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Stocks weather political turbulence in 2006

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The overall capital market scenario looked stable throughout the year 2006 despite political uncertainty especially at the fag end.

It showed some signs of resilience and maturity overcoming many ups and downs in indices and turnover, analysts and observers said.

The political unrest that persisted in the later part of the year has thrown the capital market into a bearish mood. Also, the then government's tightened monetary policy has eaten into market turnover and indices in the second quarter of the year ending today.

Although the stock market's seesaw movement left the general investors nervous on several occasions, insiders and market officials claimed that they did not experience abrupt fall or rise in indices in a large number and the market proved resilient to external shocks.

Higher interest rate on savings certificates as well as liquidity crisis in the money market during the second quarter of the year and the political tensions during the last quarter took some tolls on turnover values and share prices, said Chief Executive Officer of Dhaka Stock Exchange (DSE) Salahuddin Ahmed Khan evaluating the capital market in 2006.

"But, virtually the market remained stable," he said, adding that the scenario could be far better, if the market was not depressed in the later part of the year due mainly to political uncertainty.

He said both the primary and

secondary market were vibrant as the institutional participants, who are considered to be major players, were much active.

The investors also had faith in new initial public offerings (IPOs), the DSE CEO further said. Besides, offloading of shares by the two government power entities - Dhaka Electric Supply Company (Desco) and Power Grid Company of Bangladesh (PGCB) - through the Direct Listing Regulations 2006 also got positive response from the investors.

Salahuddin also said the DSE set a milestone on November 22 as the securities market capitalisation crossed Tk 300 billion mark. The massive achievement was mostly due to listing of shares by some companies under power, bank and leasing sectors encouraging the securities market to grow further, he added.

The DSE top official said the proposed Bangladesh Bank guidelines for the large companies seeking loans from banking system will act as stimuli for the capital market.

When implemented, such a policy will induce the businesses and industries to finance a portion of their capital needs from the securities market, he said.

Like the previous year, the secondary bond market, which was introduced in the bourse on January 1, 2005, remained dysfunctional in 2006.

The market absorbed seven new issues, which raised around Tk 177 crore from public through IPO. Most of the IPOs were oversubscribed.

The oversubscription of IPOs

proves that investors did not lose their confidence in the capital market, according to the analysts.

The companies that issued IPOs in 2006 are Jamuna Bank Ltd, S Alam Cold Rolled Steels Ltd, Lanka Bangla Finance Ltd, Bangladesh Industrial Finance Company Ltd (BIFC), Industrial Promotion and Development Company of Bangladesh Limited (IPDC), Brac Bank and Prime Islami Life Insurance.

Of the IPOs issued in 2006, five got listed both on the DSE and Chittagong Stock Exchange (CSE). The rest two companies - Brac Bank and Prime Islami Life Insurance - will be listed on the bourses in January 2007.

Of the 310 securities listed on the DSE, 158 companies and mutual funds declared dividends, 52 issued bonus shares and six declared rights shares.

Trading took place in 228 days on DSE and a total of 832,705,299 shares worth Tk 65,079,115,512 were traded. The highest turnover in a single day was Tk 809,274,385, highest after 1996's bubble and bust, while the lowest was Tk 77,067,509.

The prime indicator, DSE General Index, showed 3.61 percent fall at the end of year to close at 1609.51 points on December 28, the last trading day of the year, starting with 1669.79 points on January 1, 2006. The index rose to the highest 1712.49 points on January 15 while the lowest was 1294.04 points on June 6.

The DSE 20 Index, which comprises blue chips, also declined by

11.98 points to close at 1406.35 points on the last trading day starting with 1597.86 points on the first trading day of 2006. The index rose to the highest 1604.88 points on January 8 while the lowest was 1261.7 points on June 15.

However, DSE All Share Price Index went up by 3.38 percent to close at 1321.39 points on December 28 beginning with 1272.67 points on January 1, 2006. The index reached highest 1349.77 points on September 13 while the lowest was 1003.79 points on June 15.

Evaluating the capital market in 2006, CSE Chief Executive Officer Ghulam Faruque, who is stationed in Dhaka, said the overall situation was well with banking stocks' good performance.

He also said the political uncertainty at the year-end could not affect the market significantly.

As the contract of former chairman of Securities and Exchange Commission (SEC) expired on February 22, career bureaucrat Faruk Ahmed Siddiqi took over as the new chairman of the capital market regulatory body on March 15.

The SEC in January launched guidelines on corporate governance for the listed companies to establish corporate accountability and transparency.

In the first quarter, a group of small investors took to the street twice staging demonstration in front of the DSE building as the premier bourse's share indices went down significantly.

China to expand expressway network by 2010

AFP, Beijing

China plans to expand its national expressway network by more than 50 percent by the year 2010, adding new highways as long as all those in Canada and Germany combined, state media said Saturday.

China plans to add 24,000 new kilometers (15,000 miles) of new expressways to its current 45,400-kilometer network by 2010, the China Daily newspaper reported, quoting Communications Minister Li Shenglin.

China currently has the second-longest road network in the world behind the United States, which boasted a total of 90,000 kilometers in 2005, the paper said.

China will gain ground by 2020, however, with an expressway network expected to stretch 85,000 kilometers, it added.

China has been investing heavily in new transport infrastructure to handle increasing demand as its booming economy leads to rising car ownership and domestic travel.

About 260,000 kilometers of roads have recently been built or upgraded in rural areas, dramatically improving local transport for 30 million people living in 30,000 villages, it said.

China now has 3.48 million kilometers of roads.

In 2006, 8,711 bus stations were added in rural areas, offering millions of residents in about 20,000 villages the chance to ride a public bus for the first time, the paper said.

Bush okays US-Vietnam trade measure

AFP, Crawford, Texas.

US President George W. Bush on Friday signed a proclamation formally extending full US-Vietnam trade ties and made the former foe eligible for US military aid, key steps in normalizing relations.

Bush lifted trade restrictions imposed on Vietnam under the so-called "Jackson-Vanik" amendment of 1974, under which communist nations can enjoy normal trade relations with the United States only if the president grants an

annual waiver certifying that such relations promote freedom of emigration.

"The United States welcomes Vietnam's progress in enacting free-market reforms, and looks forward to Vietnam becoming the 150th member of the World Trade Organization on January 11," said White House spokesman Scott Stanzel.

In a memorandum to US Secretary of State Condoleezza Rice, Bush declared that "the furnishing of defense articles and

defense services to Vietnam will strengthen the security of the United States and promote world peace."

Bush had visited Hanoi and Saigon in mid-November as part of a week-long Asia trip that also took him to Singapore and Indonesia.

The US Congress formally granted Vietnam "permanent normal trade relations" earlier this month, giving that country the same access to US markets that other WTO members enjoy.



Latifur Rahman, president of Metropolitan Chamber of Commerce and Industry (MCCI) Dhaka, speaks at the 102nd annual general meeting (AGM) of the chamber in the city recently.

Commodities mixed at end of record-breaking 2006

AFP, London

Crude futures tumbled in a mixed week for commodities, at the end of a year in which many raw materials saw their prices strike record highs.

Despite light, sweet crude reaching an all-time peak of 78.40 dollars per barrel in New York during July, its price actually ended 2006 down compared with a year earlier.

Commodities generally saw their prices excel for a fifth straight year during 2006, with most striking all-time highs on the back of strong investor demand, which many analysts do not expect to continue in 2007.

The Commodities Research Bureau's index of 17 commodities fell to 306.45 points on Friday at about 1530 GMT, from 308.89 points a week earlier.

GOLD: Gold prices rebounded this week from a seven-week low. Gold tends to benefit from geopolitical tensions owing to the metal's safe-haven status.

Gold prices climbed 23 percent in 2006.

On the London Bullion Market, gold prices jumped to 632 dollars per ounce at Friday's morning fixing, from 619.75 dollars one week earlier.

SILVER: Silver prices advanced close to 13 dollars per ounce.

Silver prices had struck a near eight-month high of 14.18 dollars per ounce on December 5. The metal rose by 45 percent in 2006.

PALLADIUM AND PLATINUM: Palladium and platinum edged lower.

Palladium prices jumped 28 percent in 2006, while platinum gained 16 percent over the year.

BASE METALS: Base metals prices mainly rose, led by tin which struck the highest level for 17 years.

The price of tin broke multi-year high points owing to expectations of a supply deficit in 2007 caused mainly by a drop in Indonesian output.

The price of tin has risen by about 79 percent in 2006.

Expectations of a deficit have meanwhile been fuelled by a recent move by Indonesian authorities to

shut about 20 illegal tin smelters.

Indonesia is the world's second-biggest tin producer, behind China.

Meanwhile copper prices fell this week amid news that demand for the metal in China, the world's largest consumer of copper, is likely to fall seven percent this year to 3.4 million tonnes, the first decline so far this decade.

Base metals have soared to record and multi-year highs in 2006 on a combination of strong demand by investment funds amid robust economic growth in China, as well as output disruptions.

Nickel led commodity price rises in 2006, rocketing 150 percent. Zinc meanwhile soared 122 percent over the year.

OIL: World oil prices tumbled briefly below 60 dollars per barrel in New York on Friday as the market focused on the US mild winter, rather than unrest in oil-producing nation Iran or news of a huge drop in stockpiles of US crude.

"The markets seem to have assumed a year-end liquidation mode with a singular focus on weather," Fimat analyst John Kilduff said.

The DoE report showed that levels of distillate products, which include heating oil, increased 500,000 barrels to 133.6 million over the week, in line with most forecasts.

Oil prices had meanwhile rocketed to record high points above 78 dollars per barrel during the northern hemisphere summer owing to unrest in the oil-rich Middle East and supply disruptions.

However they have since tumbled, with light, sweet crude down about 1.5 percent since the start of 2006 and Brent crude up only 2.0 percent over the year.

RUBBER: Rubber prices jumped for a second week running to reach the highest points since August.

On TOCOM, Tokyo's commodity exchange, natural rubber for May delivery advanced to 249.10 yen per kilogram on Friday, from 233.30 yen a week earlier.

COFFEE: Coffee prices rose close to recent highs. London

Robusta coffee futures gained ground "on fund and trade buying on strength in New York," Davies said.

"New York Arabica coffee futures were stronger on speculative and fund buying, but with little fundamental news to justify" the move higher, he added.

Robusta's price jumped 36 percent in 2006, while Arabica gained 17 percent over the year.

SUGAR: Sugar prices fell slightly during a quiet week's trading.

"The tone of the market went from stable to disappointing," Fimat analyst James Cassidy said.

Davies of Sudden said the market remains under pressure from expectations of a global supply surplus in 2006/07.

GRAINS AND SOYA: Grains and soya prices mostly advanced.

AG Edwards analyst Victor Lespinasse said prices were being supported by expectations that there will be a big wave of fund buying at the beginning of 2007.

"It usually happens in the beginning of the year and no one wants to be short," he said.

In Chicago trade, maize prices surged 81 percent in 2006, while wheat jumped 49 percent and soya rose 11 percent over the year.

Maize for March delivery climbed to 3.90 dollars per bushel on Friday, from 3.78 dollars the previous week.

January-dated soybean meal - used in animal feed - jumped to 6.76 dollars on Friday, from 6.53 dollars the previous week.

COTTON: Cotton prices gained further as the market awaited more Chinese buying. The Cotton Outlook Index of physical cotton stood at 59.75 US cents on Thursday, from 59.40 cents a week earlier.

WOOL: The Australian wool markets, shut over the festive holiday period, reopens on January 8. The Eastern index had stood at 8.39 Australian dollars per kilo on December 14.

WHEAT: Wheat prices jumped 33 percent during 2006.

Vietnam posts 8.2pc growth

AFP, Hanoi

Vietnam's economy grew nearly 8.2 percent in 2006 compared to the previous year, one of the fastest rates in Asia but slightly below last year's figure, official statistics showed Friday.

Industry and construction drove the expansion, increasing 10.4 percent, while services were up 8.3 percent and agricultural output expanded by 3.4 percent, said the Government Statistics Office (GSO).

Vietnam's gross domestic product (GDP), the total value of goods and services produced in the country, reached 973,791,000 billion dong (60.5 billion dollars), said the official statistics.

The year-on-year growth rate of 8.17 percent was close to Prime Minister Nguyen Tan Dung's prediction of 8.2 percent made to the national assembly in October, but below the expansion of 8.4 percent booked in 2005.

"Industrial production was down compared with 2005," when factory and manufacturing output expanded by nearly 10.7 percent, said the GSO, blaming in part a drop in oil production from 18.5 million to 17 million tonnes.

Vietnam has large offshore oil reserves in its South China Sea territory but lacks operational refineries, forcing it to import petroleum products and leaving the country vulnerable to fluctuations in world oil prices.

India to set up \$500m power plant in Lanka

PTI, New Delhi

India's state-run National Thermal Power Corporation (NTPC) has signed a memorandum of agreement (MoA) with Ceylon Electricity Board (CEB) and Sri Lankan government to set up a 500MW coal-based thermal power plant in the neighbouring country.

The power plant would cost around USD 500 million and is expected to begin operations by 2011, and NTPC release said.

This would be the public sector company's first overseas project. NTPC would shortly commence selecting a site for the plant in Trincomalee that would be funded at a debt-equity ratio of 70:30.

The 2x250MW project would be developed through a joint venture company between NTPC and Ceylon Electricity Board. The two companies would hold 50 percent equity each in the Joint Venture.

The MoA was signed Friday by NTPC Ltd CMD T Sankaralingam, Sri Lankan Power and Energy Secretary MMC Ferdinando and CEB Chairman Perera. Indian Power Secretary RV Shahi, Indian High Commissioner Alok Prasad were also present at the ceremony.



Naznin Moeen, patron of Sena Paribar Kalyan Samity, inaugurates the 'Millennium Corporate Branch' of Trust Bank Ltd at Shaheed Jahangir Gate in Dhaka yesterday. Iqbal U Ahmed, managing director and CEO, among other senior officials of the bank, was present at the opening ceremony.

France opens economy to EU newcomers

AFP, Paris

France has decided to open up seven sectors of its economy to workers from Romania and Bulgaria when the two eastern European countries officially join the EU bloc on January 1, the labour ministry announced Friday.

Restrictions will remain in place for the rest of the economy to prevent a feared influx of labour from the relatively poor newcomers to the 25-member European Union.

Sixty-two types of jobs in the

seven sectors will be available to immigrants from Romania and Bulgaria in parts of the economy where labour shortages have been identified, the ministry said in a statement.

The seven sectors are construction and public works, the hotel, catering and food industry, farming, mechanical and metal-working industries, processing industries, retail and the sanitation business.

These parts of the French economy were opened for the first

time in May this year to the eight eastern European countries which joined the EU in 2004.

The rapid expansion of the EU to incorporate former Communist countries in eastern Europe has led to different responses from existing members.

Some such as Ireland and Finland have opened their labour markets to foreign labour, while others such as France, Germany and Denmark have imposed restrictions with the aim of protecting domestic jobs.



Eastern Bank Ltd Chairman AQI Chowdhury inaugurates the bank's 25th branch on Ring Road at Shyamali in Dhaka on Thursday. The bank's Managing Director K Mahmood Sattar and Additional Managing Director Ali Reza Iftekhare were also present.

Tourist arrivals in Thailand up 18pc in 2006

AFP, Bangkok

Tourists shrugged off Thailand's political woes in 2006 and poured into the country in record numbers, sending arrivals up 18.5 percent to 13.65 million, the tourism authority said Saturday.

Despite a year marked by political protests and a coup in September, the Tourism Authority of Thailand said the 13-billion-dollar industry has rebounded from the devastating effects of the tsunami that hit two years ago.

The bloodless coup that ousted twice-elected premier Thaksin Shinawatra caused a brief interruption in the sector's recovery, said TAT spokesman Chattan Kunjara NaAyudhya.

"Absolutely, there were some cancellations after the coup, but the increased arrivals prove that those who cancelled have already returned to Thailand," he told AFP.

"Tourism in the tsunami-affected area has totally recovered to the pre-tsunami period," Chattan added.

In Thailand, some 5,400 people were killed by the Indian Ocean tsunami and roughly half of the victims were foreign holidaymakers. The giant waves killed about 220,000 people in 11 countries.

Mitsubishi, GE to tie up on wind, nuclear power

AFP, Tokyo

Japan's Mitsubishi Heavy Industries plans to work with US conglomerate General Electric on nuclear and wind power generation ventures, a newspaper said Saturday.

Under the plan, the two firms will jointly bid for a 300-million-dollar project to boost capacity by 20 percent at the 1.36-million-kilowatt Laguna Verde nuclear plant in Mexico, the Nihon Keizai Shimbun reported.

If their bid is accepted, General Electric intends to supply peripheral reactor equipment while Mitsubishi Heavy will supply steam turbines, the business daily said.

General Electric has already agreed to work with Mitsubishi's rival Hitachi on nuclear power projects amid growing interest worldwide in nuclear energy, particularly in the United States.

Mitsubishi Heavy also plans to supply General Electric with step-up gears, a key wind turbine component, as early as 2008 in a bid to lower production costs and increase its market share in the wind power industry, the daily said.



S Renganathan, country manager (Bangladesh) of Commercial Bank of Ceylon Ltd, hands over a cheque for Tk15 lakh to Zaheda Ispahani, adviser to Islamia Eye Hospital in Dhaka, at a function yesterday. The amount will be used for completion of the Children's Eye Care Unit of the hospital. Senior officials from both the sides were also present.