

DHAKA TUESDAY OCTOBER 27, 2009

Stocks	
DGEN	1.16% 3,356.51
CSCX	0.77% 7,249.84

Asian Markets	
MUMBAI	0.42% 16,740.50
TOKYO	0.77% 10,362.62
SINGAPORE	0.05% 2,716.62
SHANGHAI	0.06% 3,109.57

Currencies	
Buy Tk	Sell Tk
USD 68.55	69.55
EUR 100.78	106.56
GBP 109.73	115.64
JPY 0.73	0.82

SOURCE: STANDARD CHARTERED BANK

Commodities	
Gold	\$1,061.75 (per ounce)
Oil	\$80.01 (per barrel)

SOURCE: AFP
(Midday Trade)

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SEC curbs loans for mutual funds

SARWAR A CHOWDHURY

A restriction on margin loans for mutual funds, announced by the capital market regulator yesterday, held back an upward trend in the transaction of such funds on Dhaka Stock Exchange.

In a circular, the Securities and Exchange Commission (SEC) asked merchant banks, portfolio managers, brokers and dealers to immediately stop margin loans until further order.

Market observers see the regulator's new directive as a move to cool down the investment sector that was on the bull-run, influenced by speculations about a verdict on a mutual fund case.

Meanwhile, Aftab Automobiles shares have also been brought under the purview of this margin loan restriction.

Investments by borrowing in mutual funds have become too risky, the market watchdog thinks.

Being advised, the DSE reported margin loan suspension through its server at 10:58am, just before the day trade time. The SEC directive was posted on the web at 12:21pm.

The mutual fund price loss marked the beginning of trade. All but one such funds declined 4-17 percent at the closing hour.

"The SEC move will lead to a short-term correction in the prices of mutual funds," Arif Khan, deputy managing director of IDLC Finance, told The Daily Star.

The imminent court verdict on the pending case has fuelled speculations about dividend announcement, which resulted in a high value of mutual funds, he said.

He, however, said, "A short-term price correction instead of a big or long-term correction would be healthy for the market."

The High Court on Thursday said it would hand down the verdict on the mutual fund case on November 4.

In August last year, the HC stayed the dividend declarations by all mutual fund managers until disposal of a writ petition filed with the HC challenging the SEC modifications of mutual fund rules.

The HC also stayed the stock market regulator's ban on the issuance of bonus shares or rights issues for closed-end mutual funds.

Currently, 18 mutual funds are being traded on the premier bourse.

Earlier on Wednesday, the SEC suspended margin loan facilities against 28 companies, mostly under A and B category.

The mutual fund price decline also pulled down the price indices of the prime bourse.

YESTERDAY'S PRICE FALL ON DSE	
Mutual Fund	Decline in percent
1stBSRS	9.82
1stPrime	12.10
2ndICB	5.91
3rdICB	6.41
4thICB	4.61
5thICB	6.76
6thICB	11.89
7thICB	11.31
8thICB	12.06
AIMS 1st	16.46
EBL 1st	6.66
Grameen One	16.93
Grameen Two	10.85
ICB 1stNRB	14.20
ICB 2ndNRB	8.88
ICB AMCL 1st	12.40
ICB Islamic	10.98

The benchmark DSE General Index fell 14.92 points, or 0.44 percent to 3,341.59. The broader DSE All Share Price Index dropped 13.71 points, or 0.48 percent to 2,800.05.

Chittagong stocks however closed mixed yesterday. The CSE Selective Categories Index gained 2.05 points, or 0.2 percent to 7,251.89. The CSE All Share Price Index declined 17.74 points, or 0.15 percent to 11,540.29.

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crore. This has also lowered the rate of interest on deposits.

In terms of deposit rate, savings instruments now offer the most attractive interest rate. At present there are three types of savings instruments in circulation with interest rate of 11.50 percent, 12 percent and 12.50 percent.

The post office savings rate is the highest at 12.50 percent.

The Bangladesh Bank official said people now are opting for the savings instruments and investment in the capital market as a result of the cut in interest rates on deposits.

Internal Resource Division officials said they are going to re-introduce Family Savings Instrument. Once it was in circulation but later was closed. It will be re-introduced soon, the officials said.

As the sales of savings certificates increased, the government did not need to borrow from the banking system rather it repaid Tk 681 crore previous debts through foreign assistance dropped. The amount of net foreign assistance received by the country so far in the current fiscal year is Tk 37 crore against Tk 164 crore in the previous fiscal year.

However the finance ministry officials said the rate of interest on savings instruments is much higher than those of bank loans and foreign aid. As a result, the cost on account of payment of interest would be much more, they said.

In the revenue budget the second biggest expenditure was on account of interest payment.

year. The official however said the sales of these certificates fell by 7 percent in fiscal 2007-08 compared to the previous year.

The sales increased by about 14 percent in the last fiscal year as the interest rate on bank deposits fell substantially.

According to central bank statistics, the average deposit rate was 7.52 percent in March last fiscal year. It came down to 7.01 percent in June.

Officials at private commercial banks said the rate fell further in the recent times. Interest rate on deposit slid in about 11 banks last month.

An official of a private bank said the Bangladesh Bank has capped lending rate at 13 percent. As a result all banks had to lower the interest rate on deposits.

An official of Janata Bank said, besides this the banks have a huge excess liquidity now -- about Tk 38,000

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BKMEA to hold labour festival

BSS, Dhaka

Bangladesh Knit Manufacturers and Exporters Association (BKMEA) is set to hold a daylong labour festival for the second time at Osmani Stadium in Narayanganj on December 18.

A series of programmes, including traditional cultural shows and concerts, will be organised during the festival.

The festival is expected to draw more than one lakh workers from Narayanganj, Savar and Gazipur, BKMEA said in a statement yesterday. BKMEA held the first labour festival on October 24 last year.

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Nobel laureate Muhammad Yunus, founder and managing director of Grameen Bank, delivers a speech at the plenary session - the Response to the Global Economic Downturn -- of the European Development Days meeting in Stockholm, Sweden, on October 22. The yearly event hosted jointly by the European Commission and the EU Presidency brought some 4,000 people and 1,500 organisations from the development community together on an equal footing.

ADB signs \$744m recovery fund

STAR BUSINESS DESK

The Asian Development Bank (ADB) signed four agreements yesterday to lend Bangladesh \$744 million to help fight off the effects of global recession.

Of the total allocation, a \$500 million loan under the countercyclical support facility (CSF) will support the government's efforts to mitigate the worst effects of the global economic crisis, ADB said in a statement.

Three other loans of \$244 million under the public expenditure support facility (PESF) will support government measures to introduce economic and social policy reforms.

ADB emphasises that the reforms are essential to achieve higher and more inclusive long-term growth and strengthen social safety net programmes.

Musharraf Hossain Bhuiyan, secretary of Economic Relations

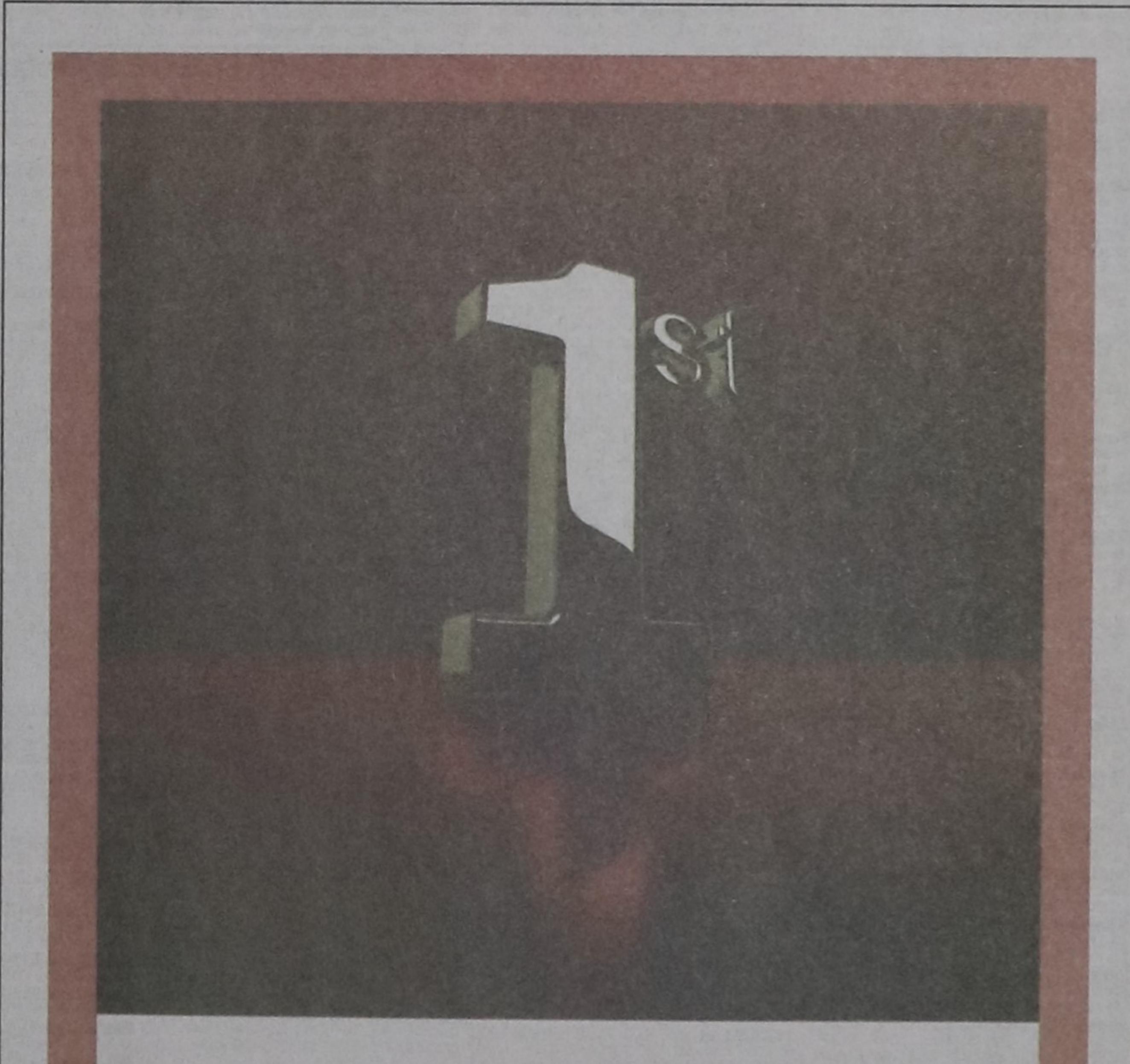
Division (ERD), and Paul J Heytens, ADB's country director for Bangladesh, signed the agreements at a ceremony at ERD in Dhaka.

"The CSF loan will help the government to stimulate economic recovery and move ahead with its social safety net programmes to cushion the impact of the crisis on the poor and vulnerable while maintaining macroeconomic stability," said Heytens.

"The PESF is equally vital to help the government deliver key public policy reforms," he said.

Sound economic management has enabled Bangladesh to weather major external shocks and sustain its growth momentum, even if it has not been spared from the adverse effects of rising petroleum and commodity prices, and natural disasters such as floods and cyclones, ADB said.

The loans came after a visit to



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