

Bangladesh market snapshot

	Last closing
DSEX Index	3,981.52
% change	-0.13%
DS30 Index	1,336.12
% change	-0.25%
DSES Index	921.04
% change	-0.12%
Turnover (BDT mn)	734.07
Turnover (USD mn)	8.74
% change	-9.58%
Market Capitalization (BDT bn)	3,116
Market Capitalization (USD bn)	37.09
% change	-0.06%

Source: Dhaka Stock Exchange

International market snapshot

	Last closing
Dow Jones Industrial Average	25,827.36
% change	+0.36%
Nikkei 225	22,612.72
% change	+1.37%
FTSE 100	6,157.30
% change	-1.33%

Source: Bloomberg

Exchange rate

Currency	BDT
USD	84.83
EUR	95.46
GBP	105.95
INR	1.14

Source: Bangladesh Bank

Money market

Date	Call Money Rate Range (%)	Weighted Average (%)
02-Jul-2020	3.50-5.50	4.85
30-Jun-2020	4.25-5.50	5.02

Source: Bangladesh Bank

Commodities

	Price	% Change
Brent Crude (Oil), USD/bbl	42.93	+0.30%
Gold Spot, USD/t oz	1,773.47	+0.08%
Cotton, USD/lb	62.65	-0.48%

Source: Bloomberg

Economy

Record 17pc slide in FY '20 exports

Country's export earnings decreased by a record 17 per cent or \$6.86 billion in the just-concluded fiscal since fiscal year (FY) 2001-02. The country fetched \$33.67 billion in FY 2019-20 which was \$40.53 billion in FY 2018-19. Export earnings over the decades have been gradually increasing barring the year FY 2001-02 when Bangladesh fetched \$5.98 billion against \$6.46 billion earned in FY 2000-2001. The overall \$33.67-billion export earnings also fell short of the target by 25.99 per cent last fiscal. The government had set a target of \$45.50-billion export earnings for FY 2019-20.

<https://today.thefinancialexpress.com.bd/first-page/record-17pc-slide-in-fy-20-exports-1593971597>

Trade resumes through Benapole port

India finally agreed to accept Bangladeshi export goods and as a result the import-export trade resumed through Benapole port at 7 pm on Sunday. After a fruitful meeting of the customs, ports and trade associations of the two countries in the afternoon, the import-export trade started in full swing. Five truckloads of goods have been exported from Bangladesh to India and another five truckloads of goods have been imported from India to Bangladesh.

<https://today.thefinancialexpress.com.bd/trade-market/trade-resumes-through-benapole-port-1593973995>

Bank and NBFI

Govt to set up company to salvage soured loans

The government now plans to set up a state-run corporation to buy and trade distressed loans off banks as part of its efforts to clean up the financial sector. The planned Bangladesh Asset Management Corporation (Bamco) would be run as a state-run entity by the Financial Institutions Division under the finance ministry. The government had initially planned to set up a company to deal with the mounting default loans in the financial sector. The division has prepared a draft of the Bangladesh Asset Management Corporation Act 2020(Bamco) to this effect. The authorised capital of the planned corporation would be Tk 5,000 crore and the paid-up capital would be Tk 3,000 crore. A 15-member board led by a chairman would run it.

<https://www.thedailystar.net/business/news/govt-set-company-salvage-soured-loans-1925845>

Sonali Bank seeks Tk 10,000cr to meet BASEL III requirements

State-run Sonali Bank has sought about Tk 10,000 crore as regulatory capital from the government in order to implement the BASEL III guidelines. The fund will be used to manage its historical loss. Sonali Bank incurred a cumulative loss of Tk 6,574 crore in 2007 when it became a corporate organisation. As per the regulatory requirement, the bank was asked to adjust the loss within 10 years. This means the bank would have to deduct Tk 657

crore per year from the net profit to adjust the loss.

<https://www.thedailystar.net/business/news/sonali-bank-seeks-tk-10000cr-meet-basel-iii-requirements-1925833>

State-owned banks to acquire part of Navana Group's loans

It is not the first time that state-owned Sonali Bank, Janata Bank, Agrani Bank, and Rupali Bank are financially aiding distressed organizations. The last time when these four banks took the initiative to provide such help, the-then Farmers Bank , later renamed as the Padma Bank, was able to turn its luck around. The state-owned banks have now decided to acquire a large amount of loan taken by the financially-troubled Navana Group. However, this acquisition will be done based on a new model. Agrani Bank is playing the lead role in the loan acquisition and overseeing the whole process.

<https://www.dhakatribune.com/business/banks/2020/07/05/state-owned-banks-to-acquire-part-of-navana-group-s-loans>

Transportation

Motorcycle sellers can't believe their luck as pandemic ramps up sales

The devastating impact of the countrywide shutdown put in place to stop the spread of the lethal pathogen has turned out to be a boon for motorcycle sellers. Sales have shot up over the last two months. The main reason for the surge in sales, he pointed out, is the fear of catching the virus, which can be spread mostly through physical contact. Now, people are afraid of the virus, compelling some of them to opt for the safer alternative of motorcycles, which allows the requisite social distancing needed to flatten the curve on coronavirus.

<https://www.thedailystar.net/business/news/motorcycle-sellers-cant-believe-their-luck-pandemic-ramps-sales-1925837>

Textile

BGMEA requests govt to give reg to apparel buying houses

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) has requested the government to give registration to its associate-member buying houses. In this regard, the apex trade body of the country's apparel sector has recently sent a letter to the textiles and jute ministry for taking next course of steps. The ministry in a circular issued on April 01, 2019 has made it mandatory for apparel buying houses to get registered with Department of Textiles (DoT). Besides, BGMEA has been giving registration or certificate to buying houses as its associate members.

<https://today.thefinancialexpress.com.bd/last-page/bgmea-requests-govt-to-give-reg-to-apparel-buying-houses-1593972019>

There will be rebound of apparel shipment to US. But it will be slow and steady.

Bangladesh's garment exporters expect a slow rebound of shipment to the US market, the country's single largest export destination, this year as American buyers have been consumed by a confidence deficit amid an

economic meltdown lurking round the corner. Due to the coronavirus pandemic, garment export to the US plunged 12.50 per cent year-on-year to \$2.32 billion in the January-May period of this year. Though retail stores in the US have started opening up gradually, it will take a lot of time for normalcy to return as consumers are still staying at home amid the fear of contagion.

<https://www.thedailystar.net/business/news/there-will-be-rebound-apparel-shipment-us-it-will-be-slow-and-steady-1925841>

Tannery

BB's spl facility for tanners

The tanners will be able to reschedule their loans before Eid-ul-Azha with a down payment of 2.0 per cent of the balance amount. The Bangladesh Bank (BB) offered the loan rescheduling option so that the tanners could take fresh loans for buying rawhides during the Eid. However, the enterprises which have become defaulters unwillingly and whose business remained operational at present are eligible for the facility.

<https://today.thefinancialexpress.com.bd/first-page/bbs-spl-facility-for-tanners-1593971677>

Jute

BD plans to revive jute sector under PPP

The government's plans to revitalise the flagging jute sector through public-private partnerships have been met with scepticism from stakeholders in the industry. It came after the government announced the decision to shut production at all state-owned jute mills and transition to the PPP model in a bid to modernise the sector. However, many exporters and traders believe the industry's fortunes could have been turned around without closing the mills down. Others said the plans to run the mills under PPPs are unlikely to be successful in the current climate.

<https://today.thefinancialexpress.com.bd/trade-market/bd-plans-to-revive-jute-sector-under-ppp-1593973971>

Capital Market

BSEC move to formulate rules

The securities regulator has moved to formulate rules for transactions of all perpetual bonds through the main trading platforms of the stock exchanges. Banks mainly issued the perpetual bonds, approved by the securities regulator, to strengthen their capital base as per the capital requirements set by the central bank. The incumbent commission of the securities regulator has taken the initiative for commencing transactions of perpetual bonds following the long standing demand of making the bond market popular.

<https://today.thefinancialexpress.com.bd/stock-corporate/bsec-move-to-formulate-rules-1593973129>

BSEC approves Tk800cr in bonds for two banks

Bangladesh Securities and Exchange Commission (BSEC) on Sunday approved proposals of One Bank and Mutual Trust Bank on issuing unsecured, non-convertible and perpetual bonds worth Tk800 crore. The BSEC approved One Bank's Tk400 crore non-convertible BASEL three complaint perpetual bond. The purpose of the issue is to strengthen the capital base of the company. Per unit price of the bond is Tk10 lakh.

<https://www.dhakatribune.com/business/stock/2020/07/05/bsec-approves-tk800cr-in-bonds-for-two-banks>

Minimum 2% shareholding: BSEC issues ultimatum to 61 non-compliant directors

The Bangladesh Securities and Exchange Commission (BSEC) has asked 61 directors of 22 listed companies to ensure a minimum 2% shares in their own companies within 45 days to continue their directorship. The commission sent separate letters to all the non-compliant directors on Thursday, asking them to comply with the rules of holding a minimum 2% stake. Independent directors are not law bound to hold the minimum share.

<https://www.dhakatribune.com/business/stock/2020/07/05/minimum-2-shareholding-bsec-issues-ultimatum-to-61-non-compliant-directors>

Stocks

CVO Petrochemical left to stew amid raw material supply choke-off

Stock investors of CVO Petrochemical Refinery have been in a flap as the company has announced to close operations for at least three months due to a shortage of condensate, a gas by-product used as a key raw material by refineries. The energy and mineral resources division under the power and energy ministry asked Petrobangla, a government-owned national oil company, last week not to supply the condensate to any private refineries for the next three months through September. Once the current stock of the raw materials runs out, the company won't be able to operate.

<https://www.thedailystar.net/business/news/cvo-petrochemical-left-stew-amid-raw-material-supply-choke-1925825>

Disclaimer

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UCB Capital Management Ltd. ("UCB"), a company authorized to engage in securities activities in Bangladesh. UCB 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").

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Rosenblatt Securities Inc. ("RBLT"), 40 Wall Street 59th Floor, New York NY 10005, a registered broker dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UCB. RBLT accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of RBLT and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Ownership and Material Conflicts of Interest

RBLT or its affiliates does not 'beneficially own,' as determined in accordance with Section 13(d) of the Exchange Act, 1% or more of any of the equity securities mentioned in the report. RBLT, its affiliates and/or their respective officers, directors or employees may have interests, or long or short positions, and may at any time make purchases or sales as a principal or agent of the securities referred to herein. RBLT is not aware of any material conflict of interest as of the date of this publication.

Compensation and Investment Banking Activities

RBLT or any affiliate has not managed or co-managed a public offering of securities for the subject company in the past 12 months, nor received compensation for investment banking services from the subject company in the past 12 months, neither does it or any affiliate expect to receive, or intends to seek compensation for investment banking services from the subject company in the next 3 months.

Additional Disclosures

This research report is for distribution only under such circumstances as may be permitted by applicable law. This research report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This research report is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither UCB nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report's preparation or publication, or any losses or damages which may arise from the use of this research report.

UCB may rely on information barriers, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups, or affiliates of UCB.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States.

The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by UCB with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.

No part of the content of this research report may be copied, forwarded or duplicated in any form or by any means without the prior consent of UCB and UCB accepts no liability whatsoever for the actions of third parties in this respect.

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 an 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
Md. Sakib Chowdhury, CFA	Deputy Head of Research	sakib.chowdhury@ucb.com.bd	+880 1713 205 698
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
Shadman Sadique Kamal	Research Associate	shadman.kamal@ucb.com.bd	+880 1701 205 096

Investment Strategist

Syed Adnan Huda, CFA	Vice President	adnan.huda@ucb.com.bd	+880 1730 325 232
Md. Hasib Reza, CFA	Assistant Vice President	hasib.reza@ucb.com.bd	+880 1755 658 997

Institutional & Foreign Trade

Sonchoy Saha, CFA	Head of Institutional Sales	sonchoy.kumer@ucb.com.bd	+880 1755 615 313
Tahmidur Rahman	Senior Executive Officer	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

Extension of Main Office
NIK Tower, 55 Dilkusha C/A,
(4th Floor), Dhaka-1000.

Chattogram Office
Muntasir Centre (5th Floor),
253, Wasa Circle, Dampara
Khulshi, Chattogram.