



AT Capital Market Update

Nervousness on terrorism risk continues to weigh on DSEX

- In the last Capital market update we have highlighted two important issues. One: political risk that emerged following the two murder incidents of foreign citizens in Bangladesh, and second: the ongoing global pressures on Emerging Market.
- After the two killings of foreign residents we have witnessed more killings on a random basis. As a result the government increased security measures for foreigners and local citizens, the latest incidents suggesting that the killers have expanded their target due to which the market fell down by a certain extent.
- The environment was exacerbated by a further attack at Hussaini Dalan and the killing of a publisher and secular writer. The market is reevaluating political risks and demands higher risk premium at the moment.
- During the last week of October, 2015 most of the companies posted their July-Sept earnings and the declaration results are lower than the market expectation, which pushed the market even lower, as the price multiples did not fall despite the fall in the market.
- However external reports suggest that Bangladesh is likely to continue to grow and maintain strong growth in the current fiscal year. World Bank forecasts that the Bangladesh economy will grow at 6.5% rate whereas IMF forecasts it to grow at 6.8% rate. Bloomberg predicts the Bangladesh economy to grow at the rate of 6.55%.
- Even with such impressive economic growth of about 6 percent during the last decade, Bangladesh has been struggling to attract foreign direct investment (FDI) to enhance its growth momentum and reduce poverty through higher employment generation.
- Private investment - both foreign and domestic – has failed to pick up - not only due to the lack of infrastructural bottlenecks, but also owing to poor governance and lack of political stability.
- With respect to apparel trade, Bangladesh may lose its competitiveness due to Trans-Pacific Partnership (TPP) deals which was signed on Oct 5, 2015. The country's garments sector (RMG) is likely to suffer as it will not get preferential treatment for RMG export to the TPP member countries. We discuss Bangladesh TPP, and US-China Geopolitics in greater detail on page 6.

EDITORS

Ifty Islam

Managing Partner
ifty.islam@at-capital.com

Syed Khan

Partner
syed.khan@at-capital.com

Md. Minhaz Zia, CFA

Partner
minhaz.zia@at-capital.com

Mir Mahfuz Ur Rahman

Partner
mahfuz.rahman@at-capital.com

Asian Tiger Capital Partners

Road No: 113/A, Plot No: 03
Celebration Point (5th floor)
Gulshan - 2, Dhaka – 1212
Tel: (880-2)-9852111
Fax: 9852110
www.at-capital.com

