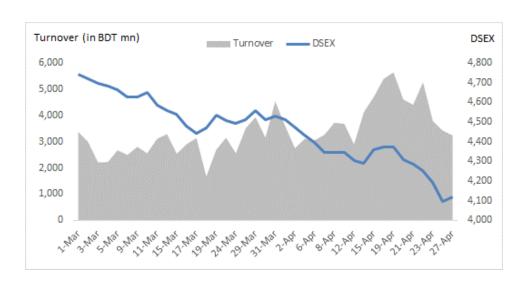


AT Capital Market Update

Downside risk for Stock Market persists

- After reviewing the recent developments we believe that the mayoral election has failed to reduce political uncertainties and the risk remains in the macro arena with more downside expected in the market.
- Some companies have already published poor quarterly numbers. Given the political chaos and blockades, Q1 and Q2 numbers are expected to worsen.
- There may be a fresh round of blockades and strikes called by the opposition party in the following days that may worsen the economy.
- After the mayoral election, one of the following scenarios is likely.
 - **Scenario 1:** The government will clamp down on BNP more aggressively and push them into a corner.
 - Scenario 2: BNP will run out of resources to continue the blockades and hartals.
 - Scenario 3: The public will ignore any political chaos caused by the parties.
- Although we don't believe that the situation will worsen beyond what we have witnessed in Q1, the near term sentiment is likely to remain quite negative.
- We think that the market may go down further and therefore we suggest taking a defensive stance.
- However, despite the near-term uncertainty, our central mid-term scenario is that
 political volatility will subside gradually over the balance of this year and that the
 current AL is likely to remain in power till 2019.. Hence we would still look to buy into
 any significant further selloff.

DSE Sells Off on Political Nerves



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