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Edible oil prices edge up

SOHEL PARVEZ

The local edible oil markets may be feeling the heat of rising global palm oil prices, as the current price is 9.5 percent higher than mid-June's price.

Both palm oil and soybean oil rose. The retail price of unpackaged palm oil edged up 4 percent to Tk 75 per kg yesterday from early this month.

Unpackaged soybean oil traded at half of one percent higher yesterday compared with the beginning of the month, according to data compiled by state-run Trading Corporation of Bangladesh. Prices of packaged soybean oil also went up.

"Refiners raised the retail prices of edible oil in containers by Tk 2-4 a litre in early-Ramadan, on the grounds of a rise in prices on the global market," said Md Nowshad Alam, head of procurement of retail chain Meena Bazar.

Tariq Ahmed, director (operation) of one of the main importers and refiners, TK Group, last week said prices shot up on the international market in the prior three weeks.

"Global palm oil output is feared to be lower than [early] estimates, while increased demand from India and for Ramadan also pushed up the prices," said Ahmed.

"But the impact is yet to come to the local market. Still, the domestic market price is below the



present global market, as the edible oil now available at retail and wholesale level was imported in between mid-June and mid-July," he said.

According to Commodity Markets Review of World Bank, global palm oil prices rose by \$5 a tonne in April-June quarter from \$808 a tonne in January-March. Current concerns of disruptions to harvesting and poor yields in major growing areas also fuelled price rises.

One local refinery official said a healthy profit outlook amid rising global prices encouraged some wholesalers to hold on to stocks. But the

wholesalers accuse the refiners of cutting their supplies at the government-fixed price.

Abul Hashem, general secretary of the wholesalers' body of edible oil, said oil refiners are now reluctant to contract for deliveries at the government-fixed mill gate prices.

Hashem said the wholesale prices have been going up since the beginning of this month. He is a trader at Moulvibazar, a wholesale market of essentials in Dhaka, as well as a spokesperson for Bangladesh Paikari Vojjyotel Baboshayee Samity.

Importers argue that the price rise remains low compared to the world market because of the government's factory-price setting.

Early this month, global palm oil prices climbed on concerns that heavy rainfall and floods will disrupt harvesting in the world's two major palm oil exporters, Indonesia and Malaysia. Speculation of a likely decline in US soybean yields also pushed palm oil prices up, according to the financial news agency Bloomberg.

Biswajit Saha, general manager of City Group of Industries, claimed that refiners are now selling palm and soybean oil at the government-fixed prices of Tk 72 and Tk 76 at mill gate.

Ahmed predicted that prices would not surge on the local market given that present stocks are ample. sohel@thedailystar.net

BB curbs stock holdings of financial sector

REJAUL KARIM BYRON

Bangladesh Bank has restricted financial institutions' investments in the stockmarket to 25 percent of their paid-up capital and reserves.

In a circular yesterday, the central bank made it clear that the institutions that have crossed the ceiling will have to cut investments to fall in line with others.

Some financial institutions have invested more than the ceiling, putting their investments at stake, according to the circular.

However, any financial institution will be able to invest up to half of their paid-up capital, but it is subject to permission from the central bank.

The circular also pointed to the rising dependence by some financial institutions on short-term loans like call money.

"To cut risks, we've advised the financial institutions to bring down their investment to a limit banks follow," said a central bank high official.

According to a recent BB study, 18 among 29 financial institutions including banks have invested, as of June 30, more than 25 percent of their paid-up capital and reserves, eight more than 50 percent and seven more than 100 percent.

Besides, the amount of such investment by 10 institutions was higher than their total liabilities.

The study also points out that apart from these seven institutions, all other institutions are borrowing from call money market in the one hand, and on the other, investing in the share market.

By June 30, these institutions took Tk 777 crore loans from the call money market, while their investments in the share market stood at Tk 1,538 crore.

During the period, the financial institutions had capital and reserves worth Tk 3081 crore when the total liabilities were Tk 22,700 crore.

BB officials said it is a difficult task to prove if these institutions are investing the

Financial institutions
BY THE NUMBERS

Total capital
Tk 3,081 crore
June 2010

Investment in stockmarket
Tk 1,538 crore
June 2010

Borrowing from call money market
Tk 777 crore
June 2010

Net income
Tk 585 crore
December 2009

money borrowed from call money market in the stockmarket, as such an institution has day-to-day several outflows and inflows.

However, taking the overall scenario into their consideration, the officials assumed theirs was an investment of the money borrowed from the call money market.

The central bank also observed that 14 financial institutions earn 50 percent of their net profit from the investments in the share market. Three institutions earned 100 percent of their net profit from such investments.

Had not these institutions made any profit from capital market investments, those would have faced loss, according to BB officials.

They see such excessive dependence on share market as 'not desirable in a healthy financial environment.'

In the case of banks, BB primarily found that eight have crossed the limit for share market investments. The central bank has given a timeframe to bring down such limit but taken no swift action against these irregularities so that the banking sector does not feel any adverse effect.

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	6,760.55
CSCX	▲ 0.25%
	7,350.16
IDLC Index	
IDLC 50	▼ 0.67%
	6,825.76

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Talks likely on new RMG wage before Eid

BSS, Dhaka

The government plans to sit with the owners of RMG units to implement the sector's new wage structure before the Eid-ul-Fitr.

An inter-ministerial meeting in Dhaka yesterday revealed it.

Trade of two firms halted

STAR BUSINESS REPORT

The premier bourse suspended trading of two listed firms for a day after an abnormal jump in their shares prices.

The two companies -- Keya Cosmetics and Keya Detergent -- resume trading today. However, the Dhaka Stock Exchange may suspend their trading if irrational behaviour is seen further in their stocks prices.

Before their trading came to a halt at around 1:15pm yesterday, each Keya Cosmetics share jumped 11.67 percent, while Keya Detergent went up 4.96 percent.

DSE also wanted to know from the companies whether there was any price sensitive information behind the unusual price hike.

In response, both the companies said

there was "no undisclosed price sensitive information for the recent unusual price hike", according to a DSE web posting.

Market insiders, however, said there was a rumour that the Keya companies are likely to offer rights shares.

The prime bourse also asked four other companies whether there was any undisclosed price sensitive information, as their shares prices marked unusual rise.

The companies -- Fine Foods, National Tubes, Navana CNG and Eastern Cables -- replied that there was no undisclosed price sensitive information for the unusual price hike.

Price of each Fine Food share went up by 12.1 percent yesterday, while National Tubes rose 7.25 percent and Navana CNG 3.72 percent. Eastern Cables, however, declined 1 percent after the DSE query.

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- Green Business Entrepreneurships: mainstream businesses with environment friendly operations

Nomination forms and programme details can be found in www.hsbc.com.bd and www.thedailystar.net. Nominations must be submitted to The Daily Star on or before 31 August 2010. The knowledge partner for this initiative is Waste Canon.