

COMMODITIES		ASIAN MARKETS				CURRENCIES					
CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	JPY	
3.41%	\$1,375.50 (per ounce)	\$91.57 (per barrel)	0.60%	0.36%	0.34%	1.81%	71.60	94.50	112.79	0.85	
12,815.70			18,978.32	10,557.10	3,241.96	2,758.10	BUY TK	72.60	99.64	118.03	0.93
							SELL TK				

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BUSINESS

DHAKA THURSDAY JANUARY 20, 2011, e-mail:business@thedailystar.net

Share index breaker is far from enough: analysts

SOHEL PARVEZ

Stocks tumbled for the fifth straight session yesterday, thwarting the regulator's efforts to contain volatility and quashing the hope for a calm and confident market.

The latest move -- the introduction of circuit-breaker, which halts the market if the index gains or loses more than 225 points -- also turned futile.

Trading began two hours late and the plummeting stocks halted it within one and a half hours, after hitting the circuit-breaker threshold.

Analysts said the circuit-breaker will not help control the volatility and restore confidence, unless liquidity inflow increases to support fresh buying.

"It's not a solution. It's not an effective tool," said Yawer Sayeed, chief executive of AIMS, an asset manager.

His remark came after the benchmark DSE General Index (DGEN) lost 226 points or 3.17 percent, amid panic sales. The slump made the investors violent on the streets again.

"The result of the circuit-breaker will be nothing but protests, as you have seen today," said Salahuddin Ahmed Khan, former chief executive of Dhaka Stock Exchange.

"It's not an effective solution. The circuit-breaker will result in decreased share prices," said Khan.

"Such intermediate measures will not bring about effective results."



Frustrated investors take their anger out on the Motijheel Street to protest a stockmarket fall yesterday.

Stocks lost 660 points on January 11 and a day later, it sprinted up 1,000 points or 15 percent on a stimulus from the regulator.

But a freefall returned the next day as liquidity crunch kept institutional investors shy from buying.

Many investors entered the market late, inspired by bubbling in share prices in the last one and a half years.

Now their hopes of making easy money is shattered by the consistent downfall, as banks that had earlier fed

the bubble amid slack regulatory monitoring started liquidating investments ahead of the year-end, and complied with tightened monetary policy of Bangladesh Bank.

Khan said the slump brought another problem -- a confidence crunch. "It appears that the market is heading towards a crisis," he said, suggesting increased money flow.

"Any intermediate step will not be effective. It will rather deepen the instability."

Hasan Imam, chief executive of Race Asset Management Ltd, said the circuit-breaker is just one tool to manage the volatility. "It must be used carefully because it has some downsides. If the circuit-breaker is not used properly, it may intensify the panic," he said.

Imam said the circuit-breaker may not bring stability unless the liquidity crunch is addressed.

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SEC under fire, moves to probe market swings

REJAUL KARIM BYRON

Finance Minister AMA Muhith yesterday directed the Securities and Exchange Commission (SEC) to find out big sellers in the unstable share market and investigate any probable manipulation.

Muhith rushed into a meeting with high officials of SEC and Bangladesh Bank at his home in Dhaka, searching for answers to the lingering market volatility.

The SEC was criticised for its apparent failure to control heavy market downswings that sent thousands of angry investors out on the Motijheel Street.

The meeting came after the market volatility forced the SEC to shut the bourses twice in eight days. The central bank governor and the SEC chairman were not present at the meeting.

Participants of the meeting decided to introduce an index-breaker to the share market which was immediately approved by SEC.

Officials who attended the meeting said the SEC was asked to find out who sold most of the shares in the capricious market and whether there were any irregularities.

The SEC will launch a full-fledged investigation into anomalies on the basis of a surveillance report. SEC officials said they would also sift through information about share transactions.

The SEC was also asked to recommend mid- and long-term measures to maintain the stability in the share market.

The central bank rejected a proposal which suggested cutting some slack in its monetary policy. It said there is no scope for relaxing the monetary policy as it must keep the banks risk-free and check rising inflation.

The central bank has been following a tight monetary policy from last year to control inflation and cut banks' exposure to the share market.

At yesterday's meeting, the finance ministry and BB officials criticised the role of SEC and said shares would not have been overvalued, if the SEC had played its role properly.

The central bank gave the Investment Corporation of Bangladesh (ICB) Tk 400 crore in two instalments in the last two days to stabilise the capital market. The meeting discussed whether BB can supply more funds to ICB or state-owned financial institutions.

However, BB officials told the meeting that International Monetary Fund (IMF) has already raised questions about the Tk 400 crore funds given to ICB.

Two officials of BB and SEC told The Daily Star that liquidity was no problem in the share market, but low investor confidence was.

Plan for power tariff hike raises questions

Energy Regulatory Commission holds hearing

STAR BUSINESS REPORT

Regulators, producers and distributors yesterday agreed on a power tariff revision, but consumers tagged uninterrupted supply to the move.

Consumers and members of various business organisations said so at the hearing of the Bangladesh Energy Regulatory Commission (BERC) on the revision of power tariff at bulk level, proposed by the Power Development Board (PDB).

PDB has proposed to make a 12.75 percent price hike at a six-month interval so that consumers do not have to be burdened with any sudden and rather heavy increase in power tariff at a time.

Presently, a unit of electricity costs only Tk 2.37, which will go up by 110 percent to Tk 4.98 a unit in 2012-13, according to the proposal.

BERC had a patient hearing on the proposal and its chairman attended the meeting.

"We will give our verdict by the middle of next month," said the BERC Chairman Syed Yusuf Hossain after a four-and-a-half-hour hearing at the commission office. Two members of BERC -- Imdadul Haque and Dr Selim Mahmud -- were in the judges' panel.

Though the chairman has agreed to a hike in electricity price, he

reminded the producers and distributors of the consumers' affordability.

During the open hearing, stakeholders discussed the pros and cons of the tariff revision proposal. Consumers Association of Bangladesh (CAB) attended the hearing placing a long list of 35 questions before the PDB.

Representatives of various business chambers and associations also expressed their concerns, particularly on the availability of power.

CAB representative Dr Shamsul Alam said the price increase proposal was technically all right. But he raised questions about making a 110 percent hike in three years.

Representatives of the Federation of Bangladesh Chambers of Commerce and Industry, Metropolitan and Dhaka chambers requested the PDB to ensure supply even at a premium rate.

As per the PDB offer, average power price will stand at Tk 3.33 per unit in July and Tk 3.72 in January 2012, Tk 4.17 in July 2012 and Tk 4.68 in January 2013.

PDB Chairman ASM Alamgir Kabir explained the reasons behind the proposed hike.

"PDB has no other option but to increase the production costs due to an increase in fuel costs," Kabir said, adding that 60 percent costs are

spent on fuel alone.

He said even if the commission approves the proposal it will have to subsidise over Tk 2,300 crore in fiscal 2010-11, Tk 2,900 crore in 2011-12 and Tk 2,000 crore in 2012-13 to make up for the losses. Eighty percent of the subsidies will be spent for fuel.

"The move has been taken to ensure reliable supply and render power generation cost-effective in three years," said Kabir while replying to queries. He said consumers could accommodate the tariff increase by using energy saving equipment.

Power generation in Bangladesh depends heavily on gas. Nearly 90 percent power was produced in 2009-10 by using gas, according to the PDB. But the use of liquid fuel has been rising for inadequate gas supply. Presently, liquid fuel generates around 5 percent of electricity, which will go up to 20 percent in 2013.

The private sector's contribution to power generation is also rising which used to be dominated by the government only a decade ago.

Bangladesh is a power-starved country with around 1,500-2,000 megawatt of deficiency everyday. According to the PDB, demand for power increases by 8-10 percent a year.

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Apparel fair kicks off in Ctg today

STAFF CORRESPONDENT, Ctg

A three-day apparel, fabrics and accessories fair starts today in the port city.

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) is organising the show, Chittagong Apparel Fabric and Accessories Exposition (Cafaxpo).

Thirty-two business firms will showcase their products in the event in 55 stalls, said Nasiruddin Chowdhury, first vice president of BGMEA, at a press meet in Chittagong yesterday.