August 27, 2015

AT CAPITAL RESEARCH

AT Capital Market Update

- Bangladesh stock market has been largely immune to the impact of the Chinese equity selloff. However, the underlying slowdown in the Chinese economy as well as the recent devaluation of the Yuan will have an impact on the Bangladesh economy, albeit one we believe will remain relatively modest and not materially impact the growth in the economy.

- The potential decline in inflation from lower commodity prices may also give Bangladesh Bank an opportunity to reduce official interest rates.

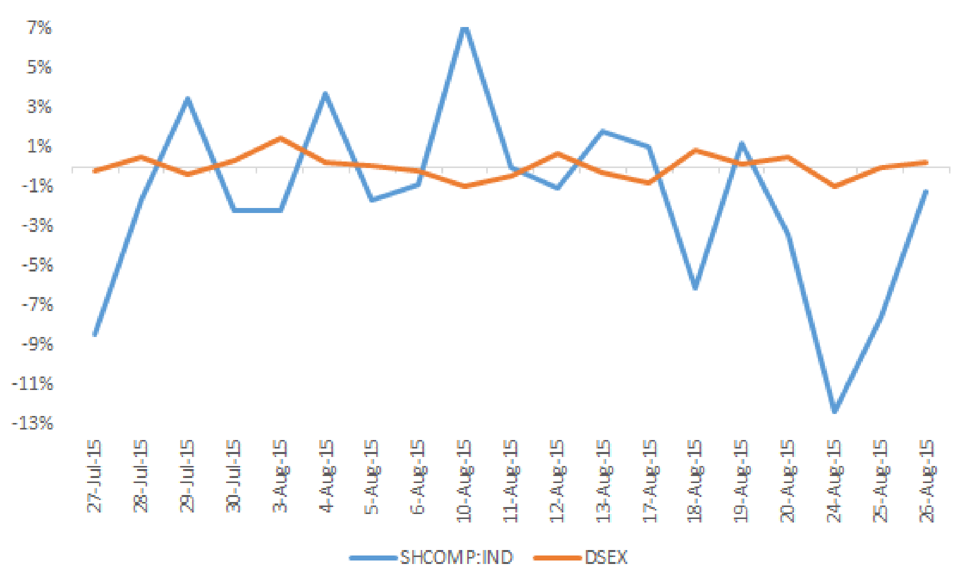
- Due to the collapse on global commodity market, the cost of import will be lower for Bangladesh. This is likely to reduce core inflation in the country.

- Overall we believe that the net effect of the China crisis will be modest on Bangladesh with only minimal risks from the contagion effect in the emerging and global market.

- Bangladesh main export competitors have seen their currencies already weaken this year. For example, Vietnam, perhaps our most significant competitor in Global RMG, has allowed its currency, the Dong, to devalue three times already this year. It would be sensible to cut Bangladesh interest rates to be consistent with a BDT devaluation policy especially given the evident weakness in credit demand.

- The potential devaluation may have a positive impact on Textile and Leather sectors primarily. Net importers might get hurt. However, the sharp decline in global commodity prices may offset the negative effect of potential currency devaluation.

Daily Return Comparison between DSEX & SHCOMP:IND for the last 1 month



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