

COMMODITIES		ASIAN MARKETS		CURRENCIES								
DGEN	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	JPY	
7.27%	6.98%	\$1,364.30	\$87.15	1.52%	Closed	0.84%	0.33%	71.15	96.36	113.86	0.85	
6,052.41	11,264.77	(per ounce)	(per barrel)	17,728.61		3,077.27	2,827.33	BUY TK	71.15	96.40	113.88	0.85
								SELL TK	71.15	96.40	113.88	0.85

# STAR BUSINESS

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DHAKA MONDAY FEBRUARY 14, 2011, e-mail: business@thedailystar.net

## 2 brokers under SEC scanner

STAR BUSINESS REPORT

The stockmarket regulator has formed two committees to probe aggressive sales by as many brokerage firms.

The Securities and Exchange Commission (SEC) formed the committees after the two stockbrokers went into unusual and rapid sales drive on February 7 when the price index slumped by 325 points.

The probe bodies were asked to find out the facts about the hasty sales by HAC Securities Ltd and Fareast Stocks and Bonds Ltd.

The market watchdog also asked the committees to submit the investigation report by February 24, an SEC spokesman said yesterday.

Sheikh Mahub Ur Rahman, deputy director of the SEC, is to head the probe body on HAC Securities. Another member of the committee is Ohidul Islam, assistant director of the SEC.

Deputy Director of SEC Abu Raihan Mohammad Motasim Billah will lead the investigation into the other house, Fareast Stocks. Another member of the body is Mohammad Hossain Khan, an assistant director of the SEC.

Earlier on January 20, the SEC formed similar investigation committees to probe into the alleged unusual sales by six stockbrokers and imposed a one-month ban on their trading activities. The trading restrictions were, however, lifted by the regulator after two weeks.

# \$1b IMF loan risky

## CPD sees emerging tensions in economy

STAR BUSINESS REPORT

The Centre for Policy Dialogue yesterday warned the government about risks of borrowing \$1 billion from the IMF, saying the conditionality-based loans would increase the costs of doing business and limit scope for strategic support to domestic industries.

The think-tank said the borrowing from the IMF (International Monetary Fund) would limit the government's fiscal flexibility and may lead to a contractionary monetary policy.

"We have to maintain policy flexibility and policy autonomy to attain faster growth," said CPD Executive Director Mustafizur Rahman at a dialogue on emerging challenges in Bangladesh on growth, inflation and monetary policy.

CPD organised the programme at the Cirdap auditorium in Dhaka. Chairman of the research organisation Rehman Sobhan chaired the discussion.

The CPD observation came at a time when the government is finalising a \$1 billion credit deal with IMF which tagged a number of conditions to the loans.

The conditions include phasing-out of bank lending rate ceilings, further liberalisation of tariff level, pursuing a monetary tightening stance and putting in place new VAT and income tax laws.

The think-tank said some of the conditions such as raising CNG and furnace oil prices, establishment of a framework to monitor losses of state-owned enterprises are in line with the necessary reform agendas.

But citing the United Nation's



From left, Mustafizur Rahman, executive director of CPD, Rizwanul Islam, former director of ILO, Atiur Rahman, Bangladesh Bank governor, Rehman Sobhan, chairman of CPD, and Salehuddin Ahmed, former central bank governor, take part in a dialogue in Dhaka yesterday. Related story on page 20

World Economic Situation and Prospects 2011 report, Rahman said the likely consequences of the IMF conditionalities contradict the UN recommendations.

CPD also observed that Bangladesh economy is going through a turning point and some tensions are emerging.

These include the rising inflation, volatility in the stockmarket and the banks' risky exposure to the market, instability in the foreign exchange market due to a rise in import payments, and a slowdown in remittance inflows.

"If we cannot address these at this moment, it may put the economy into trouble," said the CPD researcher.

Economists also said Bangladesh might be able to attain its

growth target. But it might not remain free from soaring prices of foods.

"Inflation is up. But we must not forget that there is a strong domestic demand," said Executive Director of Policy Research Institute Ahsan Mansur.

Mansur said the stockmarket is in a correction mood now. "Let's not bother about it for too long," he said.

He warned about the risk of a drop in remittance inflows. "We have to stabilise our exchange market," said Mansur who was also critical of excessive credit expansion.

Salehuddin Ahmed, a former BB governor, said danger is coming from the forex market.

He said any financial crisis

usually preceded by bubble. "The central bank should be cautious about credit bubble."

Ahmed blamed the BB for raising the CRR (cash reserve requirement), saying that the timing was wrong that caused a plunge in the stockmarket.

But BB Deputy Governor Ziaul Hasan Siddiqui said the central bank increased the CRR after it observed a rising trend in inflation last year.

World Bank Lead Economist in Bangladesh Sanjay Kathuria said volatility in inflation creates uncertainty in investment and employment generation.

He said investment remains below the overall savings rate in Bangladesh. But it should be reversed, he said.

# Textile machinery sales rise

STAR BUSINESS REPORT

Textile and apparel machinery sellers look to Bangladesh as a lucrative business destination because of the country's stronghold in global readymade garment trade.

Sales of textile machinery are increasing due to high demand from the garment manufacturers, said exhibitors at the eighth Dhaka International Textiles and Garments Machinery Exhibition at the Bangabandhu International Conference Centre yesterday.

"Sales here have been increasing over the last two years. The country's garment sector was unhurt from the global recession and the machinery exporters targeted Bangladesh," said Thomas Chang, vice manager of the China-based Kyang Yhe (Dong Guan) Machinery Co Ltd.

Bangladesh is an attractive destination for textile machinery business because the garment manufacturers in the country are either expanding or investing in new projects, he said.

"We have not opened any sales office in Dhaka yet, but we are looking for agents to market our products," said Chan.

Bangladesh is also luring the fabrics exporters because the country imports nearly 60 percent of its fabrics from the woven garment, mainly from China.

"We have a good number of customers in Bangladesh and our business is increasing," said Faye, a sales executive of Yingrui Industries, a China-based denim textile company.

The textile machinery business will grow in the country within the next 10 years, said Golam Faruque, chief executive officer of Fareetech Tech Company, a Bangladeshi concern which imports textile machinery.

Faruque, who has been showcasing the denim fabrics designing machinery, said demand for such machinery is increasing in Bangladesh.

In his inaugural speech, Jahangir Alamin, president of Bangladesh Textile Mills Association, said 620 exhibitors from 31 countries are exhibiting their products this year, while the number was 570 exhibitors last year.

BTMA, Yorkers Trade and Marketing Service of Hong Kong and Chan Chao jointly organised the exhibition to showcase the textile machinery, fabrics and apparel accessories, which will end on February 16.

Textiles and Jute Minister Abdul Latif Siddiqui also spoke.

# Stocks plunge to nine-month low

## Protests continue for sixth straight day

STAR BUSINESS REPORT

Stocks continued their nosedive for the fourth consecutive session as the key index hit a nine-month low yesterday.

At the end of a four-hour trading session, the benchmark index of the Dhaka Stock Exchange -- DSE General Index -- came down to 6,052 points, marking a sharp decline of 474 points or 7.2 percent.

more active than the retailers, said the insiders.

Salauddin Ahmed Khan, teacher of finance at Dhaka University, said most investors lost confidence in the stockmarket as it dipped continually following a credit crisis.

Institutional investors resorted to a 'wait-and-see' policy and avoided buying shares, he added.

He also said active investment

fundamental shares, he added.

He also said mutual-fund holders should invest a majority of funds to buy shares in the stockmarket.

The free-fall in share prices also prompted hundreds of retail investors to take to the streets for the sixth day.

The aggrieved investors staged demonstrations in front of the DSE building blocking roads from

free fall," said one of them.

The angry investors tried to enter the DSE building at 12:20pm, but police resisted them. They chanted slogans demanding resignation of the DSE president, SEC chairman and the BB governor.

An agitating investor said the situation will might transform into something similar to Egypt if the government fails to bring back normalcy to the share market.

Abdul Halim, a retail investor, said: "My portfolio value has come down by almost 70 percent, although most of the shares in my portfolio are strong shares."

"Many say it was a price correction, but in fact prices of all sectors dropped. It cannot be called market correction, it's a market crash," he said.

Some frustrated investors threatened to go on hunger strike until death from today.

Traffic returned to normal around 3:50pm after the police stepped in.

On the trading floor, losers outnumbered gainers 247 to 5, with three remaining unchanged on the DSE that traded more than 6.38 shares and mutual fund units on a value of Tk 715 crore.

Among the traded issues, 111 touched their lowest through a circuit breaker that does not allow a stock price to go down or up by a certain limit on a single trading day.

Investors of Barisal stockmarket also brought out a procession, protesting a continuous downward trend in share prices. They blocked roads, ransacked vehicles and damaged offices of brokerage houses.

## Obama seeks to cut deficit by \$1.1 trillion

REUTERS, Washington

US President Barack Obama's proposed budget for fiscal 2012 will seek to cut the record federal deficit by \$1.1 trillion over the next 10 years, White House budget director Jack Lew said on Sunday.

Lew, speaking on CNN, said the president was also on track to halve the budget deficit by the end of his first term in office, which goes through 2012.

Obama is set to present his budget to Congress on Monday. He intends to get two-thirds of the savings



The government's latest move to offload more shares led the market to panic further, insiders said. There is no demand for shares in the market and this move will only increase share supplies instead of creating demand, they added.

Both retail and institutional investors went on a selling spree, and the institutions were even

support is needed from the government to boost investors' depleted confidence in the market.

Fakhor Uddin Ali Ahmed, president of Chittagong Stock Exchange, said various comments from the high officials also pushed the market down.

To bring back normalcy to the market, the government could apply a buy-back method for

Ittefaq crossing to Shapla Square for over three hours from around 12:00 noon.

They said the government has failed to restore investors' confidence.

The offloading of shares of state enterprises was futile as it left no positive impact on the market, they added. "Rather, a severe lack of confidence exacerbated the

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