

Star Business

DHAKA WEDNESDAY OCTOBER 21, 2009

Stocks

DGEN ▲ 0.60%
3,326.08

CSCX ▼ 2.53%
7,194.64

Asian Markets

MUMBAI ▼ 0.59%
17,223.01

TOKYO ▲ 0.98%
10,336.84

SINGAPORE Flat

SHANGHAI ▲ 1.52%
3,084.45

Currencies

Buy Tk Sell Tk
USD 68.48 69.48

EUR 100.71 105.99

GBP 110.41 115.86

JPY 0.74 0.81

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold ▲
\$1,064.00
(per ounce)

Oil ▲
\$80.05
(per barrel)

SOURCE: AFP
(Midday Trade)

News in Brief

Oil strikes \$80

AFP, London

The price of oil hit 80 dollars for the first time in a year on Tuesday thanks to growing optimism surrounding global economic recovery, before pulling back on profit-taking, traders said.

New York's main contract, light, sweet crude for delivery in November, reached 80.05 dollars a barrel -- the highest point since October 14, 2008.

It later stood at 79.29 dollars, down 32 cents compared with Monday's close.

Elsewhere on Tuesday, London's Brent North Sea crude for December delivery dipped 23 cents to 77.54 dollars in London trading.

UK digs in over EU financial reform

AFP, Luxembourg

Britain could block any EU financial reform proposals seen as impinging on its fiscal sovereignty, a senior Treasury official said Tuesday as EU finance ministers met in Luxembourg.

The British government source said some countries at the talks were attempting to change a deal agreed by the EU council in June in which European leaders agreed financial supervision should not undermine fiscal sovereignty.

"Any attempt to unpick or go further may just cause deadlock," said the source, adding: "The hold-up is not with us."

"The minute the June deal is back on the table, we can make very quick progress," he continued.

Contact Us

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Assistant US Trade Representative for Central and South Asia Michael J Delaney, middle, speaks at a discussion on US-Bangladesh trade and investment relations in Dhaka yesterday.

Push for duty cut, not free access

US trade envoy says in recommendation for Bangladesh exports

STAR BUSINESS REPORT

Bangladesh should push for duty reduction and preference programme rather than demanding duty-free access of its products to US market, said Assistant US Trade Representative (USTR) for Central and South Asia Michael J Delaney yesterday.

The third option for Bangladesh is to continue negotiation for signing a free trade agreement (FTA) with the US for getting bilateral trade advantages, he said.

"But, it (FTA) is highly theoretical and it may not be possible for Bangladesh right at this moment," Delaney said at the monthly luncheon meeting of American Chamber of Commerce (AmCham) in Bangladesh at Dhaka Sheraton hotel.

He said the US has already signed Tifa with more than 30 trading partners, including Pakistan, Sri Lanka, Afghanistan, a group of Central Asian nations and ASEAN. "We would like Bangladesh to be our next Tifa partner," he said.

Delaney said: "Tifa can be a step-

ping stone to future trade agreements between our nations, but at its heart Tifa is simply an agreement in which both sides agree to meet regularly and explore opportunities to expand economic relations."

Delaney also said the right policy environment could improve trade and investment between the two countries. One mechanism that can help create this environment is a Trade and Investment Framework Agreement or Tifa, he said.

Tifa can yield many direct benefits, he said, adding that a US-Bangladesh Tifa would serve as a forum for government and business representatives from the two nations to discuss economic issues of mutual interests.

Its (Tifa) objectives include improving cooperation and enhancing opportunities for trade and investment, he added.

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ping stone to future trade agreements between our nations, but at its heart Tifa is simply an agreement in which both sides agree to meet regularly and explore opportunities to expand economic relations."

The visiting USTR official said the US embassy and USTR office look forward to further talks and ultimately signing an agreement with Bangladesh.

He said in addition to Tifa, Bangladesh can increase its exports to US immediately by utilising the generalised system of preference (GSP) as it has been allowing the country to export certain goods to US with low or no duty since 2006.

Despite the fact that Bangladesh could export 4,800 different products with little or no duty under GSP, Bangladesh only exported 330 GSP-eligible products to the US in 2008. These products represented \$21.6 million in exports, or only 0.6 percent of all Bangladesh exports to the US in 2008.

The export amount under the GSP is very low, Delaney said, adding that Bangladesh can ship

china and kitchenware in increased volume to the US under duty-free facility.

"Bangladesh already exports china to the US, but I would argue that, given the strength of this sector here, Bangladesh should actively seek new buyers for its china and increase exports in this area," he said.

He said USTR is currently reviewing Bangladesh's progress on labour issues following the submission of a petition by the American Federation of Labour and Congress of Industrial Organisations to suspend Bangladesh's GSP benefits. "I am delighted by the progress Bangladesh has made in addressing the concerns outlined in the petition," Delaney said.

US-Bangladesh bilateral trade exceeded \$4 billion last year and the US exported cotton, yarn, fabric, machinery and food grain worth \$468 million to Bangladesh, he said.

AmCham President Aftab Ul Islam moderated the meeting where businessmen from home and abroad, entrepreneurs and diplomats were present.

Experts unaware of Tifa details

STAR BUSINESS REPORT

Businesspeople, economists and trade experts are unaware of what are in the draft of the proposed Trade and Investment Framework Agreement (Tifa) between Bangladesh and the US.

They expressed their unawareness at a discussion in presence of the visiting Assistant US Trade Representative for Central and South Asia, Michael J Delaney, who came to Bangladesh to discuss the Tifa with the government.

Policy Research Institute (PRI), a private research organisation, and The Financial Express, an English daily, jointly organised the discussion on US-Bangladesh trade and investment relations at the office of PRI with its adviser Yussuf Abdullah Haroon in the chair.

Annisul Huq, president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), said he is completely unaware of the contents of the draft Tifa.

"We don't know what are in the draft Tifa proposal. The issue should be discussed thoroughly involving stakeholders," Huq said.

Prof MA Taslim, chief executive officer of Bangladesh Foreign Trade Institute, and Prof Mustafizur Rahman, executive director of Centre for Policy Dialogue, also echoed the views of the FBCCI president on the draft Tifa proposal.

Taslim said: "We haven't seen the document yet although the discussion between the two countries started in 2003."

But he said there must be something bothering both the sides as no progress has been made in the last six years.

Mustafizur Rahman said he is also completely unaware of the contents of the draft Tifa proposal.

"It should be made public and discussed in parliament also," he said.

Mahbubur Rahman, president of International Chamber of Commerce, Bangladesh, raised question about transparency of the proposed Tifa. He also criticised the government for not involving the stakeholders in the process.

Delaney said: "Under the Tifa, we will create a trade and investment council where representatives of our two governments will meet at regular intervals, typically once a year, to discuss issues of mutual interests."

He said the Tifa would further enhance annual two-way trade between Bangladesh and the US. The two-way trade between the nations amounted to \$4.2 billion last year, of which Bangladesh exported goods worth nearly \$3.7 billion.

The speakers however said any disturbance in relationship with the US would affect Bangladesh as it relies heavily on the world's economic powerhouse for exports.

The US is the single largest export destination of Bangladeshi products.

Former finance adviser AB Mirza Azizul Islam and Executive Director of PRI Ahsan H Mansur said there should not be anything in the Tifa that may cut Bangladesh's edge in intellectual property rights given by the World Trade Organisation for a period until 2016.

Zaidi Sattar, chairman of PRI, and Moazzem Hossain, editor of The Financial Express, also spoke.

16 firms under scanner

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An abnormal hike in share prices, especially of some companies that had been in the red for years, has evoked a debate over possible manipulation of those in the stock market.

On allegations of such manipulation, the Dhaka bourse opened a probe on Sunday to find out what made the share transaction of 16 companies so unusual.

As of yesterday, the overall market PE (price-earning) was 19.55, which was 18.21 at the end of September this year. The August PE was 17.50.

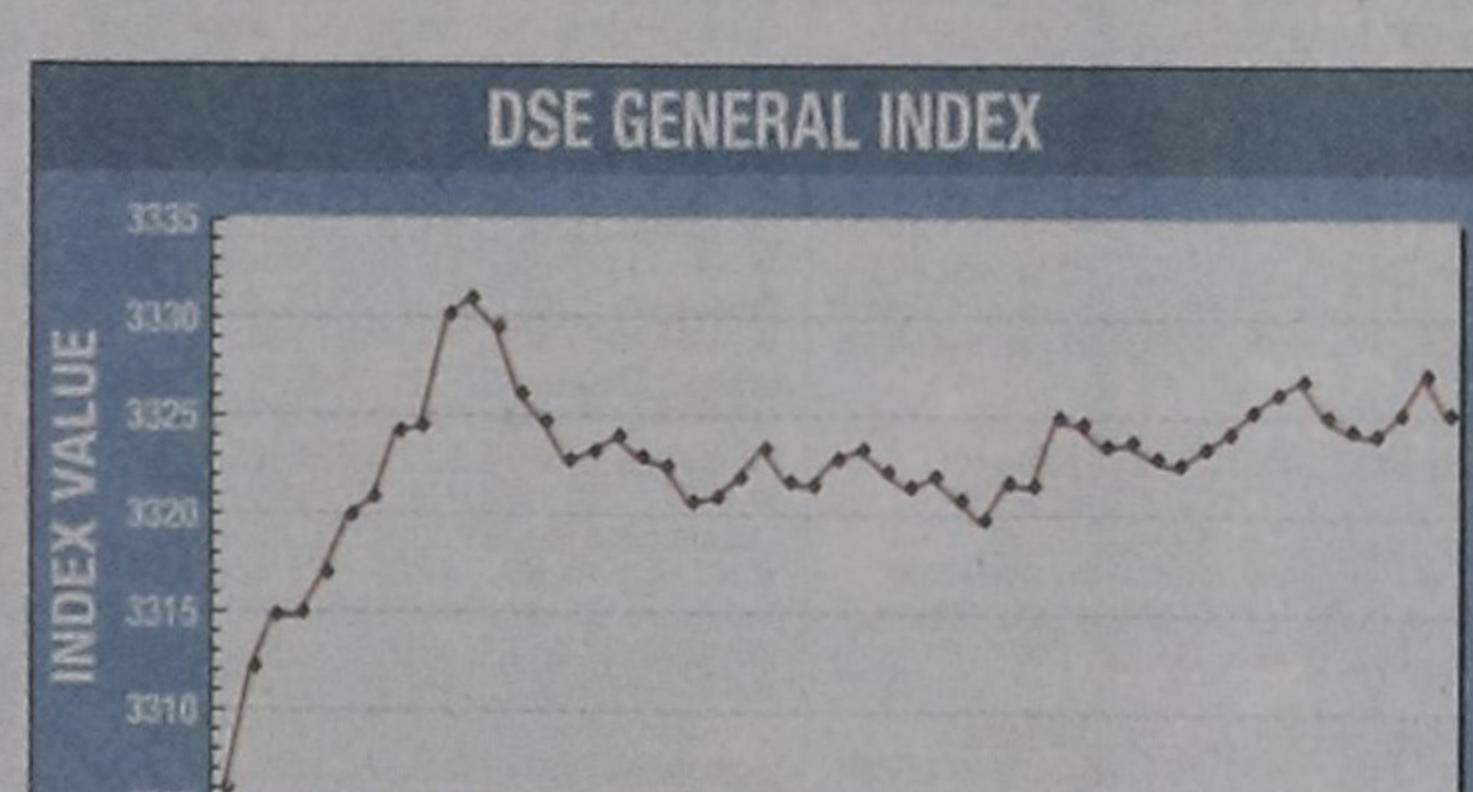
But stock-wise PE ratio is extremely high for many companies. And the ratio is infinite for those poor performing firms, meaning returns from investment on such companies cannot be assumed.

Share prices of such laggard companies are on the rise, although transaction and price movement of these companies' shares do not match their fundamentals.

Market insiders say some influential investors by disseminating rumours are trying to manipulate the prices of shares of the companies under question. They also took advantage of the weak monitoring by the regulator and the Dhaka Stock Exchange management.

The 16 companies that came under the prime bourse lens are: Meghna Condensed Milk, Meghna Pet, Padma Cement, Shaympur Sugar Mills, Zeal Bangla Sugar Mills, Aziz Pipe, Samata Leather, Chittagong Vegetables, Northern Jute, Alfa Tobacco, Quasem Silk, Modern Industries, BLTC, Safo Spinning, Beach Hatchery and CMC Kamal.

Of them, only Beach Hatchery is being traded under A-category.



as the company has been upgraded recently from Z-category following a 10 percent dividend disbursement. The rest 15 belong to Z category.

When contacted, DSE Acting Chief Executive Officer Satipati Moitra refused to make comments on the investigation over telephone.

Securities and Exchange Commission Chairman Ziaul Haque Khondker, however, said these "errant" companies are under SEC watch as well.

"We have already directed the Dhaka bourse to put 51 laggard companies on the over-the-counter (OTC) market," he said, sounding a warning of stringent action against the companies, if allegations are found valid.

SOME EXAMPLES

Padma Cement had declared a 12 percent dividend for shareholders in 2002, the year it was listed on DSE.

Since then, the company had not announced any dividend and was incurring losses until 2008. The company shares traded below Tk 5 until February this year, an amount less than half its face value of Tk 10 each.

Share prices shot up by more than 600 percent just in eight months, not on the basis of

company fundamentals, but on several rumours about a change in company management, a merger and new investments by some influential persons.

Quasem Silk is another company whose share prices suddenly skyrocketed from Tk 3 in February to Tk 10 in a short span. Following the abnormal hike, the SEC suspended Quasem Silk share trade.

However, the trade resumed on October 7 on a court order, and the price of each share rose as high as Tk 28 just within 10 trading days. Earlier, some investors filed a writ petition against the SEC suspension move.

But DSE's recent probe finds that production of the textile company remained closed since 2002 and the entrepreneurs had sold off most of its land, building and machinery at Tk 1.10 crore.

CMC Kamal, a textile mill, is another example of share prices surging since August. It was trading below its face value of Tk 100 at the time, but traded at Tk 280 each yesterday.

The company had not given any dividend since 2005, but its prices were going up from August.

DGEN, turnover reach new high

STAR BUSINESS REPORT

The benchmark index of the Dhaka Stock Exchange reached a new height of 3,326 points yesterday, backed by price rallies in the fuel and power and non-banking financial institution (NBFI) sectors.

Earlier, the DSE General Index (DGEN) hit an all time high of 3309.52 points on Sunday.

The single-day turnover on the premier bourse also reached another new high of Tk 1245.17 crore yesterday, surpassing the previous record of Tk 1,216 crore on Monday.

The market started gaining about 27 points in the first forty-five minutes, reaching a peak of 3,333 points.

It then fell marginally, and remained more or less stable till the end of the session.

All but one of the fuel and power companies advanced, with Titas Gas gaining 3.45 percent, Desco 4.76 percent and Jamuna Oil 6.6 percent.

Except one, all the NBFI also rose.

The broader DSE All Share Price Index increased 15.47 points, or 0.55 percent to 2,787.82.

Losers however beat advancers 126 to 111. A total of 6,20,69,925 shares and mutual fund units were traded on the prime bourse.

Titas Gas topped the turnover leaders with 18,96,950 shares worth Tk 133.44 crore being traded on the DSE.

Rangpur Foundry, which advanced 17 percent, was the largest gainer, while Meghna Pet, which declined 12.46 percent, was the biggest loser.

Chittagong stocks however closed mixed yesterday. The CSE Selective Categories Index dropped 187.06 points, or 2.53 percent to 7,194.64. The CSE All Share Price Index rose 35.61 points, or 0.33 percent to 11,462.28.

US firm to launch pharma consultancy

SAYEDA AKTER

Amretek Pharma, a US-based pharmaceuticals consultancy, is set to roll out full-fledged operations in Bangladesh by November, aiming to enhance the quality of local medicines.

The company will provide strategic tools and systems to pharmaceuticals in Bangladesh to make high-quality medicines, said Anowar Sadat, chief of the company's local operations.

"Manufacturing good-quality medicine and acquiring more export markets are interconnected and Amretek comes to bridge the gap and bring companies in compliance with each country's export regulations and standards," he said.

"We would mainly provide consultancy service and facilitate the local pharmaceutical sector with experiences and expertise the company gathered in the US," Sadat said.

"Formal operations will start by the end of November, when our pharmaceutical experts from the US and UK come to Bangladesh to visit the production units of different companies and find areas that need improvements," he added.