



Bangladesh Political Update

- Bangladesh politics has entered a dangerous phase. There has been an escalation of political tensions via a negative cycle of aggressive clampdown by the government triggering heightened levels of violence from the opposition BNP-Jamaat Alliance.
- The BNP leader Khaleda Zia called an indefinite blockade Jan 5 that has caused economic dislocation by severing the transportation and logistics arteries outside the capital. There have been 35 people killed and hundreds injured, the majority innocent civilians.
- Even when allowed by the Government, Khaleda Zia has refused to leave. More importantly, the public's expectations that this gesture would see a de-escalation of the current tensions and standoff, have been disappointed. Indeed she stated that the indefinite blockade would continue until "the people's right to vote is restored".
- The premature death of Khaleda Zia's son in Malaysia and the arrival of his body back in Bangladesh scheduled for Jan 27, makes a complicated situation even more complex
- The two key external players for Bangladesh are the US and India although China and the EU are also important. In that context the current State visit of US President Obama to India and clear "bromance" with PM Modi is significant.
- We would argue that while the near-term outlook remains extremely fluid and unpredictable, that the end-game has been brought forward and we should see either a consolidation of power by the ruling AL that may see them in office for the next 10 years, versus an alternate scenario of a sufficient break down in law and order that forces fresh mid-term elections under some form of caretaker administration.
- Our hope is for the sake of democracy, the safety of the people and the prospects for the economy that both leaders find an early compromise for new elections that will see an end to the current mindless violence. Unfortunately this doesn't look likely and we would recommend that investors take a more defensive stance on the stock market amid the current political uncertainty and resulting economic dislocation.

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