

**KEY ECONOMIC INDICATORS**

Remittance recorded a 48.5% YoY growth in Q1 FY21, defying the -22% projected decline by World Bank. Near zero interest rates in source countries and a shift from informal to formal channels of sending money induced by cash incentive and travel restrictions might have made this growth possible. Decreased import payment (-13.8%) along with high remittance has taken the current account balance into a positive territory of US\$ 3.3 billion, indicating weak consumption and investment demand inside the country. Moreover, tax revenue inched up by 0.2% in the first two months of FY20. Health concerns aside, weak economic recovery and threats of additional supply from Libya has weighed down the oil market by 7.95% this week.

	This Week	Last Week	Weekly Change	YTD Change
<b>Foreign Exchange Reserve (USD bn)</b>	39.31	39.11	0.52%	20.02%
<b>Call Money Rate (Weighted Average)</b>	2.66%	2.95%	-29 bps	-229 bps
<b>Exchange Rate (BDT-USD)</b>	84.84	84.80	0.04%	-0.08%
<b>Oil Price (USD per barrel of WTI)</b>	37.05	40.25	-7.95%	-39.32%
		<b>FY 2020-21</b>	<b>FY 2019-20</b>	<b>% Change</b>
<b>Export (USD mn) (Jul-Aug)</b>		6,878	6,732	2.2%
<b>Remittances (USD mn) (Jul-Sep)</b>		6,710	4,520	48.5%
<b>Import (USD mn) (Jul-Aug)</b>		8,034	9,320	-13.8%
<b>Current Account Balance (USD mn) (Jul-Aug)</b>		3,296	204	1515.7%
<b>Credit to the Private Sector (USD mn) (Jul-Aug)</b>		129,853	118,741	9.4%
<b>Point-to-point Inflation (Aug)</b>		5.68%	5.49%	+19 bps
<b>Tax Revenue (NBR) (USD mn) (Jul-Aug)</b>		3,555	3,549	0.2%

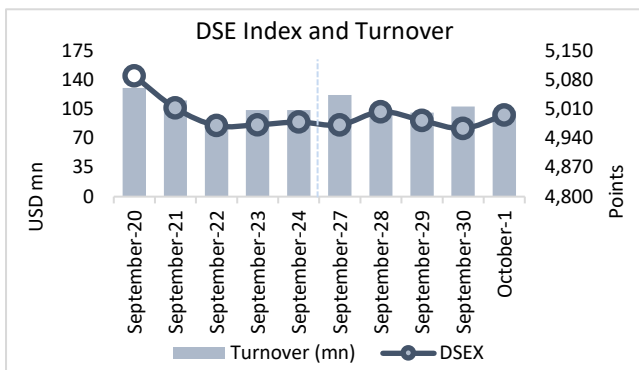
Source: Bangladesh Bank and Investing.com

**ECONOMIC RISKS**

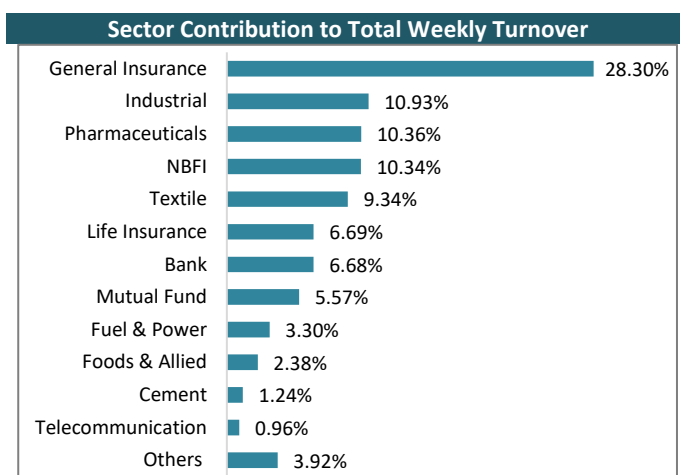
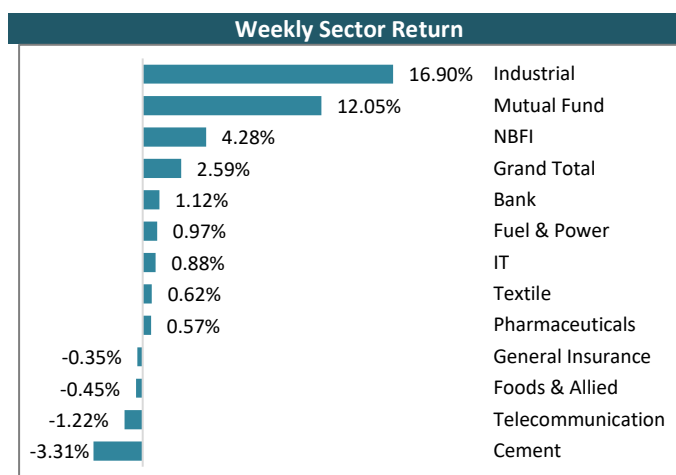
Risk factor	Risk Level	Impact
<b>Demand contraction</b>	High	High uncertainty and virus fears have resulted in subdued demand, which in turn have led to large scale job losses and more demand contraction as discretionary spending takes a hit. According to ILO's projections, around 200 mn full-time workers' 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.
<b>Remittance shock</b>	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.
<b>Subdued tax revenue collection</b>	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.
<b>Soaring default loan in financial sector</b>	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.
<b>Export slump</b>	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).
<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 marginal gain of 17 points (0.33%) during the week as large cap stocks experienced some sell pressure. Investors may have been liquidating some of their existing holdings to keep cash aside to invest in the upcoming IPOs. Hence, the market remained in the red zone in 3 out of the 5 trading days during the week. Investors continued to heavily trade shares from the general insurance sector as it accounted for 28.30% of the turnover during the week, up 2.83 percentage points from the previous week. Meanwhile, WALTONHIL has become the company with the 2<sup>nd</sup> largest market capitalization in the bourse within 6 days of its debut in the market. The securities regulator revised the margin lending policy by changing the maximum loan limit to 75% (1:0.75) when the market is below 4,000 points and 1:0.50 when the index is between 4,001 and 7,000 points.



	This Week	Last Week	Weekly Change	YTD Change
DSEX	4,995	4,979	0.33%	12.17%
DS30	1,711	1,701	0.56%	13.91%
Market Cap (\$ mn)	47,486	46,457	2.22%	18.63%
Total Turnover (\$ mn)	536	538	-0.41%	171.30%
Avg. Daily Turn. (\$ mn)	107	108	-0.41%	171.30%
S&P 500	3,348	3,298	1.52%	2.78%
DJIA	27,683	27,174	1.87%	-4.11%
FTSE 100	5,902	5,843	1.02%	-22.38%
NIKKEI 225	23,030	23,205	-0.75%	-0.75%



NOTABLE EARNINGS ANNOUNCEMENTS DURING THE WEEK

Out of the total 6 earnings that were declared during the week, two companies posted positive growth while four companies posted negative growth. APEXTANRY's earnings declined due to a collapse in export demand for leather amid the pandemic. REPUBLIC's earnings increased by 8.3% mainly because of higher premium income. GSPFINANCE's earnings slumped by 8.9% as the company experienced a -36.12% decline in total operating income during the Apr-Jun'20 quarter compared to same quarter in the previous year.

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Apr-Jun)	EPS 2019 (Apr-Jun)	CHANGE	DIVIDEND (2020)
APEXTANRY	Apex Tannery Limited	Tannery	-1.19	1.41	N/A	12% cash

TICKER	COMPANY NAME	SECTOR	EPS 2020 (Jan-Mar)	EPS 2019 (Jan-Mar)	CHANGE
REPUBLIC	Republic Insurance Company Limited	General Insurance	0.39	0.36	8.3%
GSPFINANCE	GSP Finance Company (Bangladesh) Limited	NBF	0.41	0.45	-8.9%

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	2,725	2,114	1,826	4,908	11,573	1,776	-394	-781	1,259	1,860	2,026
Pharmaceuticals	4,929	5,375	4,776	4,835	19,915	5,095	5,266	6,260	6,033	22,654	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	-24.9%	-8.0%	-33.2%	31.7%	-6.5%	-34.8%	-118.6%	-142.8%	-74.4%	-83.9%	14.1%
Pharmaceuticals	-2.0%	-8.1%	-10.3%	-20.3%	-10.6%	3.4%	-2.0%	31.1%	24.8%	13.7%	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

**Bangladesh witnesses lowest COVID-19 fatality after four months: COVID-19 Update**

New positive COVID-19 cases in Bangladesh continued to decrease (-7.7%) this week along with decreased testing rates (-9.1%) of the virus. During the week, 9,692 new positive cases and 196 more deaths were reported in Bangladesh, taking the total number of cases to 367,565 as of 3rd October, according to official tallies. The week closed with the lowest death count of 20 compared to the last four months. Globally, the total number of cases has crossed 35 mn and the death count is now over 1.0 mn.

**Loan moratorium extended till December**

The central bank extended the loan moratorium facility for the 3rd time considering that the economy may take longer to recover from the effects of the virus. Banks will not classify borrowers as defaulters but rather treat unpaid installments as deferred ones during this period.

**Banking sector profit rises by 33.6%**

The banking sector's earnings surged by 33.60% in the first half of 2020. This has been possible despite the weak loan recovery in the sector and overall poor state of businesses in the country amid the pandemic mainly due to the high levels of accrued interest (receivables) and lower provisioning (expenses) at banks – which indicates that this earnings increase is merely on paper.