



AT Capital Market Update

Political Risks Persist: Stay Defensive on the Market

- After reviewing last two weeks' political and macro-economic environment we believe that a substantial amount of risk still prevails at the macro level and a further downturn is expected in the market.
- The banking sector has collapsed in the last two weeks as investors are not convinced with the reported profit numbers. We see further downside risks given the prospects for higher NPL due to the continuous blockades and strikes.
- Given the political chaos Q1 and Q2 earnings numbers are expected to worsen which has proved to be the catalyst for the latest selloff.
- The decline in market index has been understated because of the good performance of multinational company (MNCs) stocks, driven by their excellent earnings growth. Among the MNCs we believe that the consumer sector is expected to perform even better.
- Majority of the buyers for MNCs are foreign investors. The typical horizon of these investors is very long. These companies' usually have very low float. Total market cap of these companies is \$12.6 billion whereas the total free float market cap of these companies is \$2.3 billion. So, as the demand has increased the prices have also moved up sharply.
- Though the likely political scenario is still unclear, the anecdotal evidence suggests that there is a preliminary sign of strikes and blockades losing momentum.
- From the technical point of view, the market has broken the long term trend support line toward the end of last week for the first time since 2013. DSEX entered into the oversold region and may witness a short lived bounce back soon. However, considering the ongoing political stalemate, we are still bearish on the market.

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