

KEY ECONOMIC INDICATORS

Yarn prices in the local market have started to decline after experiencing an increasing trend in recent times as Bangladesh has started importing yarn from India with a 60-70% lower cost than the price in Bangladesh. Meanwhile, the government is considering signing FTAs with India and China in order to strengthen and maintain its export competitiveness in the long term. Import orders surged more than 48% in August compared to the previous month to meet local buyers' requirements due to the lower infection rate and reopening of Western economies. As a result, the exchange rate of the US\$ against the BDT increased from BDT 84.8 at the beginning of August to BDT 85.35 on September 23rd. Point-to-point inflation went up by 0.18 percentage point to 5.54% in August due to an increase in the inflation rate for both food and non-food items. Oil price went up and reached a 3-year high due to expectations over maintaining a steady pace in raising supply by OPEC ministers.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	46.21	46.38	-0.35%	7.05%
Call Money Rate (Weighted Average)	2.09%	2.07%	2bps	3bps
Exchange Rate (BDT-USD)	85.48	85.30	0.21%	0.80%
Oil Price (USD per barrel of WTI)	75.88	72.24	5.04%	56.78%
		FY 2021-22	FY 2020-21	% Change
Export (USD mn) (Jul-August)		6,857	6,878	-0.31%
Remittances (USD mn) (Jul-August)		3,682	4,562	-19.30%
Import (USD mn) (July)		5,141	4,228	21.60%
Current Account Balance (USD mn) (July)		336	2,135	-84.26%
Credit to the Private Sector (USD mn) (August)		139,736	128,373	8.85%
Point-to-point Inflation (August)		5.54%	6.02%	48bps
Tax Revenue (NBR) (USD mn) (July)		1,796	1,726	4.06%

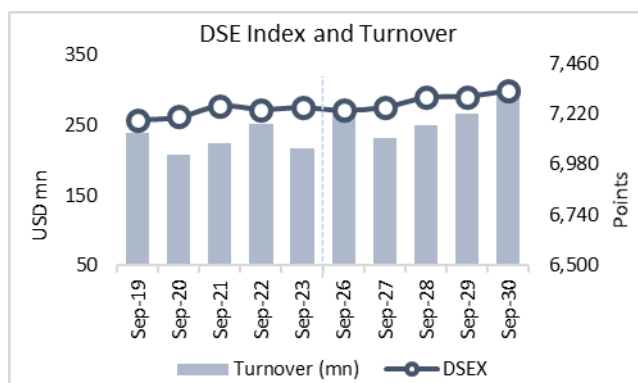
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

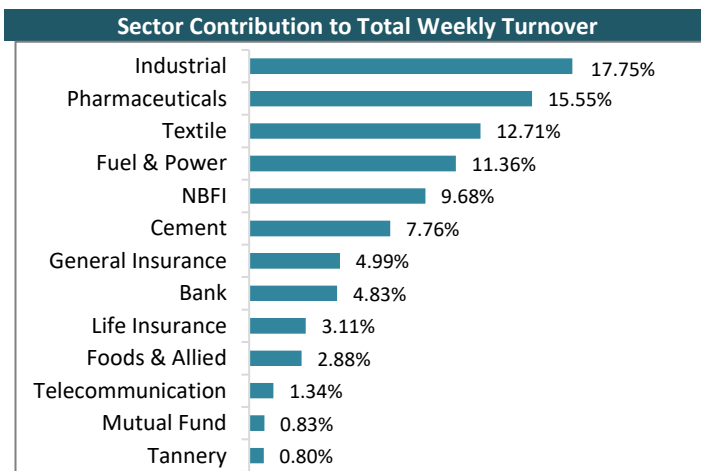
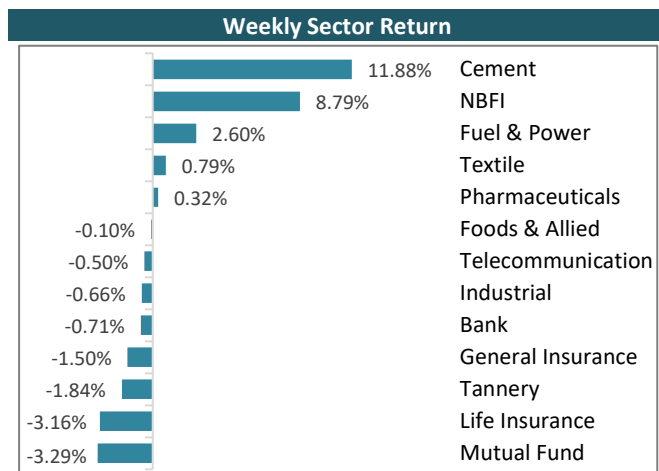
Risk factor	Risk Level	Impact
Soaring default loan in financial sector	High	The banking sector has been burdened with a high NPL ratio of 7.66% and a CAR of 11.63% that is the lowest in South Asia. Although banks are sitting with excess liquidity, their implementation of the stimulus package remains slow. The loan moratorium period ran between Jan-Dec 2020. Going forward, a sharp rise in default loans is being anticipated which is likely to undermine the sector further in the long term. The central bank has instructed banks to keep 1% extra provision against all loans that enjoyed deferral or time extension facilities. In addition, banks and NBFIs have been permitted to declare dividends depending on the strength of their capital base.
Subdued tax revenue collection	Medium	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 18.99% in the Jul-Jun period of FY21 as businesses and economic activities are slowly reviving. But actual tax collection continues to remain below the target. According to ADB's forecast, Bangladesh may incur a tax revenue loss equivalent to 2% of GDP due to the pandemic.
Remittance shock	Medium	Inward remittances made an exceptional recovery in the Jul-Jun period amid the pandemic with a 36% jump YoY. 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, the attractive 2% cash incentive and near-zero interest rates abroad. The current level of remittance inflow may sustain due to these factors coupled with gradual manpower export, though the growth rate is unlikely to be as high as 2020.
Demand contraction	Medium	Economic activities have been gradually picking up on the backdrop of the pandemic as both businesses and individuals are learning to live with the virus. This has allowed demand in the economy to slowly recover. Consumer confidence is likely to strengthen as the percentage of vaccinated population continues to increase and economic activities rebound as lockdown restrictions have been relaxed.
Export slump	Medium	It has been projected that global merchandise trade might plummet by ~13% due to the pandemic. While reinstatement of cancelled orders was initially helping RMG exports recover, which was further fortified by mass vaccination at major export destinations, the resurgence of local delta variant virus cases is likely to delay recovery. Moreover, 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).
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 and how the recent spike in virus cases play out.

CAPITAL MARKET UPDATE

The prime index gained 78 points (1.08%) during the week as declining virus infection rate, ongoing mass vaccination, gradual economic recovery, and lower bank deposit rates on top of rising inflation kept investors hopeful towards the market. The broad index shed marginal 13.5 points in the first trading session as risk averse investors preferred to book profits from the recent positive price momentum. As the private loan demand increased after resumption of economic activities which pushed up private credit growth to 8.42%, optimistic institutional investors expecting gradual economic recovery put fresh bets on the market which helped remain in the green zone for the last four trading sessions of the week. However, investors' concern that the central bank's decision allowing scheduled banks to invest their entire capital market special funds in Sukuk bonds may cause scheduled banks to sell their existing positions in stocks made the market volatile. Market liquidity increased significantly by 14.79% due to the higher investors' participation driven by the positive macro-economic outlook and positive earnings growth of listed companies. The cement sector registered for the highest return of 11.88% due to investors' expectation that winter's cyclical effect would boost cement consumption and positively impact earnings growth. The DSE inaugurated the SME platform with six companies, including four OTC companies, during the week.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	7,329	7,251	1.08%	35.67%
DS30	2,711	2,674	1.38%	38.01%
Market Cap (\$ mn)	68,176	67,648	0.78%	29.74%
Total Turnover (\$ mn)	1,307	1,138	14.79%	53.64%
Avg. Daily Turn. (\$ mn)	261	228	14.79%	53.64%
S&P 500	4,357	4,455	-2.21%	16.00%
DJIA	34,327	34,798	-1.35%	12.16%
FTSE 100	7,027	7,051	-0.35%	8.77%
NIKKEI 225	28,771	30,249	-4.89%	4.83%


NOTABLE QUARTERLY EARNINGS ANNOUNCEMENTS DURING THE WEEK

BAYLEASING's net profit jumped significantly by 2,350% in the Apr-Jun quarter YoY even though net interest income dropped by 87% due to an increase in the cost of funds, as it earned a 7 times higher profit from capital market investments. Despite pandemic-led reduced sales, APEXFOOT witnessed around a 67% jump in EPS due to cost control.

TICKER	COMPANY NAME	SECTOR	EPS 2021 (Apr-Jun)	EPS 2020 (Apr-Jun)	CHANGE
BAYLEASING	Bay Leasing & Investment Limited	NBFi	0.49	0.02	2350%

TICKER	COMPANY NAME	SECTOR	EPS 2021	EPS 2020	CHANGE	Dividend
APEXFOOT	Apex Footwear Limited.	Tannery	9.36	5.62	66.55%	35% c & 5% s

Source: DSEX, Investing.com, LR Global Research

QUARTERLY EARNINGS UPDATE

During the Jan-Mar'21 quarter, the cement sector experienced the highest growth of 233.3%, based on the earnings disclosed so far, owing to a revival in demand in the sector. The industrial sector also experienced a significant growth of 207.4% due to growth in demand where BEXIMCO played a significant role. The tannery sector managed to make a turnaround this quarter as it was able to recover some losses after remaining in the negative growth territory in the prior quarters. However, the telecommunication sector suffered a loss due to a decline in total active subscriber during the lockdown. In the previous quarter (Oct-Dec'20), the industrial sector bounced back and recorded the second highest earnings growth after declining continuously for more than a year. The gradual revival of economic activities has had a large part to play in this as virus cases slowly subsided during that period. The NBFi sector recorded the second highest earnings growth during the quarter followed by bank, pharmaceuticals, and ceramic. Banks and NBFis continued its profit growth trend from the previous quarter. In the Jul-Sep'20 quarter, a good number of NBFis logged in higher earnings due to lower provisioning and reduced deposit rates, allowing the sector to register the highest growth in that quarter. Banks too experienced a significant boost in earnings due to similar reasons during that period. At this time, it is slightly concerning that the tannery sector is still continuing to post negative growth in earnings due to the discretionary nature of the products.

Sector	2019				2020				2021	
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
Bank	13,988	21,244	13,891	22,880	18,311	13,382	20,078	19,241	19,627	23,251
Cement	872	958	582	250	814	194	944	1,558	2,712	1,316
Ceramic	230	59	261	287	167	-278	142	355	249	223
Food & Allied	2,428	1,817	3,474	3,619	3,200	2,638	4,255	1,283	2,907	1,683
Fuel & Power	9,076	11,399	10,862	8,961	7,336	5,705	9,939	9,512	9,489	1,153
Industrial	4,581	4,635	3,730	2,958	2,897	-562	3,441	5,779	7,269	1,127
NBFi	1,835	-708	-692	868	1,984	1,549	1,989	2,891	1,848	1,404
Pharmaceuticals	6,210	6,820	7,362	6,926	6,598	4,443	8,736	8,659	8,731	1,381
Telecommunication	8,926	9,553	7,269	8,766	10,694	7,265	8,898	10,330	8,912	8,507
Textile	1,482	-5,913	1,201	1,222	464	-3,853	472	884	541	0
Tannery	270	101	371	144	-27	-869	-455	-36	45	68

QoQ Growth (Sectorwise)	2019				2020				2021	
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
Bank	20.2%	20.4%	-0.3%	-14.1%	30.9%	-37.0%	44.5%	-15.9%	7.2%	75.8%
Cement	-4.6%	-0.4%	93.8%	-72.4%	-6.7%	-79.8%	62.2%	523.3%	233.3%	-
Ceramic	-20.3%	-71.3%	-22.7%	-35.6%	-27.5%	-567.8%	-45.7%	23.7%	49.3%	218.2%
Food & Allied	-24.0%	-74.1%	75.2%	92.7%	31.8%	45.2%	22.5%	-64.5%	-9.2%	-45.8%
Fuel & Power	22.5%	9.4%	-1.1%	-7.3%	-19.2%	-50.0%	-8.5%	6.1%	29.4%	-
Industrial	-2.2%	-65.4%	-13.0%	-33.0%	-36.8%	-112.1%	-7.8%	95.4%	150.9%	414.0%
NBFi	-21.7%	-138.9%	-145.7%	-81.3%	8.1%	318.8%	387.4%	232.9%	-4.0%	200.0%
Pharmaceuticals	7.9%	4.7%	10.7%	2.5%	6.2%	-34.8%	18.7%	25.0%	32.9%	13.7%
Telecommunication	39.6%	-11.6%	-18.3%	-3.3%	19.8%	-24.0%	22.4%	17.8%	-16.7%	17.1%
Textile	-11.4%	-462.0%	-41.4%	-26.7%	-68.7%	34.8%	-60.7%	-27.6%	14.1%	-
Tannery	-34.1%	-63.8%	-38.8%	-55.0%	-109.9%	-962.7%	-222.6%	-125.2%	270.0%	109.2%

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

Source: DSEX, LR Global Research

* Jan-Mar'21 & Apr-Jun'21 earnings growth have been calculated based on the earnings of 221 and 56 companies, respectively, that have been declared so far out of the 260 tracked.

MAJOR EVENTS DURING THE WEEK

COVID-19 positivity rate declines to 4.0% this week in Bangladesh: COVID-19 Update

The weekly new COVID-19 cases decreased by 23.10% while the total tests conducted also decreased by 4.12% compared to the previous week. During the week, 6,976 new positive cases and 162 more deaths were reported in Bangladesh and positivity rate dropped to 4.0%, taking the total number of cases to 1,557,347 as of 2nd October, according to official tallies. The government of Bangladesh has decided to vaccinate 20% people by December under the COVAX facility. Meanwhile, a consignment of 0.79 mn doses of Oxford-AstraZeneca vaccine has arrived from Germany. Besides, considering Bangladesh's pandemic condition, the US has decided to send more vaccines to Bangladesh from which around 2.5 mn doses will arrive early next week. Globally, the total number of cases has crossed 235 mn and the death count has also crossed 4.8 mn.

Central bank allows banks to invest entire fund in Sukuk

The central bank has allowed banks to invest their entire BDT 2 bn special capital market fund in 100% asset backed green Sukuk in order to bring diversity in investments to reduce risks by introducing new investment instruments. Banks can invest only in listed Sukuk or in Sukuks which will be enlisted within one year of subscription closure on the exchange. This approval from BB has come at a time when Beximco's BDT 30 bn Sukuk is struggling to attract investors.

Banks permitted to merge draft law completed and passed in parliament

Banks interested in merging with each other will get permission to do so once the merger and acquisition draft is completed and approved by the parliament. This comment came by finance minister as a part of the government's stance over the merger interest of state-owned Basic Bank and privately owned Padma Bank.