

KEY ECONOMIC INDICATORS

Strong manufacturing activities, export and remittances are expected to support recovery of Bangladesh's economy in FY21, with a GDP growth projection of 6.8% as per ADB's forecast. This recovery could have been expedited if the stimulus packages declared by the government were disbursed at a faster pace. Call money market was stable this week too due to banks' high excess liquidity backed by deposit growth revival (11.43%) and increased government's borrowing through savings certificate instead of banks. Crude oil price logged 2.13% losses due to the gloomy oil market outlook in response to additional supply by politically-liberated Libya.

	This Week	Last Week	Weekly Change	YTD Change
Foreign Exchange Reserve (USD bn)	39.11	39.04	0.18%	19.40%
Call Money Rate (Weighted Average)	2.95%	2.63%	+32 bps	-200 bps
Exchange Rate (BDT-USD)	84.80	84.80	0.00%	-0.12%
Oil Price (USD per barrel of WTI)	40.25	41.11	-2.09%	-34.08%
		FY 2020-21	FY 2019-20	% Change
Export (USD mn) (Jul-Aug)		6,878	6,732	2.2%
Remittances (USD mn) (Jul-Aug)		3,042	4,562	50.0%
Import (USD mn) (Jul)		4,228	5,247	-19.4%
Current Account Balance (USD mn) (Jul)		1,965	(108)	N/A
Credit to the Private Sector (USD mn) (Jul)		129,151	118,274	9.2%
Point-to-point Inflation (Aug)		5.68%	5.49%	+19 bps
Tax Revenue (NBR) (USD mn) (Jul)		1,739	1,820	-4.4%

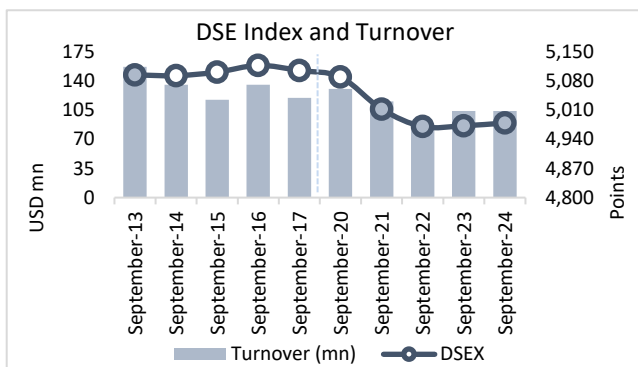
Source: Bangladesh Bank and Investing.com

ECONOMIC RISKS

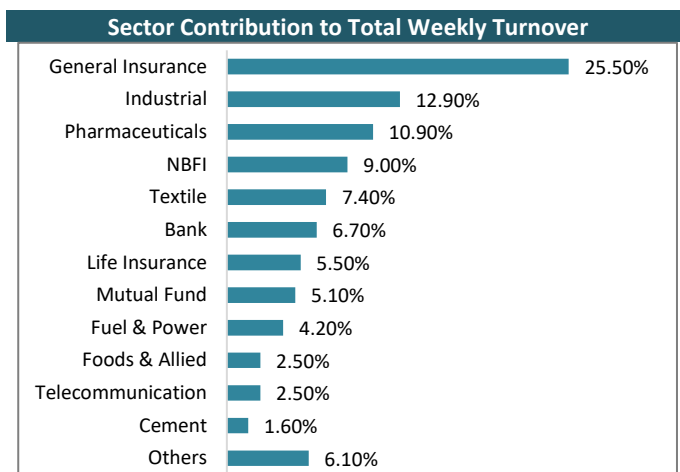
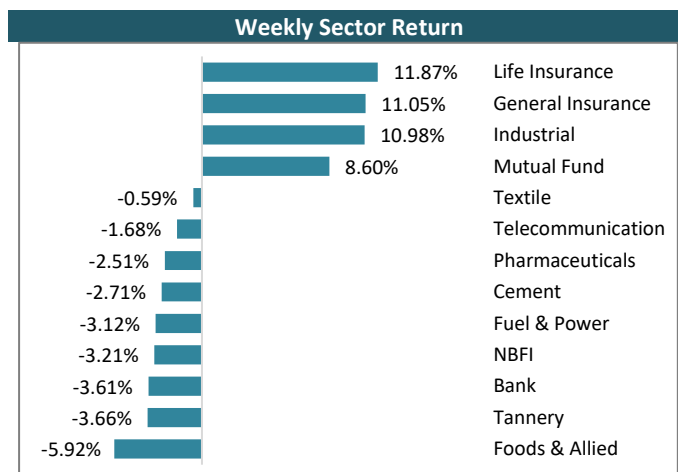
Risk factor	Risk Level	Impact
Demand contraction	High	High uncertainty and virus fears have resulted in subdued demand, which in turn have led to large scale job losses and more demand contraction as discretionary spending takes a hit. According to ILO's projections, around 200 mn full-time workers' 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 9.03%, 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 lost 126 points (-2.47%) during the week similar to global markets as investors engaged in profit-booking amid fears of a second wave of the virus, taking the market below the 5,000-points mark once again. However, the share prices of insurance companies continued to soar and experienced the highest sectoral turnover even though most of them reported poor earnings in the first 6 months of this year. The margin loan policy was also revised to allow investors a maximum limit of 1:1 when the DSEX goes below 4,000 points so that investors can get more support when the market falls. Apart from this, WALTONHIL's IPO made a debut in the market during the week while the country's largest IPO till date, Robi, received approval to be listed in the stock market. Additionally, the central bank lowered the lending rate of the capital market special fund from for banks from 5% to 4.75% to align it with the repo rate in the latest monetary policy, which may provide further scope to enhance market participation in the coming days.



Market Statistics				
	This Week	Last Week	Weekly Change	YTD Change
DSEX	4,979	5,105	-2.47%	11.80%
DS30	1,701	1,762	-3.43%	13.28%
Market Cap (\$ mn)	46,457	45,395	2.34%	16.06%
Total Turnover (\$ mn)	538	663	-18.84%	172.43%
Avg. Daily Turn. (\$ mn)	108	133	-18.84%	172.43%
S&P 500	3,298	3,319	-0.63%	1.25%
DJIA	27,174	27,657	-1.75%	-5.87%
FTSE 100	5,843	6,007	-2.74%	-23.17%
NIKKEI 225	23,205	23,360	-0.67%	-0.001%


NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

Out of the total 3 earnings that were declared during the week, 1 company posted positive growth while 2 companies posted negative growth. IBNSINA's net earnings increased by 15.5% for FY2019-20 as the company experienced a boost in sales during the period. Meanwhile, APEXFOOT's net earnings plunged by 48.5% for the year due a decline in revenue. WALTONHIL's net earnings slumped by 53.6% as the sales of refrigerators, tv and air conditioners declined in Jan-Mar'20 quarter due to the pandemic compared to the same period in the previous year.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Apr-Jun)	EPS 2019 (Apr-Jun)	CHANGE	DIVIDEND (2020)
IBNSINA	The IBN SINA Pharmaceutical Industry Ltd.	Pharmaceuticals	12.43	10.76	15.5%	38.5%C
APEXFOOT	Apex Footwear Limited.	Tannery	5.62	10.91	-48.5%	25%C

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Jan-Mar)	EPS 2019 (Jan-Mar)	CHANGE
WALTONHIL	Walton Hi-Tech Industries Ltd.	Industrial	5.17	11.14	-53.6%

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	2,808	2,389	1,751	4,256	11,204	1,717	-454	-841	1,152	1,575	1,987
Pharmaceuticals	4,929	5,375	4,776	4,835	19,915	5,095	5,213	6,260	6,033	22,600	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	-24.4%	-3.1%	-45.0%	34.8%	-10.5%	-38.8%	-119.0%	-148.0%	-72.9%	-85.9%	15.7%
Pharmaceuticals	-2.0%	-8.1%	-10.3%	-20.3%	-10.6%	3.4%	-3.0%	31.1%	24.8%	13.5%	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
COVID-19 infection rate is on decline, not the fatality rate: COVID-19 Update

The infection rate of COVID-19 in Bangladesh continued to decrease this week along with decreased testing (-5.4%) of the virus. Although the infection rate has been going down since the last eight weeks, the fatality rate has not been following the same path. During the week, 10,501 new positive cases and 216 more deaths have been reported in Bangladesh, taking the total number of cases to 357,873 as of 26th September, according to official tallies. Globally, the total number of cases crossed 33 mn and the death count is now nearly 1.0 mn. While a few countries including UK are mulling to impose a mini lockdown again as a preparation to tackle the second wave in winter, not taking adequate preparations beforehand in Bangladesh may end up with us paying a heavy price.

Government's bank borrowing plunges by 74%

The government's bank borrowing fell 74.12% till mid-September of the new FY21 amid people's renewed interest in NSCs due to low deposit rates at banks and more support from multinational lenders in the form of loans and grants. This has reduced some pressure on banks to finance the fiscal deficit.

Three Bangladeshi banks involved in eight global suspicious transactions

Three Bangladeshi banks have been found to be involved in suspicious transactions along with other big names in the global financial industry. The reported amounts of the suspicious transactions were however very low when compared to the banks of other South Asian counterparts such as India and Pakistan that were named in the report. Other global banks such as JP Morgan, HSBC and Standard Chartered also appeared in the report.