



## Capital Market Update

### Equity Resilience Despite Holey Attack and Brexit Surprising

- Bangladesh stockmarket has not reacted despite the the twin shocks of terrorism and Brexit. The key question is whether they may be a lagged impact.
- The terror attack at Holey Artisan Bakery has been taken very seriously by the diplomatic community and development partners working in Dhaka.
- There are legitimate concerns that the insecurity felt by foreigners in Bangladesh may affect the Garment sector and Infrastructure development.
- However, a full-blown relocation of the supply chain capacity in garments would be a leap too far” given Bangladesh’s advantages of low tariffs, a scaled, experienced supply chain and low costs.
- The Exit of the United Kingdom from the European Union (EU) might have impact on Bangladesh’s economic growth since the EU is the largest export market and the UK is the second largest Bangladesh-bound foreign investor and export destination for Bangladesh.
- The plunge of pound sterling may hit Bangladeshi exporters, as purchase of goods or services by the UK from other countries will be more expensive.
- If the UK discontinues the 12.5 percent duty benefit, Bangladesh will lose its competitiveness to other competitors.
- In the meantime, Bangladesh Bank declared its half yearly Monetary Policy Statement that focused on the increased private sector credit growth target from 14.8% to 16.5%.
- The next major focus of BB policy is exchange rates as BREXIT and recent terrorism risk might affect foreign inflow though Bangladesh is not expecting any major changes.
- We would suggest to take a defensive stance on stocks due to uncertainty over whether we see a lagged negative impact on growth from the Holey and Brexit effects.
- Our recommended stock picks are GP, OLYMPIC, SQRPHARMA, BATBC, IDLC and BRACBANK.

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