

COMMODITIES		ASIAN MARKETS				CURRENCIES									
CSCX	▲ 5.09%	Gold ▲ \$1,386.00 (per ounce)	Oil ▲ \$88.09 (per barrel)	MUMBAI ▲ 0.12%	TOKYO ▼ 0.85%	SINGAPORE ▼ 0.64%	SHANGHAI ▼ 1.41%	USD	70.64	EUR	93.13	GBP	109.70	JPY	0.84
	14,749.81			19,888.88	10,216.41	3,132.96	2,852.92	BUY TK	70.70	93.25	109.82	0.84			
								SELL TK	70.70	93.25	109.82	0.84			



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BUSINESS

DHAKA TUESDAY DECEMBER 21, 2010, e-mail: business@thedailystar.net

Stocks rebound

Long-term policy by regulator recommended

STAR BUSINESS REPORT

After suffering the steepest fall on Sunday, Dhaka stocks recovered half of the previous session's losses yesterday, with the key indices making a record gain.

The benchmark index of the Dhaka Stock Exchange, DSE General Index (DGEN), jumped 304 points, or 4 percent, to 7,959.

The gain is only the second to the 22.61 percent or 764.88 points appreciation of the DGEN, back in November last year, when the Dhaka bourse incorrectly calculated the index movement following the listing of Grameenphone.

Market insiders correlated the gain with some decisions taken by the Securities and Exchange Commission on Sunday, following the biggest fall of 551 points in the stockmarket's 55-year history.

On Sunday, the SEC suspended net asset value-based calculation in providing share credit, increased the margin loan ratio to 1:1.5 from 1:1, and scrapped a revised rule on member's margin.

The regulator also brought back Grameenphone and Marico Bangladesh shares to normal trading from spot market transactions.

"The market bounced back mainly by the lenient policy support of the regulator," according to daily market analysis by LankaBangla Securities, a leading stockbroker.

However, the turnover still remains low and came down by 2 percent to Tk 1,459 crore.

Even the SEC's effort to increase



liquidity flow to the market through raising the margin loan ratio failed to improve the situation.

"The increase in margin lending is yet to impact the turnover value as liquidity crisis is still persisting in the banking system, signified by the high call money rate," said Brac-EPL, an investment firm.

Only a few of the credit providers increased the margin loan ratio in line with the new ratio, while majority of the lenders cannot raise it due to unavailability of necessary funds.

"It will be possible to provide more credit for share purchase only when the money market will be stable," said Arif Khan, president of Bangladesh Merchant Bankers' Association.

However, Grameenphone hit circuit breaker after its price shot up by around 17.50 percent to Tk 249.80.

The circuit breaker does not allow a particular stock to go up or down by a certain limit on a single day.

Meanwhile, market stakeholders at a meeting recommended that the

regulator take long-term policies, instead of piecemeal measures.

They said it was seen in recent times that the regulator came up with many directives within a short period to control the market. The regulator also changed its decisions one after another, when a measure failed.

They also called upon the SEC to establish a separate exchange or trading floor for small capitalisation companies.

Presidents of Dhaka and Chittagong stock exchanges, Bangladesh Publicly Listed Companies Association, Bangladesh Merchant Bankers' Association, Federation of Bangladesh Chambers of Commerce and Industry, an executive director of Bangladesh Bank and senior officials of the SEC attended the meeting.

Ziaul Haque Khondker, chairman of SEC, said: "It's not a policy making meeting. We sat to discuss the latest market situation."

"However, the recommendations made in the meeting will help us set our future market policies."

BB caps call money rate

STAR BUSINESS REPORT

The central bank yesterday capped the call money rate at 50 percent to ease money market volatility.

"Bangladesh Bank has directed us verbally to maintain the rate until further instruction," said a fund manager of a private bank.

But top bankers questioned the rationale for the ceiling, which they believe too high compared to bank rates.

The call money market witnessed abrupt swings for the past two weeks and soared 180 percent on Sunday.

Bankers had been demanding central bank intervention, but it kept mum for what Bangladesh Bank (BB) officials said curbing the inflationary pressure by reducing money flow into the market.

"I don't know on what logic the central bank has set the ceiling at 50 percent. Still, the rate will contribute to increasing the cost of fund," said a private bank chief executive officer.

The CEO said some banks borrowed money and lent at higher rates. He suggested a probe by the central bank.

Anis A Khan, managing director of Mutual Trust Bank, however, welcomed the BB move, which he said would help cool down the market.

The central bank has given Tk 7,825 crore through repo yesterday to help banks meet demand for cash, said Mizanur Rahman Zodder,

Transit: India starts rail, road expansion

REZAUL KARIM

India, now looks forward to transit access through Bangladesh, has begun expanding and improving its road and rail connectivity to short distances between its remote north-east region and the rest.

According to officials, both from Dhaka and Tripura, Delhi plans construction of a bridge over the Feni river in southern Tripura to get Chittagong port connected for carrying goods and heavy machines for India's land-locked north-eastern region.

Bangladesh's Chittagong Port is about 75 kilometres away from Sabroom, a southern border town of Indian state Tripura.

As per the joint communiqué issued on January 12, 2010 during Prime Minister Sheikh Hasina's official visit to India, it was agreed that Bangladesh will allow use of Mongla and Chittagong sea ports for movement of goods to and from India via road and rail.

Dhaka and New Delhi already signed a deal on November 30 to facilitate the transportation of heavy Indian equipment, including turbines for a power plant being set up by the state-owned Oil and Natural Gas Corporation in south Tripura's Palatana.

The deal allows Indian cargoes from West Bengal to Ashugang in Bangladesh's Brahmanbaria district through river way and then Ashuganj to Akhaura (49 kilometres) by road.

Bangladesh will not charge any service fee for the multi-modal transit facility to India for this particular project, which is valid until June 2012. Foreign ministry

officials said both the countries are expected to sign a long-term deal for transportation of goods through the route.

Tripura government says the proposed bridge over Feni river to be built at a cost of Rs 13 crore will connect Sabroom with Bangladesh's Ramgarh.

"Land customs stations will be set up at Ramgarh and Sabroom aiming to facilitate transit from Chittagong port," said a senior official of the shipping ministry.

Officials at the communications ministry also confirmed the start of rail-link expansion up to Sabroom by the Indian Northeast Frontier Railway. This town is 135 kilometres off Agartala of Tripura and Akhaura of Bangladesh.

The rail-link expansion work is planned to complete by 2014.

Bangladesh operates regular train services along the border on its side up to Akhaura and other places, just opposite to several sub-divisional towns in Tripura.

A team from the Indian Railway Construction Company recently visited Dhaka and held talks with high government officials, including the ones from Railway Division, and finalised the alignment of the 13-km Agartala-Akhaura connecting rail line.

The construction of the Akhaura Agartala rail-link will be financed by grants from India, as per a deal inked between the two sides during a recent visit of senior officials from the communications ministry to Tripura.

Of the 13-km rail-link, 5.4-km falls in the Indian territory and the remaining in Bangladesh.

India halts onion exports

PALLAB BHATTACHARYA, New Delhi

India yesterday decided to suspend exports of onion until January 15 in the wake of skyrocketing prices of the commodity.

Also, the Indian government has made exports almost impossible for those who are already in possession of 'no objection certificate' (NOC).

It doubled the minimum export price (MEP) for onion to \$1,200 from \$500 a tonne.

Bangladesh, Sri Lanka and Gulf countries are major importers of onion from India.

Onion prices have soared to Rs 60-70 a kg in retail markets across India from Rs 35-40 a

Inflation edges down

STAR BUSINESS REPORT

Inflation on a point-to-point basis declined 0.75 percentage points to 6.86 percent in October, thanks to the easing of food prices that had been putting an extra pressure on the wallets of consumers for the past several months.

The annual average inflation, however, remained steady at 8.12 percent in the month, putting a brake on the rising curve since November 2009.

But non-food inflation went up in October, according to Bangladesh Bureau of Statistics (BBS).

Analysts and marketmen linked the dip in the monthly inflation to a stable supply and demand situation for food items that had been pushing the overall inflation up since August.

"There was no shortage in the supply of food items. At the same time, demand did not go up dramatically," said a monetary policy analyst at Bangladesh Bank (BB).

Traders said the government's open market sale of rice at subsidised prices and increased release of rice by traders ahead of the aman harvest improved the supply in October.

The prospects of a good harvest of aman led the traders to release their stocks.

The rise in the supply of rice, which puts major weight on consumer food basket, also contributed to a marginal fall in the prices of coarse rice, mostly consumed by low-income groups.

Nirod Boron Saha, president of rice wholesalers body at one of the major rice selling hubs, Naogaon Dhancho-Chal Aratdar O Babosayee Samity, said the increased supply helped curb the soaring prices.

"There were concerns about a fall in the prices. A section of traders were in a move to reduce their stocks prior to the beginning of the aman harvest in November," he said.

The government OMS (open market sale) operation also caused a shift among a section of low-income buyers from the rice market, he added.

The latest data on inflation comes at a time when the central bank maintains a liquidity tightening measure in a bid to rein in consumer spending and thus contain inflation.

Recently, the central bank increased the cash reserve requirement (CRR) for banks. In August, the BB raised both repo and reverse repo rates to contain inflation.



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