		Jan-Mar	Apr-Jun*
Bank	-2.6%	4.1%	-17.3%	40.0%	7.8%	20.2%	20.4%	-0.3%	-22.8%	-0.2%	30.9%	-36.5%
Cement	-25.8%	36.4%	-29.8%	86.1%	8.1%	-4.6%	-0.4%	93.8%	-72.4%	-13.6%	-7.9%	-72.0%
Ceramic	20.5%	-42.9%	11.3%	36.9%	3.9%	-20.3%	-71.3%	-22.7%	-35.6%	-34.5%	-27.5%	NA
Food & Allied	12.9%	83.9%	10.1%	25.3%	29.7%	-29.9%	-74.1%	27.4%	28.4%	-12.8%	39.1%	69.5%
Fuel & Power	8.6%	23.7%	29.6%	26.2%	22.7%	23.8%	9.8%	-1.3%	-7.6%	4.9%	-19.4%	-311.7%
Industrial	14.1%	388.4%	19.7%	10.5%	87.3%	-3.1%	-62.1%	-7.8%	-28.4%	-37.9%	-39.2%	-104.8%
NBFI	-24.9%	-8.0%	-33.2%	31.7%	-6.5%	-34.8%	-118.6%	-142.8%	-74.4%	-83.9%	14.1%	-56.1%
Pharmaceuticals	-2.0%	-8.1%	-10.3%	-20.3%	-10.6%	3.4%	-2.0%	31.1%	24.8%	13.7%	7.2%	16.1%
Telecommunication	-2.5%	36.3%	27.6%	51.8%	28.2%	39.6%	-11.6%	-18.3%	-3.3%	-1.8%	19.8%	-24.0%
Textile	-8.6%	-4.3%	22.2%	-11.6%	-1.0%	-12.5%	-543.7%	-46.6%	-34.1%	-152.6%	-80.1%	-362.0%
Tannery	51.8%	37.7%	16.2%	-4.3%	21.5%	-34.1%	-63.8%	-22.3%	-55.0%	-39.0%	-109.9%	-1065.8%

Note: Sector represents more than 70% of the companies (according to large market capital)

Source: DSEX, LR Global Research

*Apr-Jun '20 earnings growth has been calculated based on the earnings of 63 companies that have been declared so far out of the 251 tracked.

MAJOR EVENTS DURING THE WEEK
Western countries are facing the second-wave of the virus: COVID-19 Update

New Covid-19 cases increased by 7.5% this week while the testing rate has increased by 10.3% from the previous week. During the week, 10,222 new positive cases and 146 more deaths were reported in Bangladesh, taking the total number of cases to 377,073 as of 17th October, according to official tallies. Globally, the total number of cases have nearly reached nearly 40 mn and the death count has crossed 1.1 mn. While the western world is facing the second wave of the virus now, Bangladesh is also at risk of facing such a wave in late November and December.

Government's debt surges 3.5 percentage points in 6 months:

In the first 6 months of 2020 (January to June), the government's debt increased by 3.5 percentage points to 37.8% of GDP YoY. Such high borrowing has mainly been triggered by weak revenue collection amid the pandemic alongside implementation of mega projects that are mainly being financed via foreign loans.

More initiatives underway to boost foreign investment:

The government will be taking more initiatives to enhance foreign investment inflow by reducing the lock-in period in the capital market from 3 years to 1 year and enabling share transfer process for non-listed companies via e-signature for foreigners. In addition, capital repatriation where investment was not done through Non-Resident Investors' Taka Account will also be eased while dividends will be allowed to be sent back home or to other countries.