

KEY ECONOMIC INDICATORS

Foreign exchange reserve has crossed the US\$ 41 billion mark while the country's current account has also posted a surplus of US\$ 3.53 billion mainly due to a -11.47% decline in imports in the first quarter of the FY21. 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. Meanwhile, the World Bank has projected that remittances for Bangladesh will increase by 8% in 2020 and reach USD 20 billion. Although private sector credit growth has inched up to 9.48% in September from 9.36% in the previous month, the growth is still slow despite the easy availability of cheap loans offered by banks. Oil experienced its worst month since March as lockdowns resurfaced across European countries.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	41.03	40.60	1.07%	25.27%
Call Money Rate (Weighted Average)	2.76%	2.91%	- 15 bps	- 219 bps
Exchange Rate (BDT-USD)	84.80	84.80	0.00%	-0.12%
Oil Price (USD per barrel of WTI)	35.79	39.85	-10.19%	-41.39%
		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-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 (Sep)		5.97%	5.54%	+43 bps
Tax Revenue (NBR) (USD mn) (Jul-Sep)		5,895	5,662	4.1%

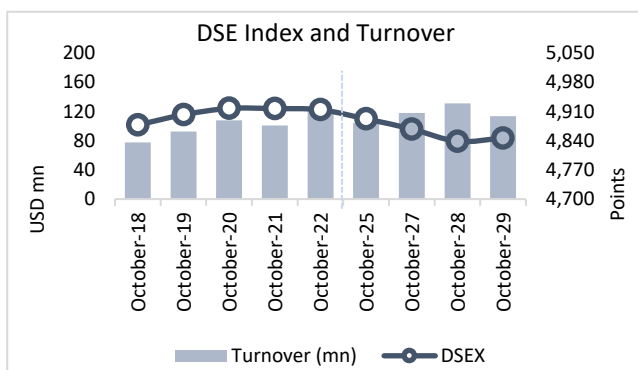
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

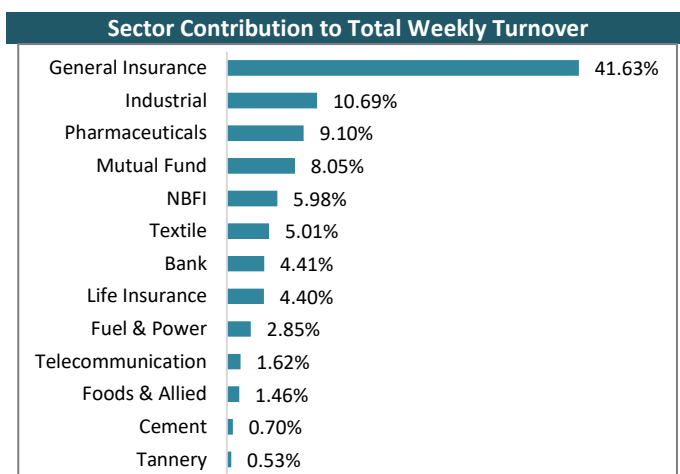
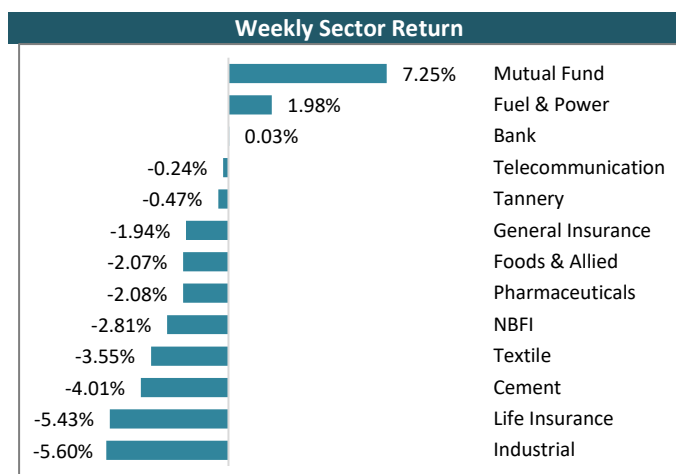
Risk factor	Risk Level	Impact
Remittance shock	High	Inward remittances made an exceptional recovery in the first quarter of FY21 amid the pandemic with nearly a 50% jump during the period. This increase has defied World Bank's projection of a -22% decline for 2020. The reason behind this increase can 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 DSEX lost 68 points (-1.38%) during the week as stocks experienced selling pressure with investors continuing to rebalance their portfolios based on the dividend and earnings declarations of listed companies. As a result, majority of the sectors eroded in value with the exception of the mutual fund, fuel & power and banking sector. The market traded in green only in one out of the four trading days during the week. The insurance sector continued grab the highest portion of the total turnover (41.63%), while overall daily market turnover increased by 16.79% compared to the previous week. The securities regulator has continued to stand firm on its commitment to reform the market as it formed an inquiry committee to probe irregularities in the utilization of IPO proceeds of a textile company. BSEC also decided to freeze the BO accounts of two individuals who were found to have played a substantial role in the unusual price hike of a small-cap company whose share price multiplied around 7 times in a short period of about 2 months' time.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	4,846	4,914	-1.38%	8.82%
DS30	1,680	1,692	-0.73%	11.88%
Market Cap (\$ mn)	46,057	46,683	-1.34%	15.06%
Total Turnover (\$ mn)	466	499	-6.57%	136.01%
Avg. Daily Turn. (\$ mn)	117	100	16.79%	195.01%
S&P 500	3,270	3,465	-5.64%	0.37%
DJIA	26,502	28,336	-6.47%	-8.20%
FTSE 100	5,577	5,860	-4.83%	-26.66%
NIKKEI 225	22,977	23,517	-2.29%	-0.98%



NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

Out of the total 160 earnings that were declared during the week, 38.1% companies posted positive growth while 61.9% companies posted negative growth. CITYBANK's net earnings surged by 161.8% in the Jul-Sep'20 quarter compared to same period in 2019 as the company managed to reduce its deposit cost to 5% from the previous 5.4%, alongside bring down its operating and provisioning costs. Although interest income plunged by 22.7%, BRACBANK also experienced significant growth in its earnings as its investment income increased by 243% in the recent quarter. On the other hand, GLAXOSMITH's earnings reduced by 44.7% in the Jul-Sep'20 quarter compared to the same period in FY19 due to a fall in sales, and increase in raw material prices and custom duty.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (July-Sep)	EPS 2019 (July-Sep)	CHANGE
CITYBANK	The City Bank Ltd.	Bank	1.99	0.76	161.8%
BRACBANK	BRAC Bank Ltd.	Bank	1.13	0.64	76.6%
MARICO	Marico Bangladesh Limited	Pharmaceuticals	25.03	21.24	17.8%
GLAXOSMITH	GlaxoSmithKline(GSK) Bangladesh Ltd.	Pharmaceuticals	11.68	21.14	-44.7%

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 fuel & power, cement, banking, and NBFi sectors have generated the highest earnings growth while the period. Most banks experienced a significant boost in earnings as the central bank relaxed loan classification and provisioning requirements due to the pandemic. However, the tannery sector continued to experience negative earnings as BATASHOE's net 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 Jul-Sep 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	14,262
Cement	872	958	582	250	2,662	803	-18	466
Ceramic	230	59	261	287	837	167	-107	654
Food & Allied	1,820	1,205	2,661	2,663	8,349	2,526	2,049	2,443
Fuel & Power	9,076	11,399	10,862	8,961	40,298	7,209	4,039	2,925
Industrial	5,207	5,607	4,330	3,509	18,653	3,024	-7	653
NBFi	1,757	-396	-785	1,303	1,879	2,026	1,702	1,226
Pharmaceuticals	6,327	6,951	7,838	7,547	28,663	6,896	5,915	1,089
Telecommunication	8,926	9,553	7,269	8,766	34,514	10,694	7,265	8,898
Textile	1,475	-5,869	1,184	1,240	-1,970	477	-1,030	0
Tannery	270	101	471	144	986	-27	-773	-514

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%	47.1%
Cement	-4.6%	-0.4%	93.8%	-72.4%	-13.6%	-7.9%	-103.9%	76.6%
Ceramic	-20.3%	-71.3%	-22.7%	-35.6%	-34.5%	-27.5%	-7.8%	-35.3%
Food & Allied	-29.9%	-74.1%	27.4%	28.4%	-12.8%	38.8%	71.0%	-0.5%
Fuel & Power	22.5%	9.4%	-1.1%	-7.3%	4.7%	-20.6%	-40.4%	77.5%
Industrial	-3.5%	-64.9%	-11.3%	-30.1%	-40.4%	-41.9%	-97.0%	11.8%
NBFi	-33.2%	-118.9%	-143.4%	-73.5%	-83.6%	15.3%	529.4%	28.4%
Pharmaceuticals	2.5%	4.3%	29.2%	23.6%	14.6%	9.0%	-6.7%	1.9%
Telecommunication	39.6%	-11.6%	-18.3%	-3.3%	-1.8%	19.8%	-24.0%	22.4%
Textile	-5.7%	-480.2%	-38.5%	-21.1%	-129.8%	-67.7%	-82.8%	N/A
Tannery	-34.1%	-63.8%	-22.3%	-55.0%	-39.0%	-109.9%	-799.8%	-254.6%

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 149 and 48 companies, respectively, that have been declared so far out of the 251 tracked.

MAJOR EVENTS DURING THE WEEK

Bangladesh COVID-19 positive cases pass 400,000: COVID-19 Update

The COVID-19 infection rate in Bangladesh has inched up to 11.3% this week from 10.8% in the previous week. During the week, 10,177 new positive cases and 143 more deaths were reported in Bangladesh, taking the total number of cases to 407,684 as of 31st October, according to official tallies. Globally, the total number of cases have crossed 46 mn and the death count has crossed 1.2 mn. More European countries including Germany and France have been added to the list of countries that have entered a lockdown to curb the spreading of the virus.

Government bank borrowing declines by 90% in Q1

Slow development activities, low spending on subsidies and food, and low disbursement of ADP funds due to the pandemic have reduced overall government expenditure. Moreover, the sale of NSCs have also doubled in July and August compared to the same time last year. This has allowed the government to cut down its borrowing significantly (by 90%) in the first quarter of the current fiscal year, reducing some pressure in the banking sector.

H1 2020 registers 32% decline in FDI

FDI inflow for Bangladesh amounted to US\$ 1.15 bn in H1 2020, registering a decline of 31.79% compared to the same period in the previous year due to the effects of the pandemic. In comparison, FDI fell by 49% globally and by 31% in South Asia. Investment projects are experiencing a slowdown as the gloomy economic outlook caused companies to rethink their projects.