

CES WHITE PAPER

---

# INVESTMENT STRATEGY AT A TIME OF ENERGY CRISIS

---

*Phase-based Portfolio Construction and Sector  
Rerating on Dhaka Stock Exchange During and  
After the 2026 Gulf Crisis*

Authored by

**Sajid Amit, PhD**

Associate Professor  
Executive Advisor, Center for Enterprise  
and Society (CES), ULAB

---

April 2026



CES WHITE PAPER

# INVESTMENT STRATEGY AT A TIME OF ENERGY CRISIS

Phase-based Portfolio Construction and Sector Rerating on Dhaka  
Stock Exchange During and After the 2026 Gulf Crisis

*Authored by*

**Sajid Amit, PhD**

Associate Professor and Executive Advisor  
Center for Enterprise and Society (CES), ULAB

**April 2026**

University of Liberal Arts Bangladesh

*Disclaimer: The views and opinions expressed in this paper are those of the author and do not constitute investment advice. Readers should conduct their own due diligence before making investment decisions.*

## Executive Summary

Bangladesh's equity market has been grinding sideways and downward for several years, and the regional war that erupted in late February 2026 has layered an acute macroeconomic shock onto an already challenged investment environment. Oil prices rose 63 percent in March 2026 alone, the largest monthly gain since the creation of the Brent futures contract in 1988, and the closure of the Strait of Hormuz has introduced supply disruptions whose full economic transmission will take months to work through even if a ceasefire materialises imminently.

This paper argues that neither despair nor complacency is the appropriate analytical response to these conditions. The appropriate response is a disciplined two-phase investment framework that takes the war seriously as a structural variable, that exploits the volatility it creates during the period of active conflict, and that positions investors to capture what this paper argues will be a significant re-rating of the DSEX once the macroeconomic conditions for that re-rating are in place.

Phase 1, which corresponds to the war period, calls for active band-trading within carefully selected, fundamentally strong positions across two to three sectors. Phase 2, which activates when the trajectory of oil price normalisation becomes visible rather than when it is confirmed, calls for collapsing the trading allocation into a full strategic hold and allowing the re-rating to run.

The precedents for the Phase 2 outcome are well-documented. Pakistan's KSE-100 gained 64 per cent in the twelve months following the establishment of its IMF-anchored macro floor and more than tripled within two years. Sri Lanka's ASPI delivered nearly 50 percent in 2024 alone following its sovereign default crisis. This paper contends that a comparable DSEX re-rating of approximately 100 percent is plausible over a medium-term horizon, contingent on oil price stabilisation and the resulting interest rate cycle shift that unlocks capital rotation from fixed-income instruments back into equities.

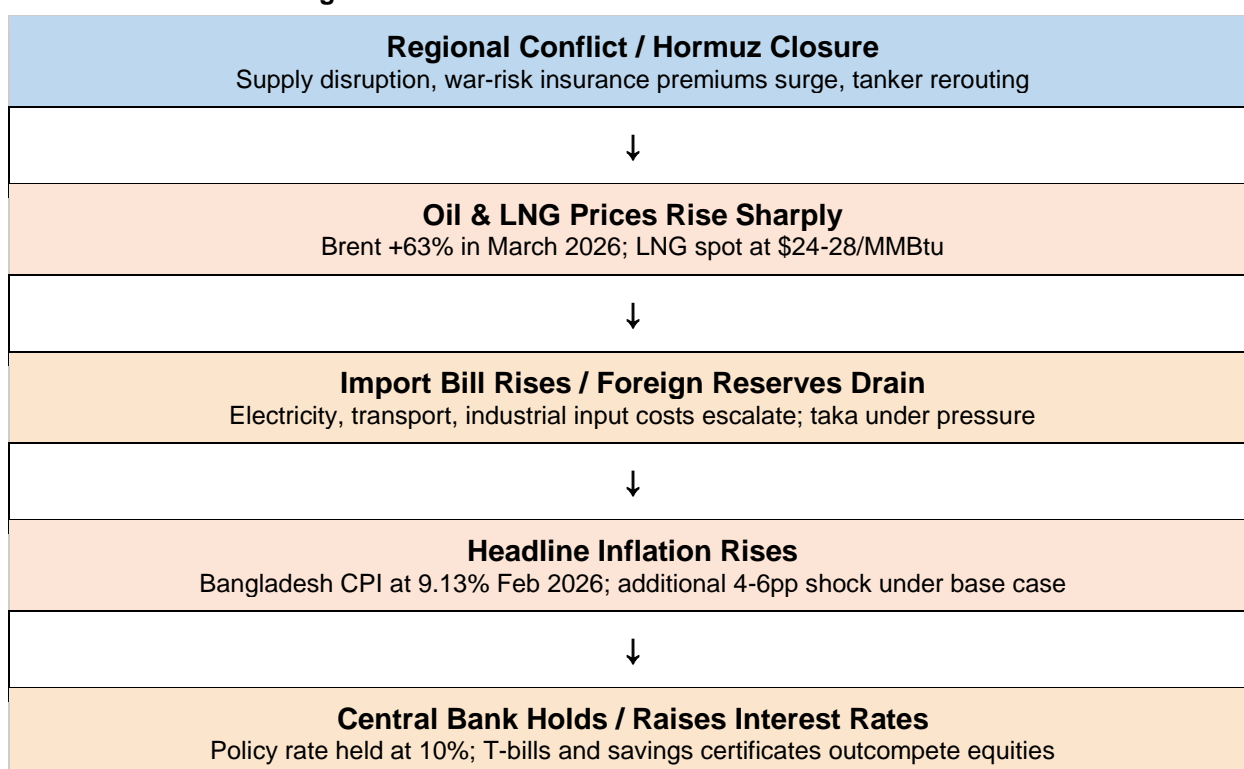
The paper proceeds through five sections: the macroeconomic transmission mechanism connecting the war to the DSEX; the re-rating thesis and its regional precedents; the two-phase framework in detail; specific illustrative guidance on stock selection and position sizing; and the trigger conditions that define the transition from Phase 1 to Phase 2.

# 1. The War-to-Market Transmission Mechanism

Investors generally recognise that oil prices and equity markets are related, but the connection is often asserted more quickly than it is thought through. That is where the analysis tends to thin out. In some readings, the movement in crude is taken as a sufficient explanation for what follows in equities. In others, the relationship is pushed aside as too indirect or too delayed to matter. Neither view really gets to the heart of the problem. Oil is not the whole story, certainly, but it is not incidental either. Its significance lies in what it sets off. In the present episode, the issue has not been a straightforward collapse in global supply. It has been the growing risk attached to moving oil through the Strait of Hormuz, and that alone has been enough to reprice energy risk sharply. Brent crude settled at USD 118.35 on 1 April after rising 63 percent over March. War-risk insurance premiums for tankers also moved up, from roughly 0.125 percent to between 0.2 and 0.4 percent per transit. Those figures matter, to be sure, but not only because they point to more expensive oil. What they really indicate is a commercial chain becoming costlier, less predictable, and harder for firms to manage.

For Bangladesh, that is the issue that matters most. The country imports roughly 95 percent of its oil and remains dependent on external sources for a substantial share of its gas requirements, so a sustained energy shock does not stay confined to the commodity itself for very long. It works its way into transport, power, and industrial production, but the deeper pressure comes through inflation and the strain that inflation places on firms trying to defend margins. That is the real transmission channel. Once cost expectations begin to shift, pricing decisions become harder, margins come under pressure, and the assumptions behind equity valuations start to weaken. Some firms absorb the shock for a while. Others try to pass it through. Either way, room for adjustment narrows. In Bangladesh, moreover, this process is complicated by subsidy arrangements, administrative delay, and the political difficulty of allowing visible price increases during periods of wider strain. So the market is not responding to oil in any simple sense. It is responding to a harsher operating environment, one in which costs rise faster than firms can comfortably adapt and policy room becomes more constrained. Put differently, war matters to equities not only because it pushes up oil prices, but because it makes inflation harder to contain and valuation harder to defend.

**Figure 1: War-to-Market Transmission Mechanism**





### **Capital Rotates Out of Equities**

P/E multiples compress mechanically; DSEX faces structural headwind

Source: Authors' analysis based on IEA, Bangladesh Bank, and Financial Times data.

When headline inflation rises, Bangladesh Bank has limited room to do anything other than keep interest rates elevated. That is partly a matter of containing second-round effects, including the risk that higher prices begin to feed into wages and then back into prices again. But it is also a currency question. If the taka comes under further pressure, imports become even more expensive in local currency terms, and that only deepens the original problem. The policy rate has therefore remained at 10 percent. In that setting, Treasury bills, savings certificates, and term deposits begin to offer returns in the range of seven to nine percent, and they do so without the daily volatility associated with equities. The portfolio response is, in truth, not difficult to understand. Risk-averse capital moves. Often quite quickly. It leaves equities for fixed-income instruments not because investors are briefly nervous, but because the underlying arithmetic has changed in a way that is hard to ignore.

That arithmetic becomes important in two mutually exclusive ways. First, a higher interest-rate environment raises the discount rate used to value future earnings, which lowers the present value of those earnings even where the business itself has not materially changed. The adjustment is not psychological. It is built into valuation. A firm earning BDT 10 per share may have sustained a multiple of 15 times earnings in a lower-rate setting, but that multiple becomes harder to defend once the risk-free rate moves closer to 9 percent. Revaluation follows, often toward 10–12 times earnings, and sometimes lower where risk perceptions worsen. Second, investors begin making a more direct comparison. If fixed-income instruments are offering 8 or 9 percent with little volatility, equities yielding in a similar range but carrying much greater uncertainty begin to look less compelling, especially in a period marked by geopolitical strain and rising input costs. Capital does not leave the system altogether. It reallocates and waits. That pattern is important because it helps explain the broader two-phase market logic at work here: an initial move toward preservation, followed only later, if conditions ease, by a return to selective risk-taking.

## **2. The Re-Rating Thesis and Its Regional Precedents**

The idea of market re-rating is sometimes made to sound more technical than it really is. At base, it refers to a linear process. It is essentially a market that has fallen into unjustifiably low valuations, begins to correct, and asset prices move back toward levels more consistent with underlying fundamentals. Such undervaluation usually develops during periods of prolonged macroeconomic stress, when genuine uncertainty combines with investor aversion to risk and pushes prices below what a serious valuation exercise can reasonably support. When that happens, the eventual correction is rarely gentle. And in that line, once the conditions that produced the discount begin to shift, prices usually tend to move faster than prevailing sentiment expects.

A close assessment of the DSEX suggests that this is no abstract possibility. There is now a visible cluster of fundamentally strong companies across banking, pharmaceuticals, telecommunications, and other sectors, trading at price-to-earnings ratios that are difficult to defend on any rigorous comparative basis. Banking is perhaps the clearest case. The dominant narrative of sectoral stress, influenced largely by concerns over non-performing loans, has encouraged the market to treat the industry as though its institutions were indistinguishable. However, they are quite the opposite. Some banks have come through this

period with balance-sheet discipline intact, with other variables that the market has tangible reasons to trust. When an institution of that kind is trading at a multiple that would be treated as an obvious deep-value opportunity on the Karachi or Colombo exchanges, the argument for calling it a structural weakness becomes difficult to sustain. At some point, one has to call the condition as its actual scenario which is mispricing.

The most useful regional comparisons, in that regard, are Pakistan and Sri Lanka. Both countries warrant being taken seriously. If we focus on Pakistan, it went through a spate of events such as the genuine balance-of-payments crisis, an IMF programme with punishing conditionality, political instability severe enough to unsettle any institutional investor, and inflation that cut deeply into household purchasing power. Sri Lanka's experience was more extreme still which is largely sovereign default, fuel queues running for kilometres, and a political breakdown that culminated in citizens storming the presidential residence. By any reasonable standard, both episodes were more severe than the pressures Bangladesh is currently facing. Although in both cases, the market turned sharply once the macro floor became visible and as an immediate outcome the currency found some footing. A credible fiscal anchor emerged. And equity markets re-rated with surprising speed, rewarding investors who were willing to distinguish between unbearable headlines and improving underlying conditions. That does not mean, however, that Bangladesh must follow the same path. It also means that deeply stressed markets can recover well before confidence fully returns, and that waiting for comfort is often another way of missing the re-rating itself.

**Figure 2: Comparative Re-Rating Outcomes: KSE-100, ASPI, and DSEX Projection**

Market	Crisis Trigger	IMF/Macro Floor	12-Month Return Post-Floor	Peak Return from Trough
Pakistan KSE-100	BOP collapse, 2023	IMF SBA, July 2023	+64%	+200%+ within 2 years
Sri Lanka ASPI	Sovereign default, 2022	IMF EFF, Mar 2023	+49% (2024 alone)	~+100% from crisis lows
Bangladesh DSEX (Projected)	War shock + rate suppression, 2026	Oil stabilisation + rate cuts	~+100% (author estimate)	Longer horizon; conditions dependent

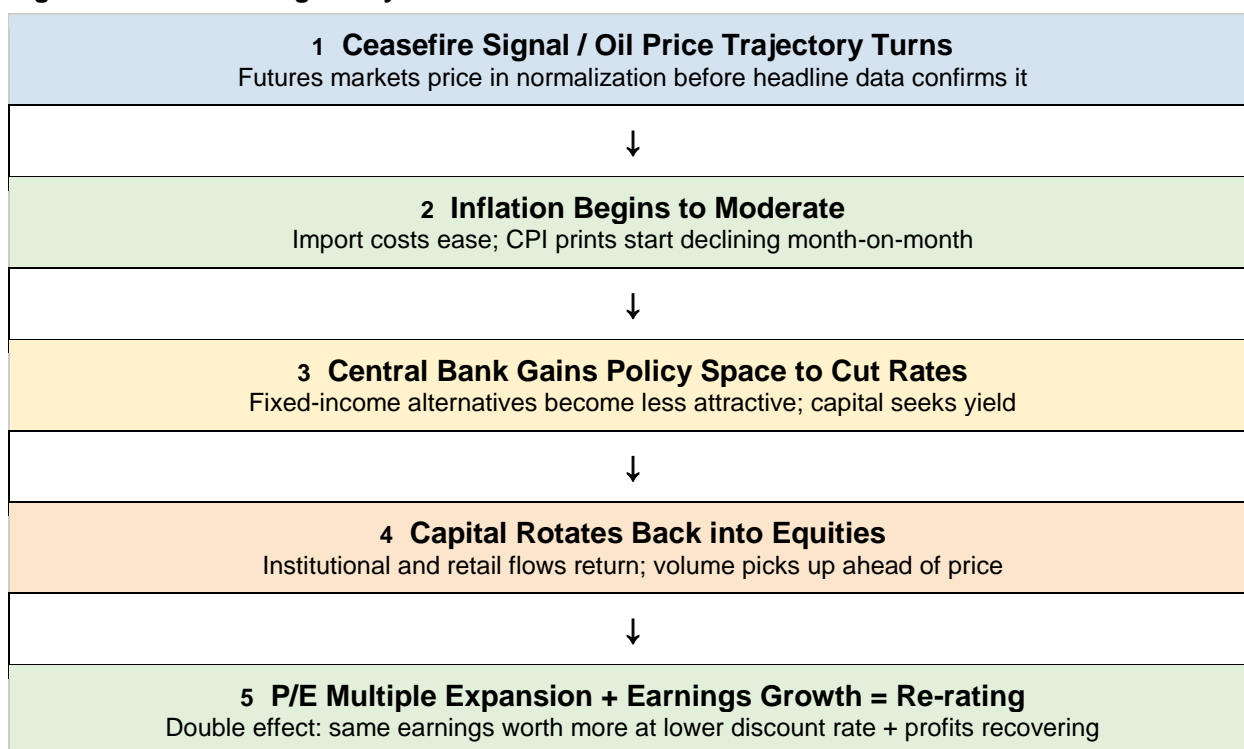
Sources: Pakistan Stock Exchange; Colombo Stock Exchange; Author projections for DSEX. Past performance does not guarantee future results.

Pakistan's KSE-100 gained 64 percent in the twelve months following the IMF anchor and more than tripled within two years. Sri Lanka's ASPI, after a slower initial recovery that reflected the deeper dislocation of its fiscal crisis, returned nearly 50 percent in 2024 alone and had roughly doubled from its crisis lows by year-end. The underlying mechanism was, in broad terms, the same in both cases. Once oil prices began to stabilise, inflationary pressure started to ease. As inflation moderated, central banks regained some room to reduce rates. That shift, in turn, made fixed-income instruments less compelling, lowered the discount rate applied to future earnings, and improved the relative appeal of equities. Capital began to rotate back into the market. Valuation multiples expanded. Returns that had seemed improbable during the worst phase of stress became possible again, not because the crisis had disappeared, but because the direction of adjustment had changed.

The point of argument is not that Bangladesh is assured of the same outcome. The differences are existing and they matter to a greater extent. It is evident, Bangladesh's capital market is shallower than Pakistan's, and the overhang of margin lending introduces

technical risks that could make any recovery more uneven. Even so, the broader lesson should not be missed. Markets in this region have repeatedly shown a tendency to overshoot on the downside during periods of acute stress and then, once a floor begins to emerge, to recover faster than prevailing sentiment expects. The window for accumulating positions at genuinely distressed valuations is therefore often shorter than it appears. Re-rating does not begin when improvement is fully confirmed in the data. More often, it begins when the trajectory of improvement becomes credible enough that the market starts to price the turn before the wider public is prepared to believe in it.

**Figure 3: The Re-Rating Catalyst Cascade**



Source: Authors' analysis. The cascade is sequential but not uniform in timing; markets typically begin pricing steps 3-5 before steps 1-2 are confirmed in official data.

A medium-term case for roughly 100 percent upside in the DSEX, under the conditions outlined above, should not be dismissed as excessive optimism. It follows from the logic of re-rating in a market where current valuations still reflect a degree of distress that appears disproportionate to the underlying earnings strength of some of the index's better companies. The medium-term qualifier is important. Bangladesh is unlikely to recover at the pace seen in Pakistan. Part of the reason is technical: the margin loan overhang is likely to absorb some of the early return of capital and make the first phase of recovery less efficient. Part of it is macroeconomic. Given the structure of Bangladesh's energy dependence, the pass-through from oil to domestic inflation is likely to be more direct and more persistent than in an economy with greater domestic energy production.

### 3. The Two-Phase Framework

This paper treats the war period and the period that follows it as analytically distinct. Each calls for a different investment stance. The transition between them does not wait for a formal turning point, still less for the data to make it obvious. It begins earlier, when oil futures start to indicate a return toward normalisation and markets begin, however cautiously, to price that change before the macro numbers catch up.

#### 3.1 Phase 1: Trading the Volatility

The defining feature of Phase 1 is not difficult to identify. The macroeconomic headwinds are real, and the timing of their eventual easing remains genuinely uncertain. In that setting, simply holding a diversified equity portfolio and waiting for recovery, whether it comes in a few months or much later, can hardly be described as a strategy. It is, more often than not, a passive willingness to absorb continuing mark-to-market losses at a time when fixed-income alternatives are offering returns that are competitive on a risk-adjusted basis and, just as importantly, far less volatile.

A more workable approach in this phase is band trading. The idea is to buy near clearly established support levels and sell near equally visible resistance levels, usually within a set of fundamentally stronger stocks where downside tends to be supported by institutional demand and upside is often capped by the reappearance of retail selling. That, at least, is the broad logic. In practice, however, it is not something that works across the market as a whole. A good number of DSE-listed stocks simply do not meet the conditions that make the approach viable.

The first condition is straightforward enough. The company has to be fundamentally sound. Otherwise the band has no anchor, and what looks like discipline in the price is often little more than temporary noise. The point is to trade around value, not around excitement. Stocks with improving earnings, visible institutional participation, and management that the market has some reason to trust tend to hold their ranges better than others. Where the apparent floor is being sustained mainly by momentum or retail enthusiasm, it usually proves less durable than it first appears.

The second condition is the presence of some observable price discipline over time. Not perfection, certainly, but a pattern that can be recognised with reasonable confidence. The stock should show a tendency to respect support and resistance levels rather than move through them abruptly and without any clear trigger. This is where market structure begins to matter. Stocks with weak institutional coverage, or with ownership that is concentrated heavily in retail hands, are often less reliable in this regard. Their movement is more easily driven by sentiment, and sentiment, as the DSE has shown often enough, is not always a stable guide.

The third condition is position sizing, and here the strategy often comes undone. There needs to be a clear distinction between the core holding and the trading allocation. The core position is meant to be held through the cycle. The trading portion is what gets rotated within the band. When that line is blurred, investors start selling what they had originally meant to own for the turn, often at exactly the wrong point in the cycle. That mistake is more common than it should be. And once it happens, the strategy stops being disciplined trading and becomes something much closer to reactive decision-making.

#### 3.2 Phase 2: Holding for the Re-Rating

Phase 2 does not begin when the conflict formally ends. It begins earlier, when the direction of change becomes easier for markets to read. Markets move on expectation long before they move on confirmation, and by the time official inflation data begins to reflect what oil prices have already been indicating, part of the adjustment is usually behind us. This has been visible elsewhere in the region. In Pakistan, the KSE-100 began to recover before inflation had fully peaked, largely because investors watching oil futures and import costs could already see that the pressure was beginning to turn. Sri Lanka followed a similar sequence, though under much harsher conditions.

The implication is not especially complicated, but it is often ignored in practice. Waiting for confirmation usually means arriving after the first and often most important part of the move has already taken place. The passage from Phase 1 to Phase 2 begins when two developments start to reinforce each other. The first is a sustained decline in oil futures, particularly Brent, which signals some easing in the external cost environment. The second is a credible shift in the geopolitical setting, whether through a ceasefire, a diplomatic opening, or some other sign that the conflict is moving away from escalation. Neither condition is sufficient on its own. Oil can fall briefly without changing the broader risk picture. Diplomacy can produce headlines without materially easing supply concerns. But when the two begin to align, the market starts to price a different future.

Iran's reported willingness to allow relatively safe passage for vessels from non-belligerent countries, including Bangladesh, may be read in that light. It does not remove the disruption, and it certainly does not restore normal conditions. Still, it is not a trivial signal. It suggests that the restriction is being managed selectively rather than enforced in full, and that distinction matters because it says something about intent as well as duration. Markets pay attention to such distinctions. So should investors. What matters at this stage is not whether normalisation has arrived in full, but whether the conditions for it are beginning, however cautiously, to come into view.

## **4. Stock Selection and Position Sizing**

The practical question of which stocks to hold and how to size positions within the two-phase framework admits of no universal answer, because the right answer depends on an investor's existing cost basis, liquidity needs, brokerage relationship quality, and risk tolerance. What this section provides instead is an illustrative framework using generic stock designations, Stock A through Stock D, that describes the characteristics that make a stock appropriate for this strategy and the band parameters that would be consistent with those characteristics under current market conditions.

### **4.1 Sector Allocation**

The framework does not call for broad exposure across the market. It calls, rather, for a small number of high-quality names, usually spread across two or three sectors, chosen because they combine two attributes that matter under current conditions. They need to show enough fundamental strength and price defensibility to make band trading workable in Phase 1, and they need, at the same time, to be positioned in a way that leaves the investor well placed for the eventual Phase 2 re-rating. That is the basic logic. Under present conditions, three sectors stand out, though for somewhat different reasons.

Banking deserves the largest allocation. This is not because it is the safest sector in the near term; plainly, it is not. The stronger case for banking is that it remains the sector most directly tied to the interest-rate cycle that is likely to shape the Phase 2 re-rating. When rates begin to fall, the effect on banks is not entirely uniform, and it should not be described that way. In the short run, margins can compress at one end even as the repricing of assets improves the

picture elsewhere. Even so, banking remains the clearest channel through which a change in the rate environment is likely to be expressed in equity prices. There is also, and this matters in practice, a question of market structure. When capital begins to move out of fixed-income instruments and back into equities, it does not re-enter the market evenly. It tends to move first toward the names that are liquid, institutionally followed, and easier to price with confidence. In Bangladesh, that usually means banks. An investor who is not in banking when the cycle turns may recognise the re-rating as it happens, but recognition alone is not participation.

Pharmaceuticals deserve inclusion for almost the opposite reason. Their attraction lies less in cyclical sensitivity than in the stability they offer when the broader environment remains difficult. Healthcare demand is not wholly insulated from macroeconomic pressure, of course, but it is considerably less cyclical than demand in sectors dependent on discretionary consumption or more vulnerable export conditions. That gives earnings a degree of resilience that is unusually valuable in Phase 1. There is, in addition, a valuation argument that should not be overlooked. The sector's domestic pricing power and export potential do not seem to be fully reflected in prevailing multiples, at least not in any convincing way. For that reason, pharmaceutical names may produce fewer trading opportunities during the band-trading phase, but they generally require less active management and can provide a useful counterweight within the portfolio.

Telecommunications also merits inclusion. The argument here rests on a growth story that is often acknowledged in passing, but still, I would argue, not fully priced into the market. Data revenue growth in Bangladesh is real. More than that, it has continued to expand at a pace that has repeatedly come in stronger than many earlier expectations allowed for. Much of the infrastructure needed to service that demand has already been built, which means that incremental revenue can flow through to operating profit more efficiently than is often assumed. That is the core of the case. There is also a more practical point. The leading telecom name has shown a fairly consistent tendency to attract institutional buying on dips, and that gives its price behaviour a degree of discipline that is relatively rare among DSE-listed stocks. In a market of this kind, one should not dismiss that lightly. Predictability, even if partial, is itself an asset.

## 4.2 Band-Trading Parameters

The following table illustrates the band-trading framework for four hypothetical positions. The price levels and sector descriptions are illustrative; investors should calibrate actual bands based on current market prices, their own cost basis, and the technical analysis applicable to their specific holdings.

**Figure 4: Illustrative Band-Trading Framework**

Stock	Sector	Beta Profile	Buy Band	Sell Band	Trade Width	Strategic Hold %
Stock A	Banking (Defensive)	Low	BDT 28-30	BDT 33-34	~15-20%	60% of position
Stock B	Banking (Growth)	High	BDT 55-58	BDT 70-72	~22-28%	60% of position
Stock C	Pharmaceuticals	Low-Med	Sector lows	5-8% above entry	~15-25%	70% of position
Stock D	Telecommunications	Medium	On data-driven dips	On institutional bid	~15-20%	60% of position

Note: Price bands are illustrative and based on the structural characteristics described in the text. Investors should calibrate to current market prices and their own technical analysis. BDT levels for Stocks A and B reflect the banking sector examples discussed in the original article; Stocks C and D are indicative.

For Stock A, the more defensive banking name, a reasonable trading range appears to sit between BDT 28 and BDT 34. That range is not arbitrary. It reflects, on the one hand, a floor that has repeatedly been supported by institutional buying and, on the other, a ceiling beyond which retail selling tends to re-emerge with some consistency. The narrower width of the band means that trading gains per cycle are likely to be more modest. Even so, that same defensiveness gives the stock a different kind of value in Phase 1. It tends to hold up better when the broader market weakens, and that is no small advantage when portfolio preservation matters as much as return generation.

Stock B, by contrast, is the higher-beta banking name, and its trading characteristics are correspondingly wider. A band of roughly BDT 55 to BDT 72 seems more appropriate here, capturing a broader range of movement while still remaining tied to levels that technical behaviour has respected often enough to be meaningful. The attraction, obviously, is that a wider band can generate more trading income in each cycle. But that comes with a cost. The position demands closer monitoring, more active execution, and a greater willingness to tolerate interim mark-to-market swings without losing discipline. In that sense, it offers more opportunity, but it also asks more of the investor.

For Stock C, the pharmaceutical name, the logic is somewhat different. Here the case is less about precise entry and exit points and more about the relationship between the current trading range and what appears to be the sector's underlying valuation floor. Because pharmaceuticals are more defensive by nature, the strategic holding portion should probably be higher, perhaps closer to 70 percent of the total position rather than 60 percent. That tilt makes sense. The sector still carries re-rating potential, but the catalyst is less immediate and less tightly linked to the interest-rate cycle than it is in banking. As a result, the position is better treated as one that provides stability first and upside later.

For Stock D, the telecommunications name, the trading band is driven mainly by the data revenue story. The stock has shown a fairly consistent tendency to attract institutional buying when it falls to levels that imply a discount to the underlying value of its subscriber base and data infrastructure. It also tends to run into resistance once the market begins pricing in near-term data revenue growth without giving much credit to the longer compounding story. The band is therefore narrower than that of Stock B, but the support at the lower end has generally been more dependable. In a market like this, that reliability matters. It does not eliminate risk, of course, but it does make the stock easier to work with in a disciplined Phase 1 strategy.

### 4.3 Position Sizing: The 60/40 Discipline

The allocation framework within each position is as important as the stock selection itself, because it is the mechanism that prevents the two most common execution failures in this type of strategy.

**Figure 5: Two-Layer Portfolio Allocation Framework**

Layer	Allocation	Phase	Purpose
Strategic Hold	60% of position	Both phases	Captures the re-rating when the macro trigger arrives; not sold regardless of short-term price movement

Trading Allocation	40% of position	Phase 1 (war)	Cycled within identified bands; generates cash flow and keeps investor engaged with market discipline
Trigger to Collapse into Hold	100% hold	Phase 2 onset	When oil price trajectory turns and ceasefire signals emerge; activate before CPI data confirms what futures already signal

Source: Authors' framework.

The first risk is over-trading. It arises when an investor cycles the full position through the trading bands and then, at the very moment the Phase 2 trigger begins to appear, is left with little or no exposure. In that situation, the market can move faster than any re-entry plan can realistically manage. The strategic hold, set at 60 percent of the position, is meant to guard against precisely that mistake. It is the part of the allocation that remains in place regardless of where the investor happens to be in the trading cycle when the turn begins. Put simply, it is there to ensure that the re-rating is participated in, not merely observed.

The second risk runs in the opposite direction. It is under-trading. This happens when the entire position is treated as a long-term hold and the investor is then asked to sit through Phase 1 volatility without any intermediate cash flow or reduction in cost basis. In theory, that sounds manageable. In practice, it often is not. The result is that the position is abandoned altogether, and usually at the worst possible point. The 40 percent trading allocation is designed to reduce that risk. It gives the investor something constructive to do during a difficult phase, creates some cash flow through disciplined execution, and allows the average entry cost to be improved by buying nearer the lower end of the band.

The move from Phase 1 to Phase 2 therefore requires a clear shift in execution. Once the dual trigger begins to align, namely a convincing change in oil futures and credible ceasefire or de-escalation signals, the trading allocation should no longer be treated as a separate book. It should be folded back into the strategic hold, after which the full position is carried without active cycling. That part matters. The instinct to keep trading on the way up can be strong, especially after a long period in which activity has been rewarded. But re-rating is not the same thing as a trading bounce. It is a broader repricing of the market, and it tends to reward patience more than movement.

## 5. Trigger Conditions and Execution Discipline

The two-phase framework is analytically coherent only if the conditions that define the transition between phases are clearly specified in advance. An investor who waits for a subjective sense that the macro environment has improved will systematically lag the re-rating because their transition trigger is backward-looking by construction. The framework requires a forward-looking trigger: the point at which futures markets, which aggregate the expectations of well-informed participants trading real money, begin to price in a sustained improvement in oil supply conditions.

### 5.1 The Oil Futures Signal

The primary trigger lies in the behaviour of Brent crude futures across the six- to twelve-month horizon. What matters is not simply whether prices fall, but how the curve begins to change. When the gap between front-month and back-month contracts starts to narrow, and the steep structure associated with near-term supply anxiety gives way to a flatter curve, the market is signalling something important. It is beginning to price a path toward normalisation. That does not require the Strait to have fully reopened, nor does it require disruption to have ended in any operational sense. It requires something narrower, but no less meaningful, which is that expectations have started to shift in a more stable direction.

That signal matters because the transmission from oil to inflation, and from inflation to interest rates, does not occur all at once. It works with a lag, and often a frustrating one. By the time inflation data begins to reflect what the futures market has already been saying for some time, the policy rate may still be high and the DSEX may still be trading under the same structural pressures described earlier. Yet that is precisely the point. An investor who waits for the macro data to confirm what the futures curve has already priced is likely to arrive well after the re-rating has begun. In markets of this kind, the turn is rarely announced in a way that feels comfortable. It becomes visible first in expectations.

There is, however, an important nuance here. Even when the Strait formally reopens, logistical disruption does not disappear on the same day. Shipping lines still face congestion, delayed port access, container backlogs, and insurance costs that tend to remain elevated even after the immediate security picture improves. In other words, diplomatic de-escalation and logistical normalisation are related, but they are not the same event and they do not move on the same timetable. The investor needs to keep that distinction clear. Phase 2 is activated by the diplomatic and market signal, not by the full restoration of logistical ease. Equity markets are likely to re-rate on the expectation that the worst of the shock is passing, well before trade flows look fully normal again.

### 5.2 The Ceasefire Signal

The second part of the trigger is placed within the appearance of credible ceasefire or diplomatic de-escalation signals from the parties to the conflict. The issue is not whether a formal agreement has already been signed. What matters, rather, is whether the geopolitical risk premium embedded in oil prices is beginning to ease. That shift will usually show up first in the relationship between spot prices and longer-dated futures, well before it is captured in official language or formal declarations.

As of 1 April 2026, reports suggested that the Iranian leadership had approached the Trump administration with a ceasefire request. That is exactly the kind of development markets begin to take seriously. Not because it guarantees an agreement, and certainly not because it settles the timing, but because it changes the range of plausible outcomes in a less damaging

direction. In effect, it reduces tail risk. That distinction matters. Equity markets tend to respond to the easing of extreme downside risk before they respond to any settled central case, which is why investors who wait for full confirmation usually find that the re-rating is already underway by the time they are prepared to act.

### **5.3 The Remittance Variable**

Remittances deserve separate attention because they are one of the few variables in this episode that could plausibly move in either direction, depending on how the conflict develops and how Gulf host economies absorb disruption in their main export sector. For Bangladesh, that matters. Remittance inflows reached USD 26.8 billion in fiscal year 2025, and roughly 60 percent came from Gulf states. Those flows are important not only because they support household consumption, but because they remain a significant source of foreign exchange at a time when reserve management is already under strain.

There is, of course, a downside scenario. If the conflict produces a prolonged slowdown in Gulf economies, especially in construction and logistics where large numbers of Bangladeshi workers are concentrated, remittance flows could soften in ways that complicate both the current account and exchange-rate picture. That risk should not be dismissed. Even so, the investment framework advanced here rests on a clearer hierarchy of effects. Stabilising oil prices matter more for equity valuation than moderate remittance weakness is likely to do. The reason is fairly simple. A decline in remittances works through a particular consumption channel, important in its own right but still relatively contained in market terms. The oil-inflation-interest rate channel is different. It affects the discount rate applied across the market and therefore bears directly on the valuation of every earnings stream. One issue matters greatly for household welfare and external balance. The other is more decisive for how equities are priced.

### **5.4 Brokerage Relationship Quality**

One aspect of execution discipline that investment frameworks often understate is the quality of the brokerage relationship through which the strategy is actually carried out. In a band-trading environment, that matters more than it may first appear. The cost of weak brokerage advice is not confined to commission on individual trades. It shows up more subtly, but often more damagingly, in the erosion of discipline itself. When rumour-driven calls are allowed to displace the mix of technical reading and fundamental judgment that band trading depends on, positions are entered late, exited too early, or adjusted for reasons that have little to do with the logic of the strategy. Over time, that kind of noise does real damage. It breaks the consistency on which the approach relies.

The practical implication is important to note here. The brokerage relationship is not a background matter. It is part of execution, and therefore part of performance. An investor working within the two-phase framework outlined here should place clear value on access to credible technical analysis and on a brokerage counterpart capable of supporting disciplined decision-making rather than merely generating transaction flow. That distinction is important. A broker whose incentives are tied mainly to turnover may be active, even persuasive, without being especially useful to the investor's actual objective.

## **6. Conclusion**

The case for investing in Bangladesh's equity market under the present mix of geopolitical and macroeconomic stress is not a case for looking past the stress, still less for pretending it does not matter. It is a case for reading that stress properly. The more useful approach is analytical rather than emotional: to understand the specific channels through which war affects valuations, to distinguish temporary dislocation from deeper impairment, and to position a

portfolio in a way that can withstand the war period without losing sight of what may follow once conditions begin to turn.

The two-phase framework set out in this paper rests on a fairly simple insight, but it is an important one. The same conditions that make equities difficult to hold during a period of elevated inflation and high interest rates are also the conditions from which the strongest re-rating opportunities tend to emerge. That is not a paradox, really. It is how stressed markets often work. When inflation begins to ease and rates eventually follow, the market does not merely recover sentiment. It also benefits from two reinforcing shifts at once: capital begins to move back out of fixed-income instruments, and valuation multiples start to expand from depressed levels. That combination, as the regional cases suggest, can produce returns that look improbable while the stress is still unfolding.

What follows from this is not a call for indiscriminate optimism, but for discipline. An investor who manages Phase 1 carefully, trading within bands, concentrating on fundamentally stronger names, generating some cash flow, and improving average cost over time, is generally in a better position for Phase 2 than one who simply sits through the stress and hopes for eventual relief. The same is true of timing. An investor who is able to read the Phase 2 turn through futures market signals, rather than waiting for backward-looking macro data to confirm what the market has already begun to price, is more likely to participate meaningfully in the re-rating. By then, at least part of the move is usually already underway.

*Watch oil. Watch the ceasefire signals. And when both begin to move in the right direction, stop trading your strategic holdings and let them run.*

The DSEX re-rating, when it comes, will look obvious in hindsight. The investors for whom it generates genuinely significant returns will be those who treated the current period not as an obstacle to investing but as the condition under which the most compelling long-term positions are assembled.

## References

- <sup>1</sup> Bangladesh Energy Regulatory Commission. (2025). Annual report. Bangladesh Energy Regulatory Commission.
- <sup>2</sup> The Daily Star. (2026, March). How Bangladesh can manage fuel shocks for economic stability. <https://www.thedailystar.net/opinion/views/macro-mirror/news/how-bangladesh-can-manage-fuel-shocks-economic-stability-4139506>
- <sup>3</sup> Bangladesh Bank. (2025). Annual report 2024-2025. Bangladesh Bank.
- <sup>4</sup> International Monetary Fund. (2023). Pakistan: Staff report for the 2023 Article IV consultation and request for a stand-by arrangement. IMF.
- <sup>5</sup> Pakistan Stock Exchange. (2024). KSE-100 index historical data. PSX.
- <sup>6</sup> Colombo Stock Exchange. (2024). ASPI index performance report. CSE.
- <sup>7</sup> Amit, S. (2026, March). Investing in a time of war. The Business Standard. <https://www.tbsnews.net/thoughts/investing-time-war-1387521>
- <sup>8</sup> Moore, M., Herbert, E., Steer, G., & Chavez, S. (2026, April 1). Oil soars 60% in March as Iran war chokes global energy supplies. Financial Times.
- <sup>9</sup> Amit, S. (2026, March). Investing in a time of war. The Business Standard. <https://www.tbsnews.net/thoughts/investing-time-war-1387521>
- <sup>10</sup> International Energy Agency. (2026, March). Oil market report, March 2026. IEA.
- <sup>11</sup> The Business Standard. (2026, April 1). Even after reopening, Strait of Hormuz disruptions expected to persist for months. TBS News. <https://www.tbsnews.net/business/economy/news/even-after-reopening-strait-hormuz-disruptions-expected-persist-months>
- <sup>12</sup> Bangladesh Bureau of Statistics. (2025). Foreign trade statistics of Bangladesh. Bangladesh Bureau of Statistics.