

Monthly Macro Update	Feb'18	Feb'19	
P2P General Inflation	5.72%	5.47%	Liquidity crisis and currency depreciation are currently two of the major macro-economic events shaping the growth potential of Bangladesh. Government's shift to banking channel for financing the budget deficit coupled with below 10% broad money (M2) growth have dragged the liquidity down in banking system. On top of that, heavy sell of greenback by Bangladesh Bank (BB) to support BDT against USD has worsened the situation. BDT has depreciated by 0.30% against USD in first two months of 2019. However, in comparison to peer countries BDT is still overvalued. On a positive note, currency depreciation has resulted in buoyant growth in remittance (14.68% YoY growth) in February 2019.
P2P Food Inflation	7.27%	5.44%	
P2P Non-Food Inflation	3.36%	5.51%	
Broad Money Growth (Dec'18)	10.69%	9.41%	
Domestic Credit Growth (Dec'18)	14.48%	13.42%	
Public Sector Credit Growth (Dec'18)	-8.26%	15.15%	
Private Sector Credit Growth (Dec'18)	18.13%	13.20%	
Repo Rate	6.75%	6.00%	
Reverse Repo Rate	4.75%	4.75%	
Monthly Average Call Money Rate	3.98%	4.37%	
Weighted Average Deposit Rate (Jan,19)	5.01%	5.34%	Inflation extended the upward trend for the second consecutive month and stood at 5.47% in February 2019. Increasing import cost instigated by depreciation of BDT against USD and proposed hike in gas price (if implemented) would continue the upward trend in inflation in the coming months.
Weighted Average Lending Rate (Jan'19)	9.42%	9.49%	
Interest Rate Spread (Jan,19)	4.41%	4.15%	
Fixed Deposit Rate (Jan'19)	9.00%	7.23%	
Export (USD mn)	3,072	3,390	
<i>Growth (YoY)</i>	<i>12.69%</i>	<i>10.35%</i>	
<i>Growth (MoM)</i>	<i>-9.88%</i>	<i>-7.87%</i>	
Remittance (USD mn)	1,370	1,591	
<i>Growth (YoY)</i>	<i>35.71%</i>	<i>16.12%</i>	
<i>Growth (MoM)</i>	<i>17.38%</i>	<i>32.25%</i>	
Import (USD mn) (Nov'18)	16,366	5,171	Export earnings increased by 10.35% YoY in February 2019 weighting on the trade war between USA and China and depreciation of BDT against USD. Trade war has compelled many US RMG importers to shift to different RMG exporting destinations other than China. On top of that, completion of remediation works as per the recommendation of the Accord and Alliance engineers has helped Bangladesh to grab this opportunity.
<i>Growth (YoY)</i>	<i>330.5%</i>	<i>-68.4%</i>	
<i>Growth (MoM)</i>	<i>249.6%</i>	<i>8.7%</i>	
Foreign Exchange Reserve (USD bn)	33.37	32.17	
Exchange Rate (BDT)	82.96	84.15	
Trade Balance (Jul'18 - Jan'19) (USD mn)	(10,123)	(9,684)	
Current Account Balance (Jul'18 - Jan'19) (USD mn)	(5,347)	(4,337)	
Balance of Payments (Jul'18 - Jan'19) (USD mn)	(1,034)	(975)	

Source: Bangladesh Bank & UCBCML Research

Analysts

Anika Mafiz
Research Associate
anika.mafiz@ucb.com.bd

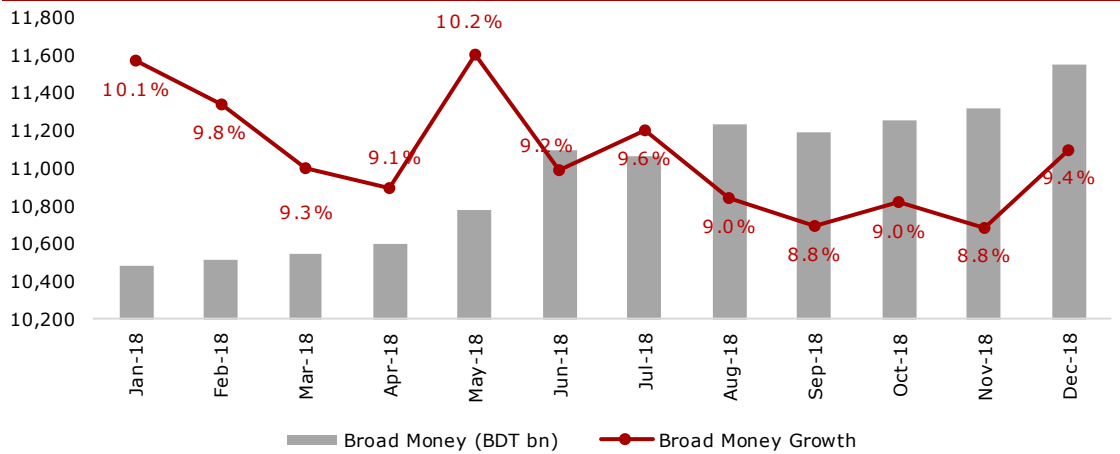
Md. Zarif Ibne Arif
Research Associate
zarif.arif@ucb.com.bd

Capital Market Implication

Drag in liquidity would increase the interest rate on fixed deposit in the short run. We have already observed an increase in median fixed deposit interest rate of 53 bps over the span of only one month (December 2018 to January 2019). Such increase in interest rate might divert the fund from capital market to banking channels. On top of that, increasing interest rate would pull the lending rate upwards. As such, bottom-line of highly levered companies would suffer.

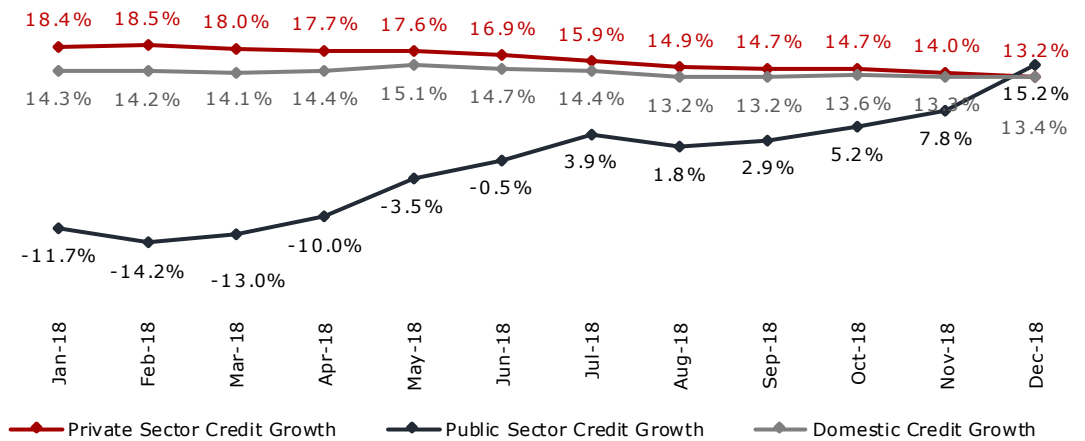
Federal Reserve left the fed rate unchanged at 2.25%-2.50% in January 2019 and signaled a major pivot away from the increasing trend in interest rate. Such move coupled with political stability after election are expected to draw the attention of foreign investors in capital market of Bangladesh.

Broad Money (M2) and Broad Money (M2) Growth



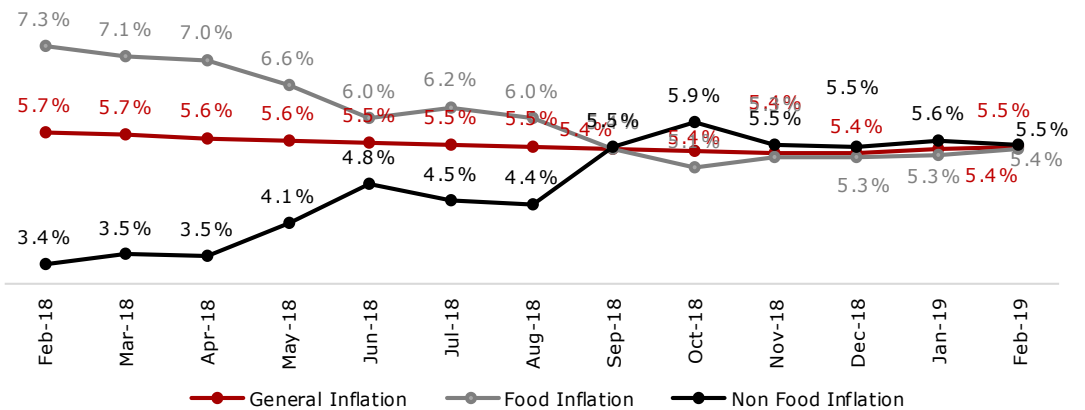
Source: Bangladesh Bank & UCBCML Research

Domestic, Private and Public Sector Credit Growth



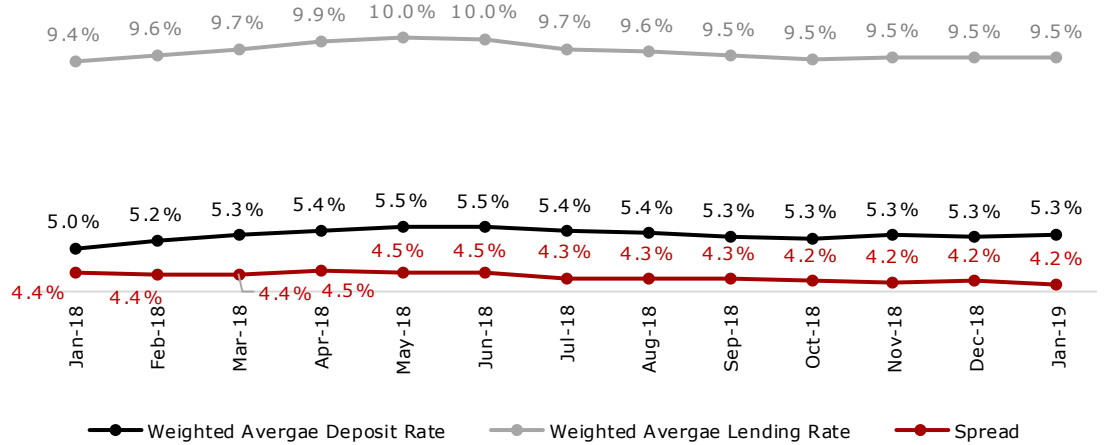
Source: Bangladesh Bank & UCBCML Research

General (P2P), Food (P2P) and Non-Food Inflation (P2P)



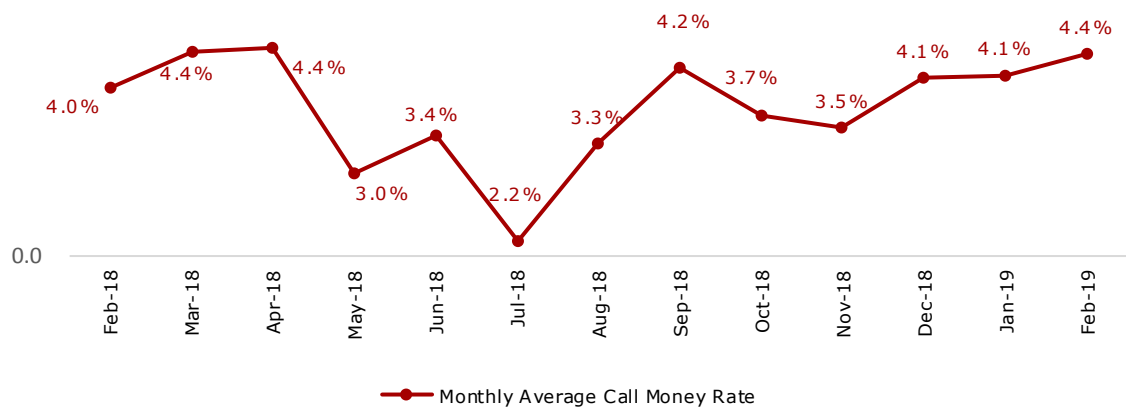
Source: Bangladesh Bank & UCBCML Research

Weighted Average Deposit Rate, Weighted Average Lending Rate & Spread



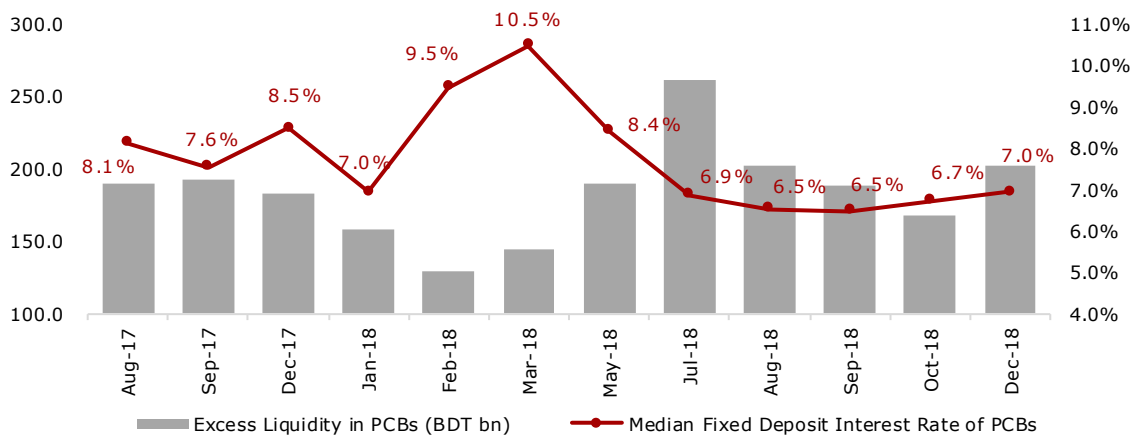
Source: Bangladesh Bank & UCBCML Research

Monthly Average Call Money Rate



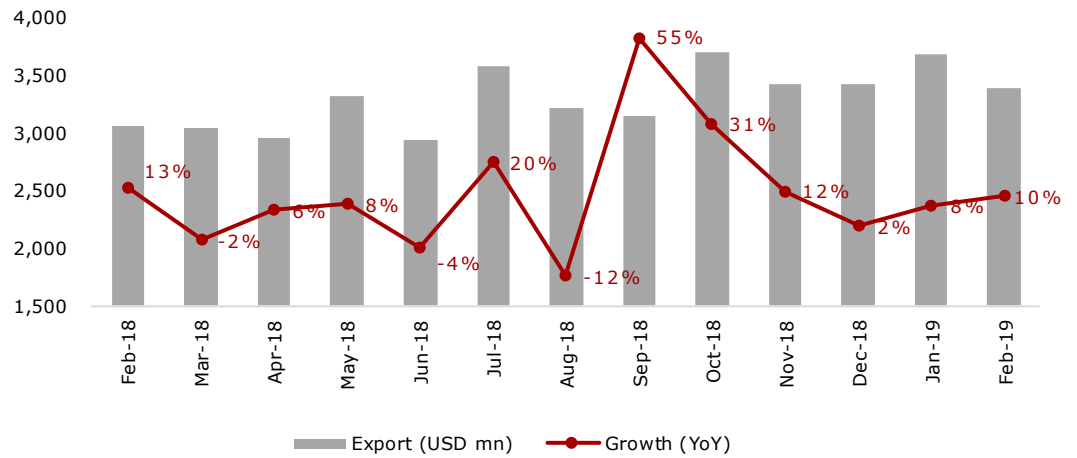
Source: Bangladesh Bank & UCBCML Research

Excess Liquidity in Private Commercial Banks (PCB) and Median Fixed Deposit rate of PCBs



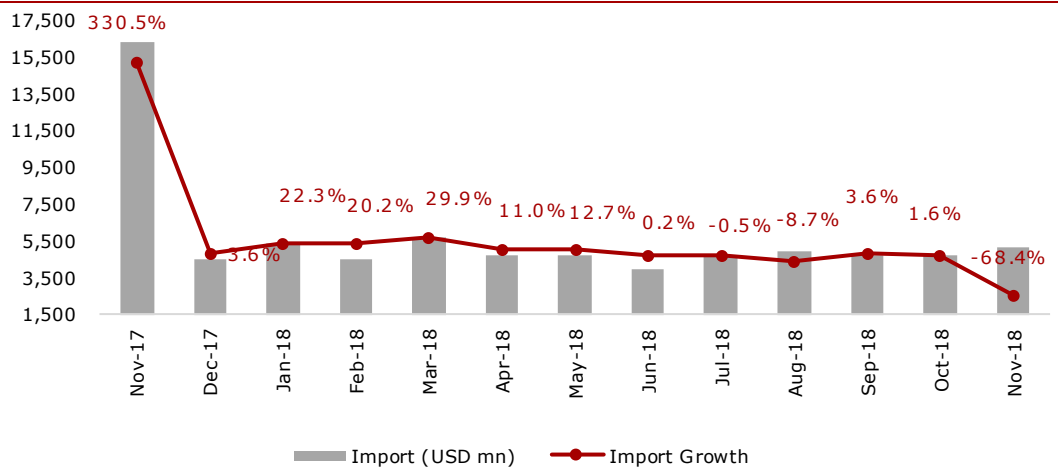
Source: Bangladesh Bank & UCBCML Research

Export and Export Growth (YoY)



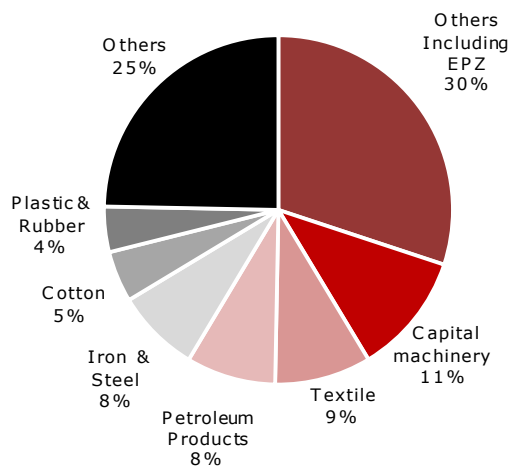
Source: Bangladesh Bank & UCBCML Research

Import and Import Growth (YoY)



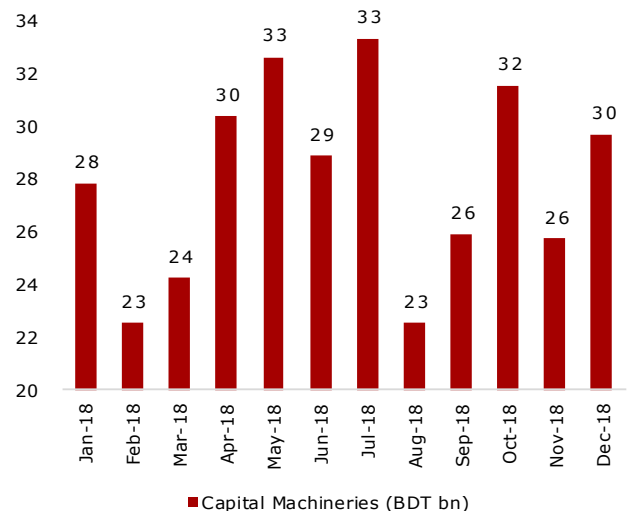
Source: Bangladesh Bank & UCBCML Research

Major Products of Import Basket



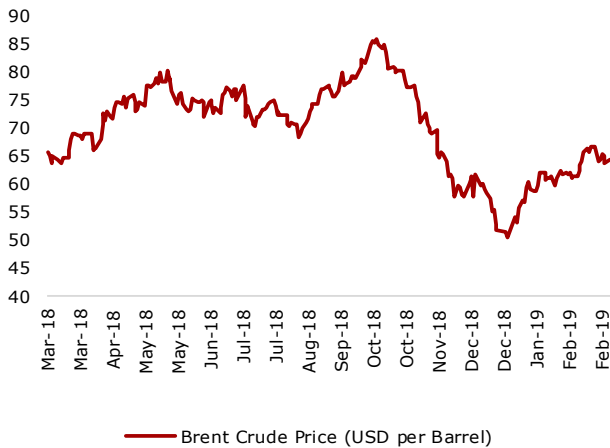
Source: Bangladesh Bank & UCBCML Research

Import of Capital Machineries



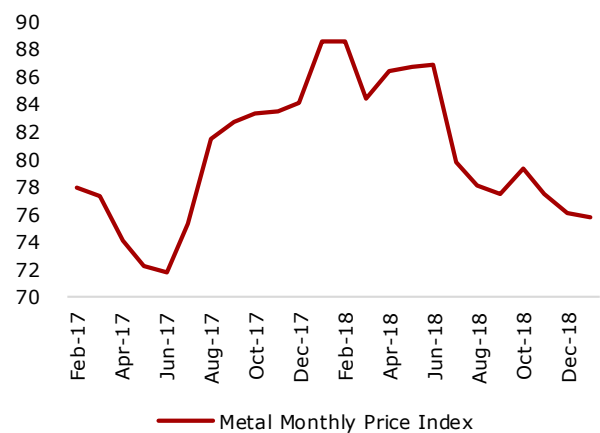
Source: Bangladesh Bank & UCBCML Research

Brent Crude Oil Price



Source: Bloomberg & UCBCML Research

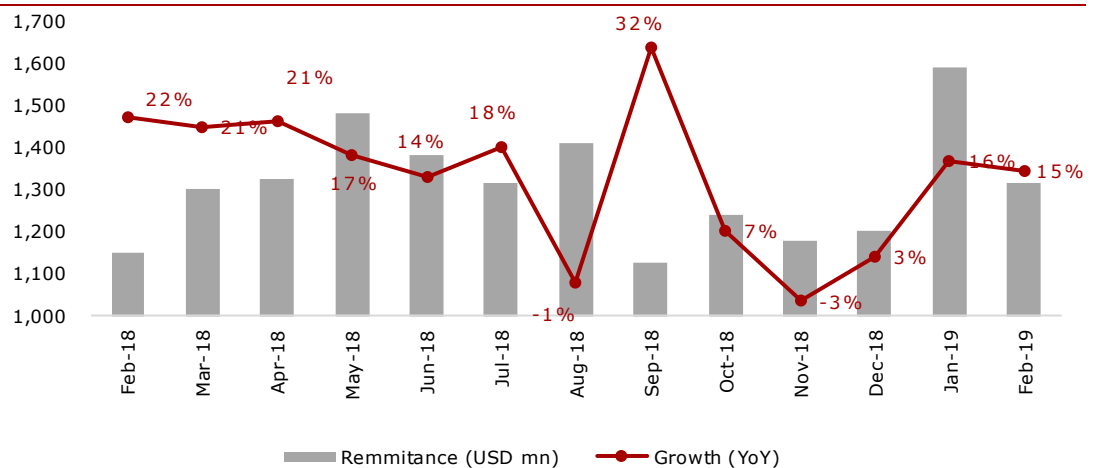
Monthly Metal Price Index*



Source: Index Mundi & UCBCML Research

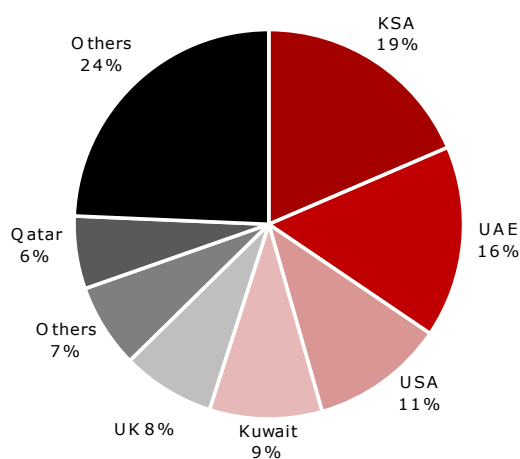
* Includes Copper, Aluminum, Iron Ore, Tin, Nickel, Zinc, Lead & Uranium Price

Remittance and Remittance Growth (YoY)



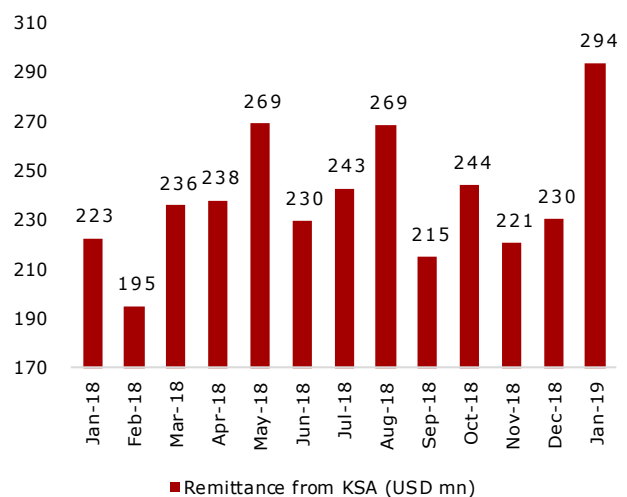
Source: Bangladesh Bank & UCBCML Research

Country wise Contribution of Remittance



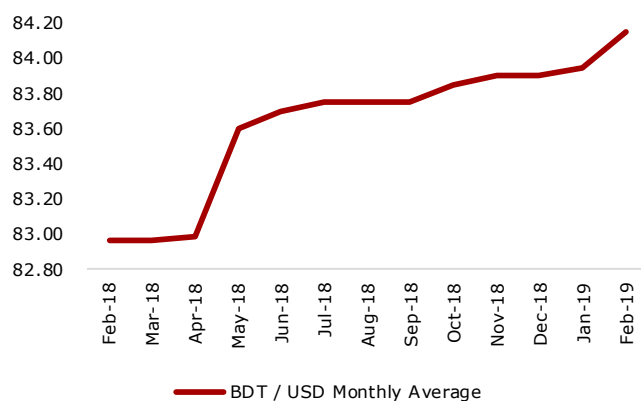
Source: Bangladesh Bank & UCBCML Research

Inward remittance from KSA



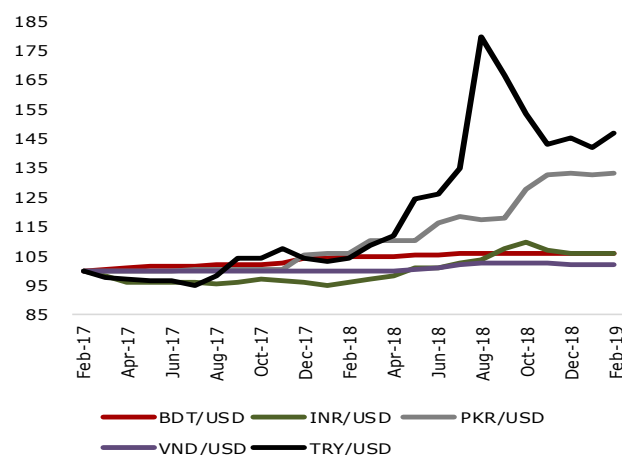
Source: Bangladesh Bank & UCBCML Research

Exchange Rate (BDT against USD)



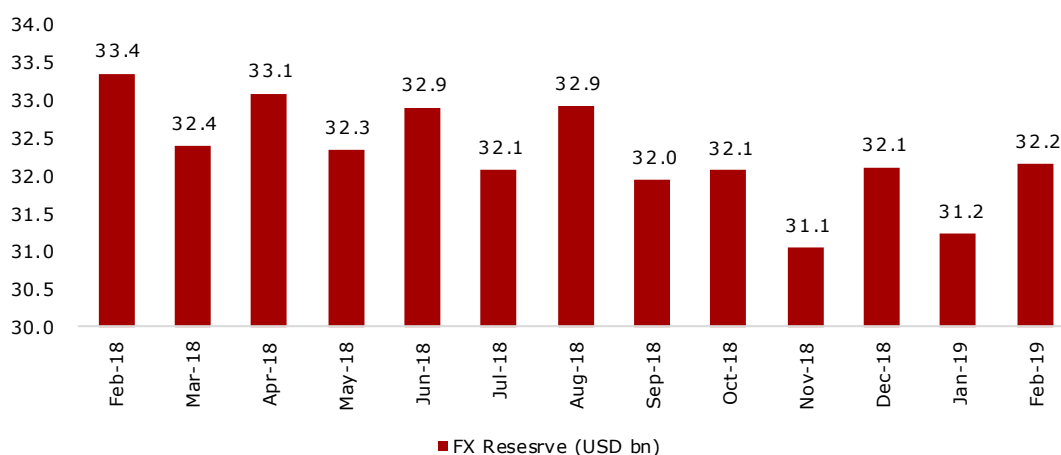
Source: Bloomberg & UCBCML Research

Comparison among BDT and Peer Exporting Countries (India, Pakistan, Vietnam and Turkey) in terms of



Source: Central Bank, Investing.com & UCBCML Research

Foreign Exchange Reserve



Source: Bangladesh Bank & UCBCML Research

Balance of Payments

Particulars (USD mn)	Jul'17-Jan'18	Jul'18-Dec'18	Jul'18-Jan'19
Trade balance	(10,123)	(7,660)	(9,684)
Services	(2,585)	(1,594)	(1,944)
Primary income	(1,167)	(1,774)	(2,071)
Secondary income	8,528	7,730	9,362
Current account balance	(5,347)	(3,298)	(4,337)
Capital account	164	134	156
Financial account	4,744	2,889	3,522
Errors and omissions	(595)	(238)	(316)
Overall Balance	(1,034)	(513)	(975)

Source: Bangladesh Bank & UCBCML Research

Disclaimer

GENERAL DISCLOSURE

This research report has been prepared by UCB Capital Management Limited (UCB Capital), a company authorized to engage in broker-dealer activities in Bangladesh. UCB Capital is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act").

NOTICE TO RECIPIENTS: This email (including all attachments) is intended only for the named recipient. If you have received this email in error, please delete the email plus any copies of it and immediately notify the sender by return email.

The information contained herein has been prepared and issued by UCB Capital to its clients, and all intellectual property relating to the Research vests with UCB Capital unless otherwise noted. The Research is provided on an as is basis, without warranty (express or implied).

The Research is based on public data obtained in good faith from sources believed by UCB Capital to be reliable, but no representations, guarantees or warranties are made by UCB Capital with regard to accuracy, completeness or suitability of the data and under no circumstances will any of UCB Capital, its officers, representatives, associates or agents be liable for any loss or damage, whether direct, incidental or consequential, caused by reliance on or use of the content. UCB Capital has not performed any independent review or due diligence of publicly available information. The opinions and estimates contained herein reflect the current judgment of the analyst(s) on the date of this Research and are subject to change without notice. The opinions do not necessarily correspond to the opinions of UCB Capital. UCB Capital does not have an obligation to update, modify or/(and) amend this Research or otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or/(and) estimate set forth herein, changes or subsequently becomes inaccurate.

This Research is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It is intended to be distributed in its entirety. It does not constitute a personal recommendation or takes into account the particular investment objectives, financial situations, or needs of individual investors. Investors should consider whether any advice or recommendation in this Research is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice and ensure they obtain, read and understand any applicable offer document. The price and value of investments referred to herein and the income from them may fluctuate. Past performance is not an indicator or guarantee of future returns, and a loss of original capital may occur. Fluctuations in exchange rates could have adverse effects on the value or price of, or income derived from, certain investments.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and principal trading desks that reflect opinions that are contrary to the opinions expressed in this Research. Our asset management area, principal trading desks and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this Research. Neither UCB Capital nor its representatives, will receive (directly or indirectly) any commission, fee, benefit or advantage, pecuniary or otherwise, nor be influenced, either directly or indirectly, in connection with the making of any recommendation or preparation of any Research.

The analysts named in this report may have from time to time discussed with our clients, including UCB Capital salespersons and traders, or may discuss in this report, trading strategies that reference catalysts or events that may have a near-term impact on the market price of the equity securities discussed in this report, which impact may be directionally counter to the analysts' published price target expectations for such stocks. Any such trading strategies are distinct from and do not affect the analysts' fundamental equity rating for such stocks, which rating reflects a stock's return potential relative to its coverage group as described herein.

Any prices provided herein (other than those that are identified as being historical) are indicative only, and do not represent firm quotes as to either size or price. The past performance of financial instruments is not indicative of future results. No assurance can be given that any financial instrument or issuer described herein would yield favourable investment results. Any forecasts or price targets shown for companies and/or securities discussed in this Research may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information and/or the subsequent transpiration that underlying assumptions made by UCB Capital or by other sources relied upon in the Research were inapposite.

UCB Capital may provide hyperlinks to websites of entities mentioned in this Research, however the inclusion of a link does not imply that UCB Capital endorses, recommends or approves any material on the linked page or accessible from it. UCB Capital does not accept responsibility whatsoever for any such material, nor for any consequences of its use.

This document is for the use of the addressees only and may not be reproduced, redistributed or passed on to any other person or published, in whole or in part, for any purpose, without the prior, written consent of UCB Capital. The manner of distributing this document may be restricted by law or regulation in certain countries, including the United States. Persons into whose possession this document may come are required to inform themselves about and to observe such restrictions. By accepting this document, a recipient hereof agrees to be bound by the foregoing limitations.

IMPORTANT DISCLOSURES FOR U.S. PERSONS ONLY

This research report is a product of UCB Capital Management Ltd. which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by UCB Capital Management Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, UCB Capital Management Ltd. has entered into an agreement with a U.S. registered broker-dealer, Cabrera Capital Markets. ("Cabrera"). Transactions in securities discussed in this research report should be effected through Cabrera or another U.S. registered broker dealer.

EQUITY RECOMMENDATION STRUCTURE (ABSOLUTE RATINGS)

We calculate our target price by weighting DCF, DDM, SOTP, asset-based and other relative valuation methods, and applying appropriate premiums/ discounts and/or other relevant adjustments.

Expected absolute returns are calculated as the percentage of difference between our target price and latest close price. Stock recommendations are based on absolute upside (downside) and have a 12-month horizon. Please note that future price fluctuations could lead to a temporary mismatch between upside/downside for a stock and our recommendation.

Recommendation Type	Holding period (if not otherwise mentioned)	Absolute Return Potential
Buy	12 Months	More than +15%
Neutral/ Hold	12 Months	Between +15 % and -5 %
Underweight	12 Months	Less than -5 %

ANALYST CERTIFICATION

Respective analyst(s) identified in this report certifies, with respect to the companies or securities that the individual analyses, that (1) the views expressed in this report reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly dependent on the specific recommendations or views expressed in this report. The research analyst(s) named on this report are not registered / qualified as research analysts with FINRA.

It has not been determined in advance whether and in what intervals this document will be updated. Unless otherwise stated current prices refer to the most recent trading day's closing price.

Contact Us

Research Team

Rajib Kumar Das	Head of Research	rajib.das@ucb.com.bd	+880 1730 797 728
Anika Mafiz	Research Associate	anika.mafiz@ucb.com.bd	+880 1701 205 006
Zarif Ibne Arif	Research Associate	zarif.arif@ucb.com.bd	+880 1701 205 072
Md. Nazmus Sakib	Research Associate	nazmus.sakib@ucb.com.bd	+880 1701 205 073
Anik Mahmood Ibne Anwar	Research Associate	anik.mahmood@ucb.com.bd	+880 1701 205 074
Joy Bhattacharjee	Research Associate	joy.bhattacharjee@ucb.com.bd	+880 1701 205 071
Shadman Sadique Kamal	Research Associate	Shadman.kamal@ucb.com.bd	+880 1701 205 096

Institutional & Foreign Trade

Sonchoy Saha, CFA	Head of Institutional Sales	sonchoy.kumer@ucb.com.bd	+880 1755 615 313
Tahmidur Rahman	Senior Executive Officer	tahmid@blomberg.net rahman.tahmidur@ucb.com.bd	+880 1726 995 520

Office Premises

Head Office 6, Dilkusha C/A 1st Floor Dhaka- 1000 Bangladesh	Corporate Office Bulus Center (Level-2) Plot-CWS(A)-1, Road No-34 Gulshan Avenue Dhaka-1212 Bangladesh	DSE Extension Office Room # 633, 9/E DSE Annex Building (5 th Floor) Motijheel C/A, Dhaka 1000 Bangladesh	Chattogram Office Ayub Trade Center 1269/B SK Mujib Road (4th Floor) Agrabad C/A, Chattogram Bangladesh
---	--	--	--

Find our research on Bloomberg <BRC> Go