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Stocks

DGEN	▲ 5.40%	7,480.34
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Asian Markets

MUMBAI	▼ 0.32%	20,250.26
TOKYO	▼ 0.99%	9,588.88
SINGAPORE	▼ 0.42%	3,153.34
SHANGHAI	▲ 3.13%	2,738.74 (Friday closings)

Commodities

Gold	▲	\$1,341.50 (per ounce)
Oil	▼	\$81.17 (per barrel) (As of Friday)

SOURCE: AFP

Asia must move to end crisis-era spending: IMF

AFP, Washington

Asian governments should move more quickly to withdraw crisis-era spending, the International Monetary Fund said on Saturday, eyeing creeping inflation in the region.

"The main policy challenge for the region remains to manage the exit from the policy stimulus, now the recovery is underway," said Anoop Singh, the IMF's top official for Asia.

Bourses warn of 'disaster'

STAR BUSINESS REPORT

Dhaka and Chittagong bourses yesterday warned of a disaster in the stockmarket, and sought the prime minister's intervention in offloading government shares as a short-term step to cool down the market.

Unless the market calms down immediately, it may face a big disaster any time and the exchange authorities will not take the responsibility, they said.

They said a dearth of new shares is the main reason for the current bullish trend, as the demand for shares is on the rise, and the supply cannot match the huge demand.

The stockmarket is at its peak now. On Thursday the benchmark index of the prime bourse reached its highest level at 7,480 points. The single-day turnover also hit record Tk2,801 crore.

"We seek the prime minister's intervention to avert any disaster," said Md Shakil Rizvi, president of the premier bourse, while addressing a press conference jointly organised by Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE).

"Keeping the majority or 51 percent holdings in its hand, the government should offload its stakes in the companies already-listed on the exchanges. Share offloading in the already-listed companies will not take much time, as it's a matter of decision only," he said.

Presently, 25 percent shares of Desco are publicly tradable, Powergrid's 23.75 percent, Titas Gas's 25 percent, Jamuna Oil's 30 percent and Meghna Petroleum's 30 percent.

Rizvi said the market has been rising for the last 15 days without any correction in share prices, although there is no fundamental reason for the surge.

"We are not worried over the rising index, but over the abnormal rise in the price-earnings (PE) ratio," he said.

A PE ratio is a company's current share price compared to its earnings per share. In general, a high PE ratio reflects that the investors are expecting higher earnings or that there is a strong chance that they will be able to make a capital gain.

"There are many companies that have no growth or profitability and they are not even paying dividends, but their share prices are rising everyday," the DSE president said.

"If the investors buy into the companies that are already overvalued, and if the market faces a disaster-like situation, the responsibility will be theirs [investors]," Rizvi said.

CSE President Fakhor Uddin Ali Ahmed said the market

is so heated that they convened the press meet to aware the investors of the abnormal market.

He said though the government had decided to offload its stake in 26 state enterprises, these are yet to happen.

"If something bad happens, it will be the government's failure and it will have to take the responsibility," Ahmed said.

He also said: "Time has come to open professional consultancy for the investors so they are guided properly."

Currently, investment consultancy is prohibited in Bangladesh's stockmarket, although it is legitimate in most countries.

We seek the prime minister's intervention to avert any disaster

MD SHAKIL RIZVI
DSE president

Commerce Bank reforms in spotlight

REJAUL KARIM BYRON

The cabinet is close to a decision on how to restructure the government-controlled Bangladesh Commerce Bank (BCB), which has long been considered a problem bank, a central bank official said.

Bangladesh Bank sent a proposal to the cabinet early this month, evaluating two options for renewal -- the government's share of the bank could either be sold to a strategic partner or to the private sector, most likely through Investment Corporation of Bangladesh (ICB).

The BCB finances depicted in the BB

proposal show that the bank's present capital deficit is Tk 152 crore. To meet the central bank's capital reserve rules, BCB must more than double its reserves to Tk 400 crore. The state bank lost more than Tk 2.6 crore in 2009.

The central bank's analysis of both options recommends selling shares through ICB, even though this makes it harder to turf its current politically subservient management.

The BB judged past experiences of selling government stakes in banks to strategic partners as not promising.

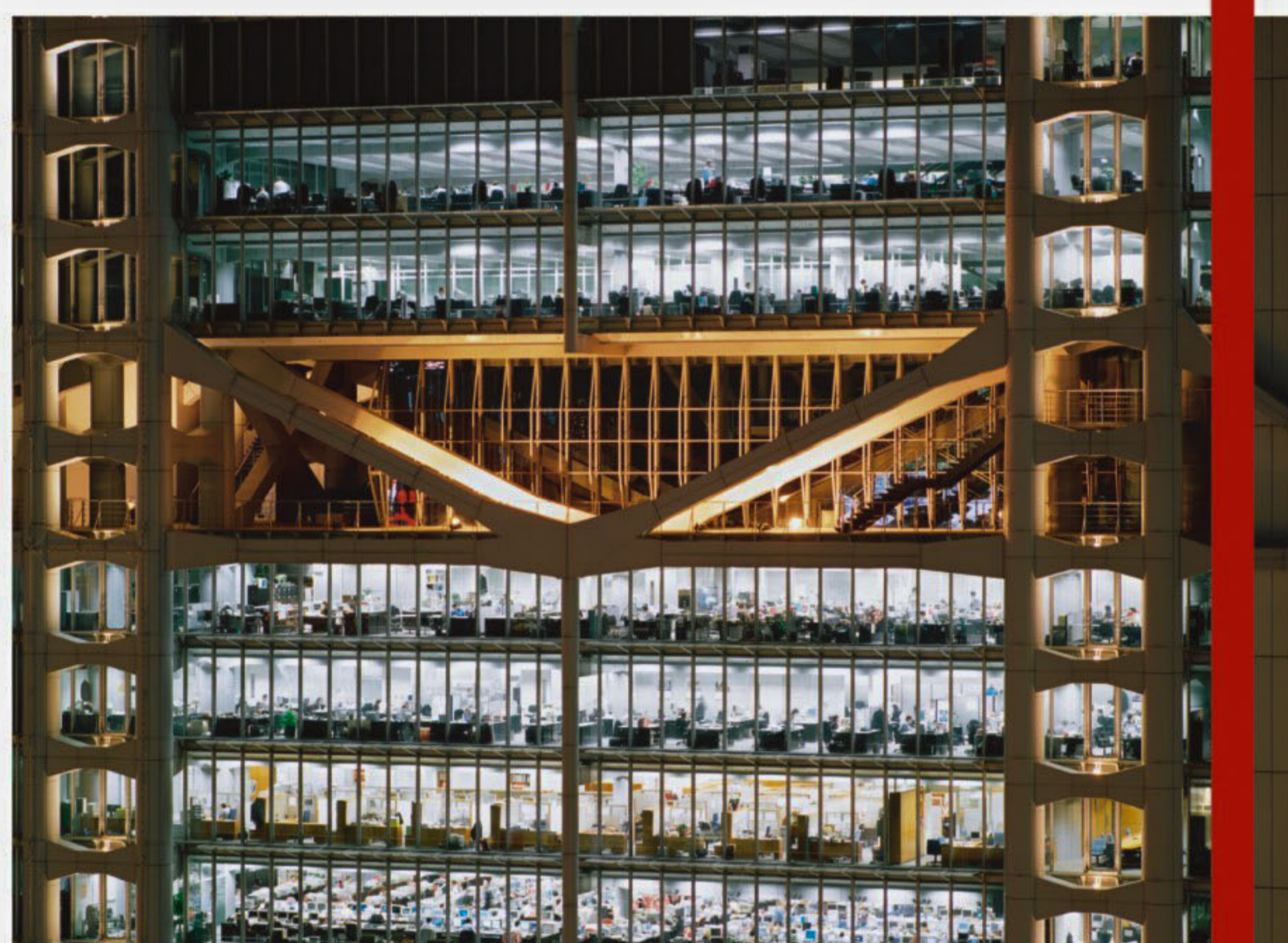
A BB high official said selling government shares through ICB has a key limitation -- this method limits the

ability to change the top brass of the bank, which in turn may inhibit its turnaround.

In the mid-90s, two non-bank financial institutions -- National Credit and Commerce Ltd and Bangladesh Commerce and Industry Ltd (BCI) -- were converted to banks. They got new names -- NCCBL and BCB.

NCCBL strengthened under private ownership, but BCB remained weak.

Of BCB's Tk 95 crore in paid-up capital, the government's share is Tk 30 crore; while that of Sonali, Agrani and Janata banks totals Tk 10 crore. The rest belongs to BCI depositors and private directors.



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Bangladesh to India: lift apparel quota

REFAYET ULLAH MIRDHA

Bangladesh will urge India to withdraw a quota on apparel exports to narrow the trade gap between the two countries.

Commerce Minister Faruk Khan will lead a delegation to India on October 20 to discuss business issues, including waiver of duty on RMG exports to India.

The issues such as border haat and withdrawal of a ban on raw cotton exports out of India will also be on the

agenda, the minister said.

During her visit to India in January, Prime Minister Sheikh Hasina proposed a broader duty-free entry for Bangladeshi RMG products to the next-door neighbour.

Bangladesh enjoys duty-free facility in exporting eight million pieces of garment to India under the South Asian Free Trade Area of the South Asian Association for Regional Cooperation. The agreement with India was signed in September 2008.

A commerce ministry official said

Bangladesh has been asking India either to give 61 products duty-free access or a complete duty waiver to all RMG products.

"This year almost 70 percent of the eight million pieces quota has been finished and the rest is expected to be exhausted by year-end," the commerce ministry official said.

Also, Bangladesh is pressing India to remove non-tariff barriers such as hidden taxes on apparel.

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Ship-breaking rules opposed

STAFF CORRESPONDENT, Ctg

Ship-breakers yesterday urged the government to bring changes to the new ship-breaking policy, terming it harmful to the growing industry.

The leaders of Bangladesh Ship Breakers Association at a press meet in Dhaka said the new rules would require a ship-breaker to wait at least 110 days to get an environmental clearance certificate to import a scrap vessel, and no sellers would allow such a long time.

The committee that was formed to formulate the new policy did not seek their opinions, they added.

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