

COMMODITIES		ASIAN MARKETS		CURRENCIES															
CSCX	8.90% 6,499.43	Gold	\$1,374.00 (per ounce)	MUMBAI	2.38% 19,224.12	TOKYO	Closed	SINGAPORE	0.98% 3,229.27	SHANGHAI	1.66% 2,791.81	USD	71.00	EUR	89.86	GBP	108.55	JPY	0.84
	6.87% 12,381.61	Oil	\$89.00 (per barrel)									BUY TK	72.00	SELL TK	94.94	113.71	0.92		

**NCC Bank VISA Debit Card**  
Real-time online | 24 hours banking  
Enjoy shopping | Nationwide access  
VISA and Q-Cash ATM facilities

**NCC Bank Ltd.**  
Where Credit and Commerce Integrates  
www.nccbank.com.bd

# Star BUSINESS

DHAKA TUESDAY JANUARY 11, 2011, e-mail: business@thedailystar.net

## Stock investors in shock and fury

**MD FAZLUR RAHMAN**

Aminul Haque, a government employee, came to the booming share market only two months ago and invested Tk 2 lakh in bank shares expecting quick returns before quitting the scene.

All was well for the 29-year-old until December 19 last year when the premier bourse lost over 550 points, which ate up a significant part of his profits. But he did not worry after his mentor, who works for a brokerage house, assured him of a quick turnaround.

An irregular investor, Haque, with an MSc in biochemistry from a public university, stayed put, but he saw his hopes shattered in a storm that brought the stockmarket down to its knees.

"I have lost half of what I was worth. This is dangerous. I never thought I would have to witness such disaster," he told The Daily Star over telephone. "I came to the market with a particular target, but all my hopes have been dashed," admitted a demoralised Haque.

His comments came after the authorities stopped trading of both Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) before noon yesterday following a freefall of share prices on the bourses that stomached the highest-ever single day drop in indices.



Angry investors gather in Motijheel to protest a 660-point fall on the Dhaka bourse yesterday.

The closure came at 11:50am after the benchmark index of the premier bourse, DGEN Index, slumped by 660 points and CSE Index, 914 points -- their highest drops.

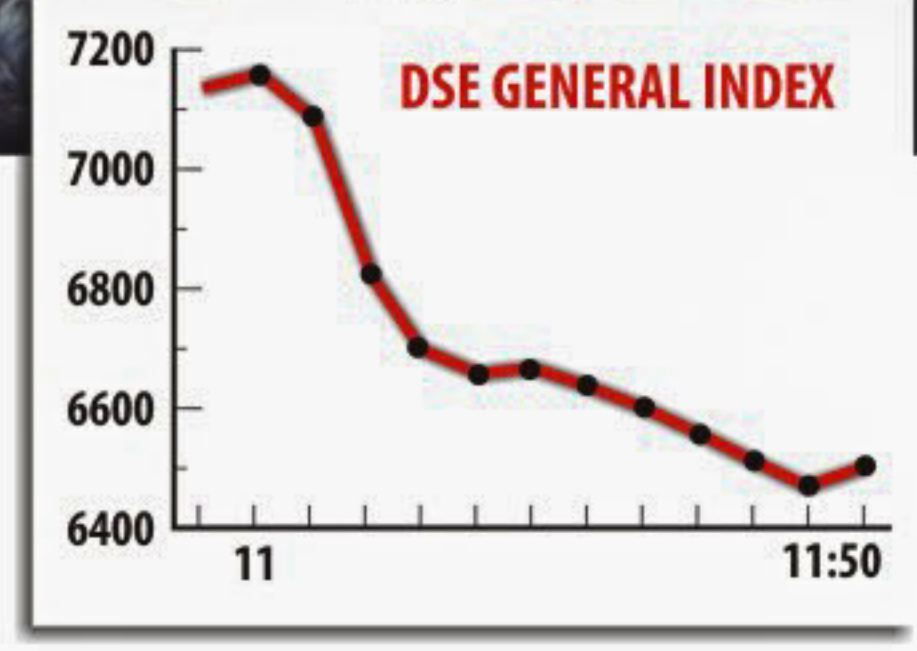
Haque was not alone. Thousands like him rushed to the markets with little knowledge about the share market, fundamentals of the companies they were investing in, despite repeated warnings from analysts.

Nusrat Jahan, a student of Bangladesh Islami University, invested Tk 4.5 lakh last year and made it to Tk 10 lakh during the

period. Now her current portfolio value went below the initial investment.

Small-time retail investors blamed the regulator for failing to act fast enough, saying many have lost at least half of their investments due to the market collapse.

Mohammad Shihabuddin, who works for an audit firm, had the prices of his shares just halved. "Many of my colleagues are involved in the trade and they all are in shock," he told The Daily Star by phone.



made many of us losers," said Utpal Kumar, an investor.

Utpal, also a student, said the market has collapsed, as the central bank has imposed

restrictions on banks and other financial institutions investing in the market.

"The financial institutions, particularly banks, have already over-invested in the market. But following restrictions from Bangladesh Bank, they are not investing anymore. The market will go up once they start trading again."

He said the investors who joined the market in November and December have been particularly affected. "Most of them have lost up to 70 percent on their investment."

Jewel Islam, a stock investor since 2006, blamed the authorities for the slump, as "they talk too much", doing more harm than good to the market.

The 29-year-old business graduate said the banks which represent the bellwether stocks were responsible for the catastrophe. "They have been investing heavily in the market putting aside their core business."

Banks logged as high as 90 percent growth in their operating profit in 2010, largely riding on the stockmarket boom.

He said many investors have withdrawn their money before the Eid. "As the marking is nose-diving, they will invest now. Small investors like us will suffer most," said Islam, who has invested Tk 2 lakh in the premier bourse.

Shariful Alam, another small investor, said the market has fallen as investors are withdrawing money from the secondary market and diverting to new initial public offerings.

Nahid Hasan, an investor, who also has lost about half in prices of his shares, said the decision was right, but it should have come earlier. He said his portfolio was valued at Tk 10 lakh just before the latest round of slumps. "It is now worth Tk 5 lakh only."

**INSIDE** B3

- Book-building: recipe for disaster

### Price correction was necessary, say analysts

**STAR BUSINESS REPORT**

The regulator should have gone for price correction before stocks turn over-heated, a former finance adviser to a caretaker government has observed.

AB Mirza Azizul Islam was speaking at a discussion on Capital Market: in Search of Stability, organised by Economic Reporters Forum at National Press Club in Dhaka yesterday.

Bangladesh Bank should also have taken regulatory measures earlier, he said.

Islam said he pointed out around two months back to the central bank governor at an informal meeting to see whether banks divert any credit to unproductive sectors. "But no move was taken then."

Had SEC and Bangladesh Bank gone for price correction in September, such a drastic fall would have been avoided, said Faruk Ahmed Siddique, former SEC chairman.

An asymmetric flow of information, high risk-taking and irrational exuberance and pessimism are the factors behind the fall, said Islam, also ex-chief of the market regulator.

"Institutional investors are not playing their due roles. There exists a lot of fundamentally good shares but they involve themselves in panic buying and selling without any market research," said Shakil Rizvi, president of Dhaka Stock Exchange.

The former adviser hoped the market would be stable in two months as some initial public offerings are in sight.

### BB steps in to calm investor nerves

**REJAUL KARIM BYRON**

The central bank has relaxed some restrictions on commercial banks for investing in the capital market in response to yesterday's stock slump.

Bangladesh Bank said it would extend the deadline on banks to recover industrial credit that was diverted into the stockmarket. It will be done on a case-by-case basis.

"If anybody appeals to the central bank for time extension, the time may be extended," a central bank official said.

BB has advised the banks to hold on to their shares for some time -- a step analysts say will help restore confidence to the market.

The Prime Minister's Office (PMO) also enquired about the share market situation, sources said.

BB Governor Atiur Rahman issued the directives at a meeting with the Association of Bankers, Bangladesh Ltd (ABB) at the central bank headquarters yesterday. AK Azad, president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), and Salman F Rahman, president of Bangladesh Association of Publicly Listed Companies, sat with Atiur.

BB officials said Azad and Rahman placed a number of recommendations to the central bank for streamlining and improving the capital market situation.

It is the responsibility of the central bank to regulate the money market and the Securities and Exchange Commission is meant to regulate the capital market, Nazrul Huda, deputy governor of BB, told The Daily Star.

The central bank, however, has issued some guidance to the banks to play a complementary role in the backdrop of market volatility, said Huda.

The limit for giving loans by the banks to their subsidiary companies was set at 15 percent of their total capital, but many banks invested more than the threshold only to increase their stakes in the capital market. BB had earlier directed the banks that invested more than the ceiling to adjust the excess amount by December 31.

Also, the central bank set January 15 as the deadline for the banks to recover loans taken by borrowers as industrial credit but were diverted into the share market.

It is not true that a liquidity crisis has been created as a result of increasing cash reserve requirement (CRR), Huda said.

In a news briefing, K Mahmood Sattar, president of ABB, said the BB withdrew Tk 2,000 crore on December 15 last year by increasing CRR. But in the last three days, BB provided over Tk 20,000 crore as liquidity support to different banks.

"The share market correction is routine business. If the index goes up too much, correction may be made again," said Sattar.

emirates.com/bd

**Emirates**

Fly Emirates to the Dubai Shopping Festival from 20th January to 20th February 2011. Choose from a range of hotels and enjoy a complimentary night stay on us for every three nights booked. Experience great bargains and see more of Dubai with special rates on tours and car hire.

**Dubai Shopping Festival.**  
Pay for three nights, stay for four. Fly Emirates. Keep discovering.

Meet & Assist on arrival | Arabian Adventures welcome pack | Chauffeur-driven transfers | Special rates for excursions

400 international awards and over 100 destinations worldwide. Terms and conditions apply. For more details visit emirates.com/bd or call Emirates on 9892801 (Dhaka), 725647 (Chittagong), 711200 (Sylhet). Enjoy frequent flyer benefits at skywards.com.

Pleasure of Seniority!

**MTB SENIOR**  
a savings account for senior citizens

www.mutualtrustbank.com

নিউট্রাল ট্রাস্ট ব্যাংক লিমিটেড  
**Mutual Trust Bank Ltd.**  
you can bank on us

Call +88 017 3034 3754-5

### Minister blames price hike on world market

**STAR BUSINESS REPORT**

Commerce Minister Faruk Khan yesterday blamed the unstable international market for soaring prices of basic commodities in the local market.

The basic commodities' prices are much lower than in the neighbouring countries, claimed Khan while briefing journalists at his secretariat office in Dhaka yesterday after returning from a five-day visit to Saudi Arabia.