

# Market corrections and interruptions

ZIAUR RAHMAN

THERE are many positives in Bangladesh, which include a democratically elected government and a responsible free market. The capital market stands at around \$38 billion plus for the DSE and around \$28 billion for the CSE. However, the growth of the capital market had a tremendous run in 2010; on December 8, 2010, the market reached an all-time high and the DSE General Index almost touched the 9,000 mark.

Given a four month run of the capital market, it is only natural that it would correct; however, the extreme measures to intervene by the SEC and the Bangladesh Bank definitely affected the market, and we saw a precipitous free fall. At the close of trading hour on January 9, the DSE General Index fell by 600 plus points. At the opening of the market on the January 10 it again fell by 600 plus points before the Exchange was halted for 1 hour to arrest the severe drop.

On January 11, due to some policy prescriptions by the government, the market took another sharp turn upwards, registering an all-time high rise in the market index (DSE General Index went up more than a 1,000 points). On January 20, within 5 minutes in spite of circuit breakers supposedly set at 225 points, the DSE index fell by more than 600 points, and the market was immediately shut.

This has eroded investor confidence and the government is pointing accusatory fingers at its different organs and also insinuating that external forces are at play to wreak havoc. These are assumptions, but the government is still not taking measures to correct the significantly disturbed market. The government needs to address the issues that led to such a grave condition in the capital markets.

In recent comments by the finance minister, the SEC and the government, they talked about

responsible investment and called the market speculative and over-priced. They also said that the way market went up is an obvious indication that it will correct itself the same way.

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Logically, they are 100% correct, but the stories behind the stories need to be explored and addressed, and corrective measures need to be put in place. The issues and concerns are given below:

- SEC has been changing its policy guideline and instruments almost on a weekly basis for the last few months. SEC's role is not to legislate how much money the investors are making. SEC cannot set a guideline that beyond a certain percentage of income it will intervene and introduce such stern measures that the next day the price of certain stocks and the market will collapse. This has been the SEC whiplash for the last year or so. If the SEC is so willing to support the healthy growth of the market, then should it not also take responsibility of the collective losses that accrue due to its frivolous and often childish policies and remarks?
- Bangladesh Bank has taken a stern measure against the banks that invested more than the



legally allowed 10% mark of capital in portfolio investments. As per articles in the media, some banks had up to 30% of their capital invested in the capital markets, crossing the 10% limit. What were the Bangladesh Bank and other regulators doing while the banks were building their portfolio? The market bubble resulted due to faulty and perhaps illegal and irresponsible practices by the banks and the regulators not playing proper oversight role. The irony is that the government took measures that directly affected the investors, and they lost plenty, while absolutely no punishments were levied against the parties that faulted and allowed the entire financial bubble to take shape. The government made the general investors the scapegoat; therefore, the government must introduce corrective measures because its decisions were faulty, and the general public lost profusely while the real culprits

walked free.

- The remarks by the finance minister, the governor of Bangladesh Bank, SEC chairman and other senior members suggest that "the market has gone up and up and now it is time to let the market run its own course through correction." This is a statement that reflects the concept of a free market, but why is the SEC playing second fiddle and policing the market? Did the people of Bangladesh appoint the SEC "not to allow a free market" to take shape by its regular interventions? What the SEC has been doing is only market interruptions in the name of proper guidance to our stock markets. The role of SEC has been as if we are playing with government and SEC funds and SEC, being the "lord of investments," is bullying the market to bow down to its commands. Is it fair to tweak the market and then let investor confidence ebb to an all time low point? Will anyone call it sensi-

ble policy guideline?

- SEC has introduced plain-clothed capital market police. Has anyone considered that "investor confidence is something that needs to be nurtured and not dented?" These whimsical decisions (investor sentiment is crucial to the healthy growth of the market) are doing more harm than good.
- The market has long-standing ramifications and the franchise of the free market mechanism depends on the sturdy development of the capital markets. If one looks at the West, it becomes clear that states do intervene sensibly and introduce economic resuscitation plans to rev-up the economy. We have seen trillion dollar injections in US and hundreds of billion dollars investment in Europe funded by national governments. The time for such support from the government has come. It has to decide whether it wants to be a friend of the capital markets or a foe. Amidst a flurry of wrong

decisions, the stepping in and halting the market for controlling the public frenzy was one good decision that the government has taken, and it is the only silver lining that we are seeing. Do we continue with dogmatism and support the wishes of select few or decide to do good for the greatest number of citizens of Bangladesh? Economics, politics and success of the government are intertwined and, come election year, the miseries of the economic and financial fiascos become vital tools in decision making, so please address the serious imbalances that SEC and other organs of the Bangladesh have created and are spinning out of their control.

- Finally, the role of SEC needs to be clearly articulated. It should not be allowed to interfere in all matters. If it does, then it should also take responsibility of the collapse of the market and pay back the funds of the investors because the investors came to profit from the market. The investors did not come to the market to become "pawns" of the SEC's abrupt decisions and scurrilous remarks. The public also has the right to know under what grounds the SEC changes policies that often seems to support vested quarters.

Please do not kill the golden goose that lays the eggs. Indeed, the last minute interventions by the government were a welcome initiative. The government should let the market take its own course and mature without interventions throughout the year. Its role should be more of a facilitator and less of a "punisher." The recent over-influencing and bureaucratic role of SEC or the Bangladesh Bank has not been conducive to the positive growth of the market, and that needs to be seriously looked upon.

Ziaur Rahman is CEO, IITM. E-mail: ziaitrm@gmail.com

# Smiling faces hide uneasy thoughts

CHUA CHIN HON

DESPITE the big smiles, diplomatic niceties, and glamour of a state dinner, it was hard to miss the tense undercurrents between United States and China as President Hu Jintao began his highly anticipated visit.

Each side tried to needle the other in ways big and small, so as not to seem weak in dealing with a powerful rival.

For instance, US President Barack Obama, who said relatively little about China's human rights record in his early days in office, spoke prominently about the issue this time. While his tone was mostly gentle and comments nuanced, the fact that he chose to raise the matter publicly in not one but two high-profile engagements with Hu signalled a new willingness to be forthright with Beijing.

Just in case Beijing failed to get the message, the White House invited a top human rights activist to the state dinner. Said Human Rights Watch executive director Kenneth Roth as he arrived: "I take the reason I was invited as a statement to President Hu."

Others tried to send a message by snubbing the dinner. Three of the top four US legislative leaders, from both the Republican and Democratic parties, skipped by citing scheduling conflicts.

But most observers believe they skipped the event to signal growing anger among American lawmakers over Chinese trade and currency policies, which they regard as a major contributor of high unemployment in the US.

Lower chamber legislators had already passed a Bill aimed at punishing Chinese imports, and upper chamber lawmakers were

said to be readying a similar move. A group of 84 lawmakers sent an official letter on Wednesday urging Mr. Obama to tell Hu that "America's patience is near an end."

The Chinese leader, who was peppered with questions about China's human rights record at a joint press conference with Obama, looked uncomfortable, but avoided criticising US for its own human rights violations in Iraq and Guantanamo Bay.

While he acknowledged that "a lot still needs to be done in China in terms of human rights," he did not appear to think Beijing needed to concede on any hot-button economic issues.

On the currency and trade disputes, he gave the predictable answer that Beijing would continue to reform its exchange rate mechanism and economic model, but did not say what Washington really wanted to hear -- a promise that

real policy changes were coming.

What Beijing offered were \$45 billion in export deals that would help support 235,000 jobs over the next few years. But US reports said the deals looked much less impressive up close as several were vague, while others had been in the works for years.

Reuters reported that Boeing acknowledged the \$19 billion Chinese order for 200 planes "had been on their books for a while." More deals are reportedly in the pipeline, though there are now doubts about how much the Chinese are genuinely conceding.

The issue of "sincerity" was very much on the mind of China's journalists as well. A reporter from state broadcaster CCTV asked Mr. Obama: "Deep in your heart, do you really think that you can live comfortably with a constantly growing China?"

A Xinhua reporter was apparently so upset with the quality of transla-

tions provided by the White House that he demanded his question be translated by Hu's official interpreter. He asked Obama if he agreed that the biggest problem between the US and China was the lack of strategic trust.

But the most revealing answer all day was actually not given in the White House. In a morning television interview with top US diplomat Hillary Clinton, she was asked: "A lot of Americans are having a hard time figuring out how to think about China. Are they friend or foe, ally or adversary?"

She replied: "One of the reasons why we are rolling out the red carpet and having President Hu Jintao come for a state visit is because we think that we'll be better able to answer such a question as we move forward."

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FRANK RENLIE

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# 8 oddest true tales



A few days ago, on New Year's Eve, a Sicilian guy stole candies so he could be jailed and thus have a cast-iron excuse to miss dinner with his relatives. I can understand that.

That was the final weird story in 12 months of bizarre tales.

It was the year in which a suicidal man in China decided to take sleeping pills AND jump off a bridge, but succeeded only in falling asleep at his leaping-off point.

And 2010 saw an "armed" robber in America holding up a store with a banana and then eating the evidence before cops arrived.

Who can forget the launch in India of a fertiliser program to pay people to poop for cash?

Or the fugitives in Argentina who escaped from the police by wearing sheepskins and standing in a flock going baa-aa-aa?

In Asia, the most wonderfully crazy country of 2010 was China, a nation whose leaders planted a flag at the bottom of the sea, presumably to inform Ariel and the other mermaids that the Motherland now claimed the oceans.

Also in China, the government set up an official dating website for single citizens under the headline: "Are you still single and bitter?"

But among all the tales of global weirdness, there was one running theme that readers kept returning to: the descent of the air travel community into madness.

Two women tried to smuggle a dead relative wearing sunglasses onto a flight from Britain to Germany.

On the other side of the world, a young Chinese guy boarded a plane wearing the latex head of an old European, and then took his head off halfway through the flight.

And those were the comparatively normal bits of the air travel experience.

The real drama was at ground level, where airports around the world started to adopt procedures where everyone had to choose between being photographed naked or groped by a stranger.

Well, here's good news. Reader Lift Lurker (known as Otis Schindler in the printed versions of this column) has come up with a proposal to make passengers WELCOME the full body scan.

You simply program the machines to deliver useful information, like a body fat analysis: "You have three times the normal body fat in your thighs. To lose it, cycle 10 hours a day for 10 days."

The machine could even store the data and give you follow-ups: "Your behind has increased 22 percent since your previous overseas trip."

For anyone who really doesn't want to be photographed naked, Lift Lurker suggests making an undergarment out of the reflective material that lines the outside of the Stealth bomber aircraft. "When security officers ask why you are invisible, you just say: 'Vampires don't show up on those things.'"

Reader Graham Ford sent in some slogans to give 2011 travellers a smile at the airport security gate.

At the body scanner: Here's a slogan for the "enhanced pat-down" station:

"Don't worry: my hands are still warm from the previous guy."

Will 2011 be as bizarre as 2010? It'll be wilder. Predictions will appear in this space on Wednesday.

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