

IDLC Index	
IDLC 50	▲ 1.43% 8,101.91
Subject to Conditions contained in www.idlc.com	
Stocks	
DGEN	▲ 0.02% 7,988.71
CSCX	▼ 0.04% 14,555.81
Currencies	
	Buy Tk Sell Tk
USD	69.75 70.75
EUR	95.80 101.56
GBP	110.82 116.79
JPY	0.84 0.91
SOURCE: STANDARD CHARTERED BANK	

StanChart closes forex deal with PHP

Standard Chartered Bank Bangladesh has closed the first dollar-taka seagull deal in the country with PHP Group.

This was the first transaction of its kind and the largest dollar-taka option deal executed so far in Bangladesh, StanChart said in a statement yesterday.

A seagull option is a three-legged strategy, often used in forex trading, which can provide a hedge against the undesired movement of an underlying asset. A seagull option is structured through the purchase of a call spread and the sale of a put option (or vice versa).

PHP Steels was looking for an innovative solution, which is a cost-effective hedge but provides more flexibility than a forward, if the rates remain unchanged, the statement added.

"Both PHP Group and Standard Chartered are the innovators in their respective fields; this helps build the depth of this relationship. Together we have come up with the seagull deal -- yet another first in Bangladesh," said Sufi Mohamed Mizanur Rahman Chowdhury, chairman of PHP Group.

Mahfuzur Rahman, head of commodity corporate affairs of StanChart, said: "Our technical know-how and great relationship with PHP have paid off. Standard Chartered can now build on such deals to continue to provide strategic financial solutions to PHP Group in the coming days."

Inflation fears rattle markets

SOHEL PARVEZ

Inflation is likely to remain at a higher level in the coming months because of a heated global food market amid tight supply.

The aman harvest by the end of this month may ease prices just a little, economists say. This is because the early aman now sells at Tk 700-Tk 825 per maund, which is Tk 100 higher than a year ago.

Data by Bangladesh Bureau of Statistics (BBS) show that the annual average inflation rose by 0.24 percentage point to 7.87 percent in the month to August, above Bangladesh Bank's 6.5 percent target.

It was the 10th month of rising annual average inflation from November 2009, spurred by food prices. But non-food inflation, except for July, remained low.

A spike in government procurement prices for rice from Tk 25 to Tk 28 per kilogram also pushed up the prices at retail level. Rice puts 20 percent leverage on the consumer price index.

The price of coarse rice, mostly consumed by the poor, increased 47 percent to Tk 31-Tk 34 a kg in a year, according to Trading Corporation of Bangladesh (TCB) data.

But economists and traders expect that the prices will go down as soon as the harvest begins in full swing, and will tame inflation.

They warned that scope of a fall in the food inflation might escape the clutches if the prices remain high in the neighbouring West Bengal.

"The prices may fall

after the aman harvest. But the West Bengal prices may influence the local market as the Bangladesh and West Bengal rice markets are strongly correlated," said Zahid Hussain, senior economist of World Bank in Bangladesh.

According to media reports, India expects a good output this year despite a poor rainfall in West Bengal and Bihar.

The rice prices have been on a surge since July this year largely because of crop losses from floods in Pakistan.

The export price of Thailand's white rice, the bench-

production estimates.

At the same time, the prices of edible oil and sugar, for which Bangladesh depends largely on imports, climbed in the international market due to unfavourable weather. The prices of these commodities maintained a surge in the local market.

"The international market scenario is tight. The local prices will follow the international trends even if production stands good domestically," said Mahabub Hossain, executive director of Brac.

Hussain of World Bank said: "I expect food inflation to cool down in



mark for Asia, rose to over \$500 per tonne in October, up from \$472 in July.

The recent floods in two main exporting countries Thailand and Vietnam, and typhoon in the Philippines are likely to fuel the rice prices at a time when the global market is caught by wheat turmoil.

Wheat prices have surged since August amid worries of a supply shortage in the wake of an export ban by drought-hit Russia. The prices of maize and corn are also rising on low

December-January, mainly because of the aman harvest. But it may increase in the March-April period."

Abdur Rashid, managing director of Rashid Agro-Food Products Ltd, said the prices of coarse rice might drop in the harvesting season.

Nirod Boron Saha, president of Naogaon Dhannochal Aratdar O Babosayee Samity, however, warned that the farmers may hold aman stocks for long, which may affect the prices.



Visitors take a look at rubber-made products at a fair at Shilpakala Academy in Dhaka yesterday. (Story on B3)

Economy performs well: MCCI

STAR BUSINESS REPORT

Bangladesh economy has performed reasonably well in the first quarter of the current fiscal year, reviews a prime trade body, pointing to the mixed performances in different sectors and sub-sectors.

In an analysis of economic trends during July-September in fiscal 2010-11, the Metropolitan Chamber of Commerce and Industry said the 6.7 percent growth target is achievable, provided that the rest quarters sustain the Q1 growth.

The major indicators that came under the MCCI review are agriculture, industry, services sector, money and credit, remittance, exchange rate, exports and imports.

The Q1 report shows a steady improvement in the overall economic situation, as investment is coming up in the power sector, but the chamber is concerned at the poor investment scenario.

It, however, has linked effective governance of investment barriers, including power crunch, to the actual growth in investment. The report points to some definite signs of improvement in the investment scenario, especially in private sector.

The metropolitan chamber also laid

emphasis on raising public investment through accelerated implementation of the annual development programme and rapid institutionalisation of the public-private partnership (PPP) efforts, especially in the infrastructure sector, for attracting private sector investment.

It suggested a quick and innovative economic management to enhance project execution capacity.

The chamber review report also stressed activating economic activities and making progress in social goals, including the target to cut poverty.

Sector-wise, the agricultural sector will achieve its growth target of 4-5 percent in FY11, provided that government support continues and no major natural disaster occurs, the report said. "It is expected that crop production will exceed last year's."

In particular, the domestic market oriented manufacturing industries have done better, the report pointed out.

The quarterly update shows that services sector has performed well, driven by good growth in hospitality industry, road and air transport, storage, public administration, education and public health.

During July-August, exports grew 29

percent, the MCCI report shows. In the time, woven garments, knitwear, jute goods, frozen food and leather were exported to Asian and Nafta (North American Free Trade Area) markets.

In the first two months of FY11, import growth was about 39 percent higher compared to the same months a year ago. The chamber shows that consumer goods, mostly food grains and industrial raw materials, were imported at an enhanced rate during the period.

The price pressure eased in Q1 and the annual average rate of inflation increased to 7.63 percent in July from 7.31 percent a month earlier.

The increased disbursement of industrial term loan, which rose by 13.44 percent during April-June 2010, is also indicative of growing investments in the industrial sector, the report said.

"The shortage of energy, in fact, now poses the biggest threat to Bangladesh's economic growth," it further points out.

"Power and gas shortages have undermined external competitiveness. Frequent power outages and low gas pressure affect shipment time, forcing exporters to go for supplying the merchandise by air at their own cost."

Regulator finds flaws in Modern Poly offering

SARWAR A CHOWDHURY

The stockmarket regulator has identified massive flaws in the IPO proposal of Modern Poly Industries Ltd, which has recently received regulatory approval for price build-up of its shares through institutional bidding.

The approval is, however, the primary one just allowing a company to build up prices under book building method. A final nod is needed from the Securities and Exchange Commission (SEC) after the price build-up.

The premier bourse also gave negative observation on the Modern Poly's initial public offering (IPO), officials said.

In the IPO prospectus, the company said it will use the IPO proceeds for the acquisition of 83.13 percent stakes in Modern Fibre Industries Ltd, whose paid-up capital is Tk 60 crore and the management is same as Modern Poly's.

The securities rules make it mandatory for a company to take permission from the SEC to increase its paid-up capital to Tk 10 crore. But, Modern Fibre did not have such permission.

A privately run company must turn into public limited if its paid-up capital exceeds Tk 40 crore, and if the capital base crosses the Tk 50 crore level, a company must go for IPO, according to the rules.

But, Modern Fibre was neither turned into a public limited company, nor it went for IPO, the officials concerned said.

This thing was to be examined by the issue manager, Alliance Financial Services Ltd, which was also responsible for appraising the SEC of any types of flaws or lack of transparency in the IPO prospectus.

Although the issue manager failed to do so, the flaws were identified by the SEC, which will take decision on the IPO issue at a meeting today.

Tapan K Podder, managing director of Alliance Financial Services, could not be reached despite repeated attempts.

SEC Chairman Ziaul Haque

Khondker said the commission will look into the matter.

In the IPO prospectus, Modern Poly said it will buy 5.60 lakh shares of Tk 1,000 each of Modern Fibre at a price of Tk 3,880, including Tk 2,880 as premium. It shows that Modern Poly will need around Tk 217 crore to buy the stakes in Modern Fibre, and the total needed amount will be raised from public.

Modern Poly, a concern of TK Group, plans to float three crore ordinary shares of Tk 10 each under book building method.

The indicative price of each Modern Poly share has already been fixed at Tk 64. The eligible institutions will be

allowed to quote 20 percent up or down from the indicative price for each share.

The Dhaka Stock Exchange in its observation strongly opposed the Modern Poly's IPO, saying that raising fund from public and using the amount in buying stakes in the same company's another subsidiary is a questionable matter.

Abul Bashar, chairman of Modern Poly Industries, claimed that they have so far complied with all the securities rules. "I can't remember any violation in the IPO process," he said. "However, if necessary, we will comply with other securities rules."

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Obama urges Asian economies to open up

REUTERS, New Delhi

US President Barack Obama yesterday called on Asian countries like India to open their economies more up to US firms. India restricts foreign investment in key areas like retail and financial services. Obama is now visiting India.

"It's not unfair for the United States to say, look, if our economy is open to everybody, countries that trade with us have to change their practices to open up their markets to us. There has to be reciprocity in our trading relationships," he said.

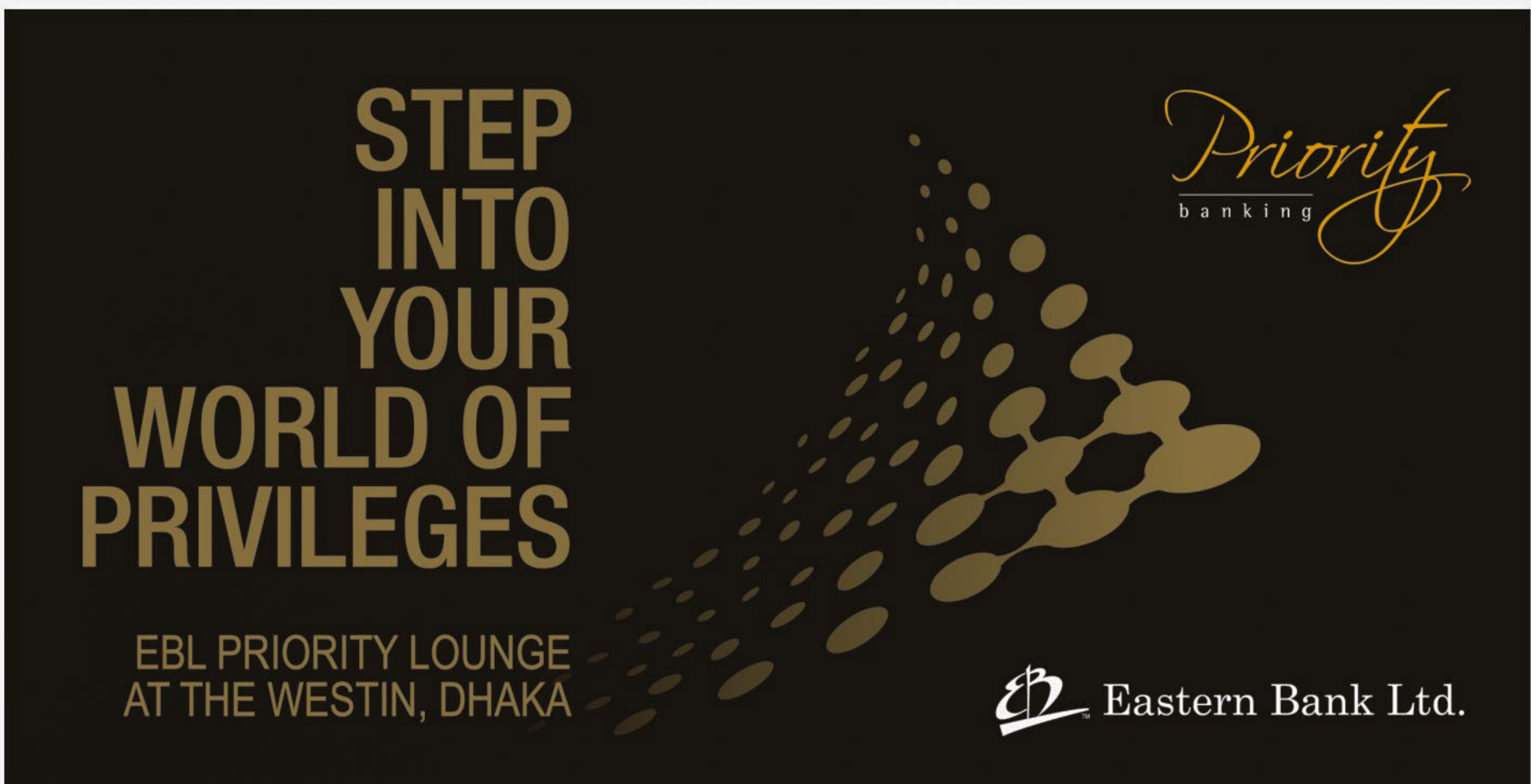
The United States was not making progress on unemployment quickly enough and he would take "some mid-course correction" after the mid-term elections.

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