

## Bangladesh market snapshot

|                                | Last closing |
|--------------------------------|--------------|
| DSEX Index                     | 4,001.81     |
| % change                       | 0.18%        |
| DS30 Index                     | 1,346.48     |
| % change                       | 0.28%        |
| DSES Index                     | 923.85       |
| % change                       | 0.20%        |
| Turnover (BDT mn)              | 1,385.66     |
| Turnover (USD mn)              | 16.50        |
| % change                       | -7.66%       |
| Market Capitalization (BDT bn) | 3,123        |
| Market Capitalization (USD bn) | 37.18        |
| % change                       | 0.08%        |

Source: Dhaka Stock Exchange

## International market snapshot

|                              | Last closing |
|------------------------------|--------------|
| Dow Jones Industrial Average | 25,890.18    |
| % change                     | -1.51%       |
| Nikkei 225                   | 22,584.12    |
| % change                     | -0.14%       |
| FTSE 100                     | 6,189.90     |
| % change                     | -1.53%       |

Source: Bloomberg

## Exchange rate

| Currency | BDT    |
|----------|--------|
| USD      | 84.80  |
| EUR      | 95.91  |
| GBP      | 105.96 |
| INR      | 1.14   |

Source: Bangladesh Bank

## Money market

| Date        | Call Money Rate Range | Weighted Average (%) |
|-------------|-----------------------|----------------------|
| 06-Jul-2020 | 2.50-5.50             | 4.45                 |
| 05-Jul-2020 | 2.85-5.50             | 4.67                 |

Source: Bangladesh Bank

## Commodities

|                            | Price    | % Change |
|----------------------------|----------|----------|
| Brent Crude (Oil), USD/bbl | 43.02    | -0.14%   |
| Gold Spot, USD/t oz        | 1,793.38 | -0.08%   |
| Cotton, USD/lb             | 62.88    | -0.22%   |

Source: Bloomberg

## Economy

### Bangladesh Bank finally sees scope for taka depreciation

Exporters have been demanding depreciation of the taka against the US dollar to stay competitive in the export market for a very long time. Now, the Bangladesh Bank, which has been managing the depreciation pressure through artificial interference, is finally feeling the need for depreciation as well. The rising Real Effective Exchange Rate (REER) index, along with depreciation by competing countries such as India and China, suggests further depreciation of the local currency in an orderly fashion, the Bangladesh Bank said in its financial stability report for 2019. The REER index registered a rise of 2.6 percent last year.

<https://www.tbsnews.net/economy/banking/bangladesh-bank-finally-sees-scope-taka-depreciation-103201>

### BB eases FC rules to lure more EDI

The Bangladesh Bank (BB) has relaxed relevant rules to attract more foreign direct investment (FDI). Following the relaxations, foreign investors will be eligible to receive their dividend income in foreign currency (FC) accounts maintained in Bangladesh. Besides, purchase of shares with funds available with the FC accounts will be treated as foreign investment. However, funds from declared dividends will be treated as inward remittance for reinvestment in Bangladesh.

<https://today.thefinancialexpress.com.bd/first-page/bb-eases-fc-rules-to-lure-more-edi-1594144618>

### Wage growth pitches to five-year low

Wage growth slowed to a five-year low in the just-concluded fiscal year driven by the income loss in the manufacturing and services sectors as the coronavirus pandemic-induced shutdown wiped out livelihoods of a major portion of the population in the last quarter. General wage grew 6.35 per cent in fiscal 2019-20, which was 6.4 per cent a year earlier. This is the lowest wage growth since fiscal 2015-16. The decline in wage growth in the manufacturing and services sector led the fall. The industrial sector saw a 23 basis-point drop in wage growth to 5.99 per cent, the lowest in five years, from a year earlier. Similarly, the services sector's wage growth gave up 28 basis points to 6.41 per cent, also the lowest since fiscal 2015-16.

<https://www.thedailystar.net/business/news/wage-growth-pitches-five-year-low-1926825>

## Bank and NBF

### Bank borrowing reaches Tk85,000cr in FY20

Bank borrowing by the government stood at Tk85,000 crore in the just concluded fiscal year, up by Tk37,633 crore from the original estimate and Tk3,000 crore more than in the revised target. Huge revenue earnings shortfall and dull business activities, particularly in the final quarter of the last 2019-20 fiscal year, are two major

reasons that compelled the government to borrow almost double the original borrowing estimate from the ailing banking sector. The government had initially set a bank borrowing target of Tk47,364 crore to finance a large part of its deficit financing for the last financial year. The target was, however, revised in May to Tk82,000 crore.

<https://www.dhakatribune.com/business/banks/2020/07/07/bank-borrowing-reaches-tk85-000cr-in-fy20>

#### **HSBC completes first ever receivables finance transaction for exporters in BD**

The Hong Kong and Shanghai Banking Corporation Limited (HSBC) in Bangladesh completed its first Receivables Finance transaction for M&J Group, one of the leading Ready-made Garment (RMG) exporters in Bangladesh. This proposition has been rolled out in line with HSBC's own Receivables Finance model, wherein the customer gets early payment against their deferred term exports from HSBC Bangladesh. Such payment will be under the buyer's default risk coverage from HSBC offices abroad or other foreign reputable financial institutions. The recent central bank circular paved the way to offer such secured and efficient way of working capital financing.

<https://today.thefinancialexpress.com.bd/stock-corporate/hsbc-completes-first-ever-receivables-finance-transaction-for-exporters-in-bd-1594138735>

#### **Fuel and Power**

##### **The government is set to cut furnace oil price in the local market in a couple of days**

The decision on reducing the price came after the move by the private sector to purchase around 10 per cent of its total requirement from the Bangladesh Petroleum Corporation and around two weeks after imposition of import duties on the fuel. Private sector imports around 32 million tonnes annually to generate around 4,500 megawatt, or MW, of electricity. They get 9.0 per cent service charge as incentives to import the fuel at their own. The BPC imports around 500,000 tonnes of furnace oil to generate electricity in government's power plants. The corporation also provides around 400,000 tonnes of furnace oil from its lone crude oil refinery to the public sector power plants. The new price of furnace oil might be Tk 35-36 per litre.

<https://today.thefinancialexpress.com.bd/first-page/govt-set-to-slash-furnace-oil-price-in-local-market-1594144945>

#### **Jute**

##### **Private jute millers can now go full steam ahead**

Private millers are looking to utilise much of their capacity to increase the production of jute goods to cash in on the void created in the domestic and international markets for the closure of all the 22 state-run jute mills. State mills under the Bangladesh Jute Mills Corporation (BJMC) exported 31,730 tonnes of jute goods in the first 11 months of fiscal 2019-20, up from 29,450 tonnes in the previous year. As the BJMC

factories that produced sacks, hessian and carpet backing cloths were shut on July 1, private millers see business prospects since state mills are unlikely to resume production soon.

<https://www.thedailystar.net/business/news/private-jute-millers-can-now-go-full-steam-ahead-1926833>

## Stocks

### **Mobil's lubricant business declines**

The country's largest lubricant company MJL Bangladesh, formerly known as Mobil Jamuna Lubricant, has experienced a drop in its sales for the first time in three years. The company said a slide in automobile sales, the closure of some private power generation units, and the presence of low-quality lubricants on the market are major reasons for the decline in its sales. Its revenue earnings from lubricants went down by nine percent to Tk526.37 crore in the first three quarters of the 2019-20 financial year. The situation worsened due to the Covid-19 pandemic.

<https://tbsnews.net/companies/mobils-lubricant-business-declines-103147>

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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.

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

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## 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.