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AT CAPITAL RESEARCH



AT Capital Markets Update

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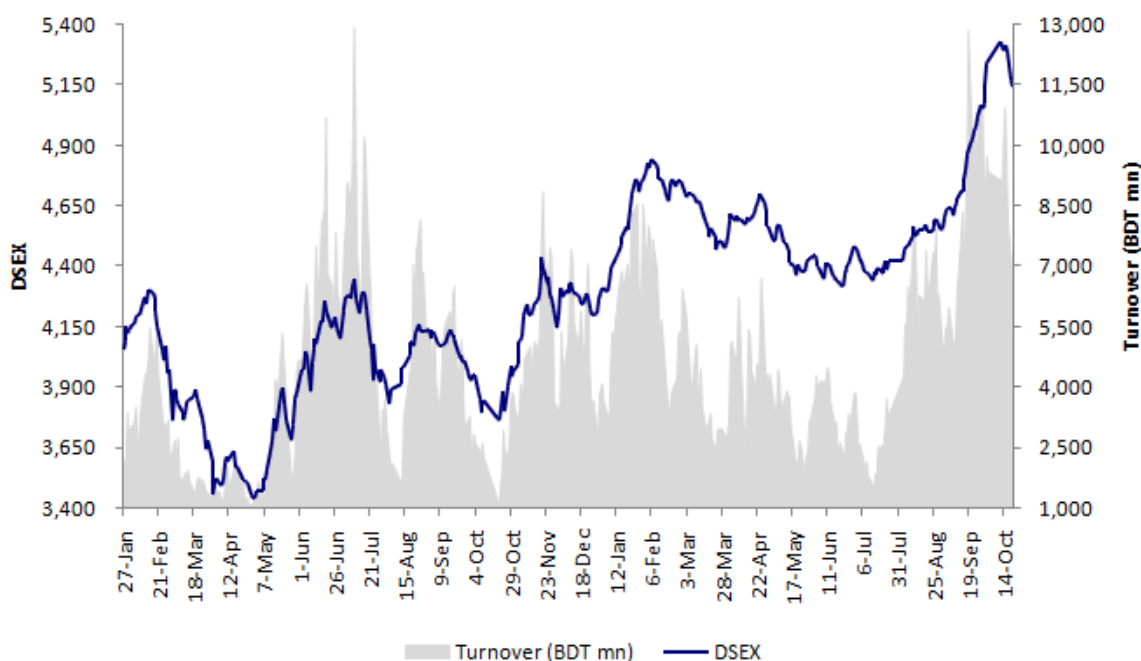
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- After the 1000 point+ rally in the DSEX since mid-July, a modest consolidation on profit taking was likely. However we see the current correction as an opportunity to add to exposure to Bangladesh and look for a 12 month target of 7000 on the DSEX. factors that support our bullish view.
- We discuss seven macro. These include:
 - 1) Greater Prospects for Political Stability. Although the opposition BNP is threatening further hartals after Eid there is a growing perception that AL government is doing a good job on the economy and that it is likely to stay for full term till 2019.
 - 2) Evidence of the improvement of domestic consumer sentiment coming from two surveys seen recently. The Mastercard Worldwide Survey of Consumer Confidence released last week as well as the Pew Global Attitudes Survey released last month.
 - 3) Prospects for increased infrastructure investment and FDI from greater engagement with Japan, China and Korea. This is illustrated by the \$ 6bn committed by Japanese PM Abe over the next 5 years to Bangladesh. China will likely compete and follow with other infra commitments.
 - 4) Lower oil prices will improve the fiscal situation and balance of payments as Bangladesh is major oil importer. Inflation has already fallen to a 20 month low.
 - 5) Accord and Alliance RMG audits post Rana Plaza find only 2% of factories need to be shut down, less than expected. RMG exports on track for \$ 30bn by 2015
 - 6) Bangladesh exports likely to be more resilient/gain market share on any slowdown in global growth, repeating the "Walmart Effect" of 2009. Bangladesh equities also remain uncorrelated to global arkets.
 - 7) The sharp decline in market interest rates on excess liquidity also helps support the recent market rally.
- We also update our current stock picks for the Bangladesh market.



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