

**KEY ECONOMIC INDICATORS**

Revenue tax collection maintained a positive growth trend for a second consecutive month in September as well with an 11% increase compared to the same month in the previous year. Such growth in tax collection provides more indication of revival of economic activities in the country. In the first quarter of the current FY (Jul-Sep), the current account posted a surplus of US\$ 3.53 billion due to a -11.47% decline in imports amid the pandemic while exports increased by 2.59% during the same period. Bangladesh also raked in US\$ 6.71 billion in remittances in July-Sep, which is nearly a 50% growth compared to the same period in the previous year. Oil prices declined amid an increase in oil rig count and increasing oil supply from Libya.

	This Week	Last Week	Weekly Change	YTD Change
<b>Foreign Exchange Reserve (USD bn)</b>	40.60	40.29	0.78%	23.95%
<b>Call Money Rate (Weighted Average)</b>	2.70%	2.70%	+ 00 bps	- 225 bps
<b>Exchange Rate (BDT-USD)</b>	84.80	84.80	0.00%	-0.12%
<b>Oil Price (USD per barrel of WTI)</b>	39.85	40.88	-2.52%	-34.74%
		<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-Sep)</b>		11,730	13,250	-11.5%
<b>Current Account Balance (USD mn) (Jul-Sep)</b>		3,530	-715	NA
<b>Credit to the Private Sector (USD mn) (Jul-Aug)</b>		129,853	118,741	9.4%
<b>Point-to-point Inflation (Sep)</b>		5.97%	5.54%	+43 bps
<b>Tax Revenue (NBR) (USD mn) (Jul-Sep)</b>		5,895	5,662	4.1%

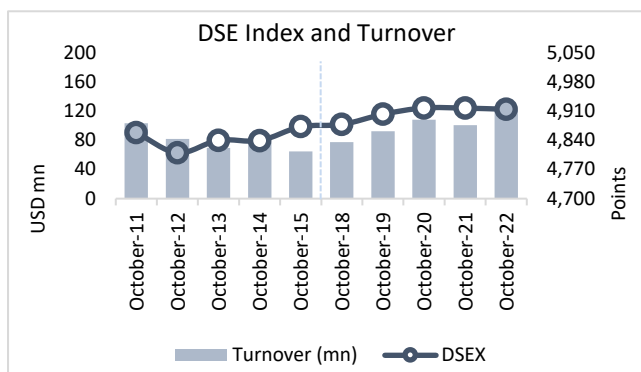
Source: Bangladesh Bank and Investing.com

**ECONOMIC RISKS**

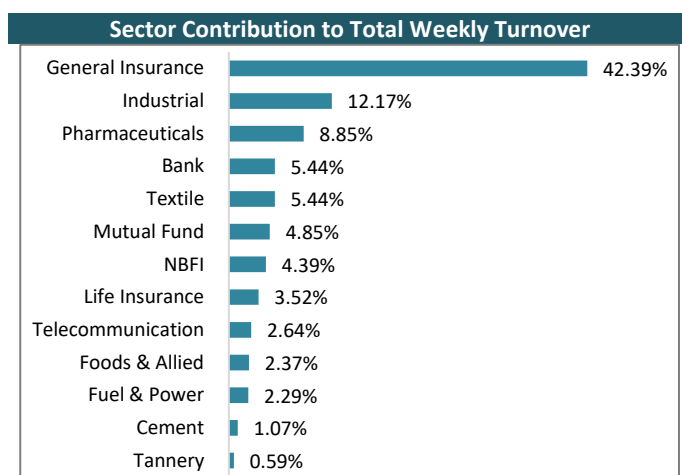
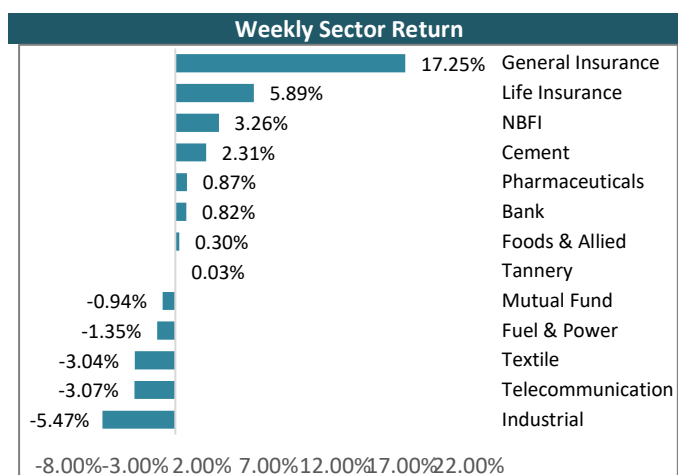
Risk factor	Risk Level	Impact
<b>Remittance shock</b>	High	Inward remittances made an exceptional recovery in the first quarter of FY21 amid the pandemic with nearly a 50% jump during the period. This increase has defied World Bank's projection of a -22% decline for 2020. The reason behind this increase 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 <sup>st</sup> April to 18 <sup>th</sup> 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.
<b>Subdued tax revenue collection</b>	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 the 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.
<b>Soaring default loan in financial sector</b>	High	The banking sector has been burdened with a high NPL 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.
<b>Demand contraction</b>	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.
<b>Export slump</b>	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 subject to the concentrated risks of the RMG sector (that accounts for ~80% of export earnings). Although second 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.
<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 posted a modest gain of 42 points (0.86%) during the week amid growing investor participation as earnings declarations prompted investors to sell some of their existing positions and take fresh positions. Market turnover jumped another 26.28%, with the general insurance sector grabbing the highest portion of the turnover (42.39%) and registering a 17.25% gain even though the sector's overall gross earnings declined by more than 20% in the April-June quarter compared to the Jan-March quarter. The market remained in the green zone in the first three trading sessions of the week but slipped into red in the last two sessions. Meanwhile, the securities regulator announced that it will investigate firms that declare low dividends even though those firms have been performing well and imposed a fine on two directors of a small-cap company for selling their company shares without public disclosure.



	This Week	Last Week	Weekly Change	YTD Change
DSEX	4,914	4,872	0.86%	10.35%
DS30	1,692	1,670	1.32%	12.69%
Market Cap (\$ mn)	46,683	46,916	-0.50%	16.62%
Total Turnover (\$ mn)	499	395	26.28%	152.60%
Avg. Daily Turn. (\$ mn)	100	79	26.28%	152.60%
S&P 500	3,465	3,484	-0.53%	6.37%
DJIA	28,336	28,606	-0.95%	-1.85%
FTSE 100	5,860	5,920	-1.00%	-22.93%
NIKKEI 225	23,517	23,411	0.45%	1.34%



NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

Out of the total 18 earnings that were declared during the week, 88.9% companies posted positive growth while 11.1% companies posted negative growth. GP's earnings grew 22.5% in Q3'20 due to the one-off tax provision in Q3'19. While the topline decline by -2.84% YoY due to a fall in data and voice revenue, the company was able to recover some of its subscriber base compared to the previous quarter. SINGERBD's net earnings increased by 4.1% as its revenue exceeded expectations and posted a 16.64% positive growth amid slow recovery in the consumer durables sector. Although BATBC's top-line revenue declined by -7.48% due to a -5.56% fall in stick sales, net earnings grew 2.1% in Jul-Sep'20 period compared to the same period in previous year as a result of reduced deferred tax expense.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (July-Sep)	EPS 2019 (July-Sep)	CHANGE
LHBL	LafargeHolcim Bangladesh Ltd.	Cement	0.56	0.33	69.7%
GP	Grameenphone Ltd.	Telecommunication	6.59	5.38	22.5%
SINGERBD	Singer Bangladesh Limited	Industrial	4.59	4.41	4.1%
BATBC	British American Tobacco BD Co. Ltd.	Foods & Allied	15.10	14.79	2.1%

Source: DSEX, Investing.com, LR Global Research

QUARTERLY EARNINGS UPDATE

Most companies performed well in the Jul-Sep'20 quarter as businesses are slowly rebounding after the nationwide lockdown ended in May. So far, the NBFI and cement sector have generated the highest earnings growth. 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 Jul-Sep is still low as a large number of companies are yet to disclose their earnings for the quarter. In the Apr-June quarter, 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	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	13,512	1,002
Cement	872	958	582	250	2,662	803	133	511
Ceramic	230	59	261	287	837	167	0	0
Food & Allied	1,820	1,205	2,661	2,663	8,349	2,526	2,967	2,718
Fuel & Power	9,076	11,395	10,862	8,961	40,295	7,209	-4,596	0
Industrial	5,223	5,607	4,330	3,509	18,669	2,988	-9	476
NBFI	1,757	-396	-785	1,303	1,879	2,026	660	328
Pharmaceuticals	6,327	6,657	7,169	6,928	27,080	6,388	-466	0
Telecommunication	8,926	9,553	7,269	8,766	34,514	10,694	7,265	8,898
Textile	1,477	-5,888	1,195	1,251	-1,964	402	-310	0
Tannery	270	101	471	144	986	-27	-765	0

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%	-36.4%	42.5%
Cement	-4.6%	-0.4%	93.8%	-72.4%	-13.6%	-7.9%	-72.0%	114.0%
Ceramic	-20.3%	-71.3%	-22.7%	-35.6%	-34.5%	-27.5%	N/A	N/A
Food & Allied	-29.9%	-74.1%	27.4%	28.4%	-12.8%	38.8%	69.5%	2.1%
Fuel & Power	22.6%	9.1%	-1.1%	-7.3%	4.7%	-20.6%	-90.7%	N/A
Industrial	-3.4%	-65.0%	-10.6%	-29.3%	-40.2%	-42.8%	-90.2%	5.5%
NBFI	-33.2%	-118.9%	-143.4%	-73.5%	-83.6%	15.3%	-267.5%	119.0%
Pharmaceuticals	2.5%	-0.1%	18.2%	13.4%	8.3%	1.0%	16.8%	N/A
Telecommunication	39.6%	-11.6%	-18.3%	-3.3%	-1.8%	19.8%	-24.0%	22.4%
Textile	-3.5%	-487.1%	-38.5%	-20.6%	-129.9%	-72.8%	-189.2%	N/A
Tannery	-34.1%	-63.8%	-22.3%	-55.0%	-39.0%	-109.9%	-1065.8%	N/A

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 63 and 9 companies, respectively, that have been declared so far out of the 251 tracked.

MAJOR EVENTS DURING THE WEEK

**COVID-19 infection rate falls below 10%: COVID-19 Update**

COVID-9 infection rate in our country has dropped below 10%. During the week, 10,212 new positive cases and 134 more deaths were reported in Bangladesh, taking the total number of cases to 397,507 as of 24th October, according to official tallies. Globally, the total number of cases have nearly reached nearly 43 mn and the death count has crossed 1.1 mn. The weekly growth of new cases around the world surged by 17.6% as the Western World is now undergoing the second wave of the virus.

**91-day T-bill yields hits 10-year low**

High liquidity in the money market owing to banks' inclination towards government securities has pushed down 91-day bills' yield to 0.94% from the 1.39% in the previous auction. Similarly, the yields on 364-day T-bills also fell to 2.49% as against 3.99% in the previous auction. The excess liquidity in the banking system has been rising due to the low credit growth in the private sector and the central bank's continuous buying of the US dollar from banks.

**Central bank brings down unclassified consumer loan provisioning**

Bangladesh Bank has brought down the rate of provisioning for unclassified consumer loans from the existing 5% to 2%. This change will however not be applicable for house finance and loan to professionals. This decision may result in increased consumer financing, which in turn can help revive demand in the economy.