STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES STANDARD CHARTERED BANK				
DGEN	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI		USD	EUR	GBP	JPY
▼ 2.10%	▼ 1.17%	▲ $1,507.00 (per ounce)	▲ $101.34 (per barrel)	Flat	▲ 0.25%	▲ 0.62%	▲ 0.63%	BUY TK	73.30	103.02	118.14	0.90
5,519.87	9,983.40			18,512.77	9,818.76	3,156.26	2,890.63	SELL TK	74.30	108.72	123.87	0.99

Star BUSINESS

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Stocks dip amid low investor confidence

STAR BUSINESS REPORT

Share prices slumped sharply yesterday as investors went for panic sell-offs in clear signs of their low confidence in the market.

The benchmark general index of Dhaka Stock Exchange declined 118 points, or 2.10 percent, to close at 5,519 points, while the selective categories index of Chittagong Stock Exchange lost 118 points, or 1.17 percent, to close at 9,983.

"The government's delay to take actions to establish the recommendations of the probe committee dented the investors' confidence. A lack of participation by institutional investors due to credit crisis also pushed the market down," said a market analyst.

"Some big investors, whose names were in the probe report, are deliberately increasing the selling pressure to create panic among the retail investors," he said.

Mahmood Osman Imam, a teacher of finance at Dhaka University, said: "Uncertainty of government plans lowered the investors' confidence and a rumour in the market that market would fall further also created panic among the investors."

Osman, also a member of the index development committee of DSE, said, "The government should take steps to implement the recommendations, including an overhaul of the SEC, in a bid to regain the investors' confidence."

The sluggish movement of the government to reform the SEC also pushed down investors' confidence, said a stockbroker.

Some state-owned institutions tried to support the market but failed, while some big institutional investors adopted wait-and-see policy, he added.

Rakibur Rahman, a retail investor, said, "The government should take some initiatives as soon as possible to increase the participation of institutional investors and restructure the SEC with honest people to boost the confidence of investors."

Some investors tried to leave the market by selling all their stakes to avoid new losses, he added.

"The government should implement the probe report recommendations," said another investor.

"The central bank should take some steps to increase the liquidity inflow into the market to save the investors," lamented one investor who lost money.

Md Fayekuzzaman, managing director of Investment Corporation of Bangladesh (ICB), said, "The government is very serious about stabilising the market."

"We are trying our best to support the market in a bid to restore the investors' confidence," he added.

Turnover on the DSE continuously dropped due to thin trade and stood at Tk 382 crore, down by Tk 44.23 crore from previous day.

Of the total 245 issues traded on the DSE floor, 215 declined, 28 advanced and two remained unchanged.

Beximco topped the turnover leaders with 13.37 lakh shares worth Tk 31.18 crore changing hands.

Reckitt Banckiser BD Ltd was the biggest gainer of the day, posting a 5.26 percent rise in its share prices, while Pioneer Insurance was the worst loser, slumping 17.55 percent.

List multinationals on bourses: MCCI

Energy crisis, soaring inflation major challenges for economy

STAR BUSINESS REPORT

The Metropolitan Chamber of Commerce and Industry (MCCI) asked the government to increase the supply of securities and list multinational companies operating in Bangladesh to help stabilise the volatile stock market.

The supply side can be improved by offloading shares of profitable state-owned enterprises and private entities and by offloading a bigger percentage of shares by the already-listed large companies, observed MCCI in its latest review of the Bangladesh economy in the third quarter (January-March).

The quarterly review report incorporates an analysis on the past quarter's economic performance and forecasts on the macro-economy, as well as trends in the financial markets.

The country's leading business body said the condition of physical infrastructure remains weak, which together with the crisis in the power and gas sectors, acts as a bottleneck to achieving the targeted 6.7 percent rate of economic growth. It identified soaring inflation as another major challenge.

The analysis found the overall performance of the economy mixed, with traces of successes and failures.

Buoyant farm output, an increase in industrial investment and SME loans, robust export growth and record revenue collections are some of the successes during the reporting period. Declining remittance growth, deteriorating balance of payment and foreign exchange reserves, rising inflationary pressures, poor public investment, rising interest rates and volatility in the capital market were identified as the failures.

MCCI observed that the stockmarket needs to shed itself of speculative elements, and that can only happen once market valuations come back to fundamental levels. It said the government should institute a thorough reform of the system and establish some short, mid and long-term rules and regulations after consultation with all stakeholders.

The premier chamber body suggested the government should ask multinational companies to get enlisted. "Such listings are compulsory in the neighbouring countries," said the report.

The chamber also feels, to boost supply and meet growing demand, quick offloading of the shares of state enterprises, enlistment of more private issues and persuading big listed companies to offload more shares could help.

"Strengthening the regulatory mechanism and making it more transparent and accountable is crucially important to increase public confidence in the stockmarket," said the report.

It said brokerage houses and merchant banks could do a lot to instil confidence among investors, especially uninformed ones, at a time when the markets have witnessed sharp ups and downs.

Like the farm sector, the chamber review said, all industrial sub-sectors that suffered declines during the recession began to recover. The manufacturing sector picked up after strong growth of domestic demand and exports. But it said small and medium industries performed poorly, largely for power and energy shortages.

Despite the installation of some additional generation capacity and some increase in power production, the situation did not improve much in the third quarter, as the production of power has lagged behind growing demand. "A shortage of energy, in fact, now poses the biggest threat to growth," said MCCI.

Banks are reported to charge 3-4 percent higher interest rates on loans following the withdrawal of the lending cap by the central bank, said the business body.

The chamber said revenue collection improved greatly in the quarter. In July-February, revenues were higher by 28.12 percent than the same time last year.

Contrary to good revenue performance, the implementation of the public investment programmes has been poor. The government implemented only 37 percent of the annual development programme during the first eight months of fiscal 2011, two percentage points lower than the same period last fiscal year.

Exports rise 40pc in 10 months

STAR BUSINESS REPORT

The country's exports grew by 40.88 percent in the first 10 months of the current fiscal year, riding on demands diverting form China to Bangladesh and relaxation of European Union rules.

During the July-April period, Bangladesh shipped goods worth $18.24 billion against the target of $14.88 billion, said the state-run Export Promotion Bureau (EPB) yesterday.

The government has set export target for 2010-11 at $18.50 billion. In April alone, the country exported goods worth $2.03 billion, registering a 45.56 percent rise over the same month a year earlier, data showed.

Among the major export items, knitwear products worth $7.48 billion and woven garments worth $6.70 billion were exported in the July-April period.

The exports of some products like frozen foods, agricultural products, rubber, leather goods, cotton and cotton products, jute and jute goods, home textile, footwear, building materials and vessels also witnessed a significant growth during the period.

Jalal Ahmed, vice-chairman of EPB, said the export is increasing both by value and volume after the relaxation of the Rules of Origin by the EU from January.

"Exports in terms of volume have increased more than by 15 percent during the period compared with the same period last year," Ahmed said.

He said the orders are shifting to Bangladesh from China, as the world's largest apparel supplier is increasingly becoming an expensive manufacturing destination for the buyers.

Faruque Hassan, vice-president of Bangladesh Garment Manufacturers and Exporters Association, said the prices of garment items increased worldwide due to hike in prices of raw materials.

The international buyers are paying extra prices to the manufacturers to adjust with the increasing prices of raw materials. As a result, the overall export is rising, he added.

The export of garments from Bangladesh might not see the same growth in June and July, as the buyers were careful about price hike of raw materials, he said.

Echoing Hassan, president of Leather Goods and Footwear Manufacturers and Exporters Association of Bangladesh Saiful Islam said the export prices of leather and leather products increased in value terms.

In July-April, overseas sales of leather products jumped by 126 percent compared with the same period a year earlier.

"The prices of leather products increased by nearly 40 percent recently for scarcity of raw materials. As a result, the export from the sector has increased," he said.

PID

Prime Minister Sheikh Hasina and her Turkish counterpart Recep Tayyip Erdogan witness an agreement signed between the Federation of Bangladesh Chambers of Commerce and Industry and the Union of Chambers and Commodity Exchanges of Turkey to establish the Turkish Bangladesh Business Council. The deal was flagged in Istanbul on Monday. (Related story on page 20)

Spinners irate over low yarn sales

STAR BUSINESS REPORT

The sale of yarn and finished fabric from the local mills declined substantially in the first three months of 2011 because of high imports of the items by the garment exporters, said spinners yesterday.

Yarn remains unsold at the local mills because India has sold the item at dumping rates, spinners added.

Sales also declined substantially on imports from China, said Jahangir Alamin, president of Bangladesh Textile Mills Association (BTMA), at a meeting with Jute and Textile Minister Abdul Latif Siddiqui at his secretariat office.

The apparel makers used to purchase fabric from the local mills to enjoy the duty-free access from European Union (EU) previously, but now they can get the same zero-duty facility from imported fabric for changes to the rules of origin (RoO) by EU under the generalised system of preferences (GSP) that went into effect from January, Alamin said.

The EU relaxed the RoO for the least developed countries (LDCs) and being a member of the LDCs, Bangladesh is also enjoying the facility. As a result, the local garment manufacturers are importing fabric from China.

At present, local millers can meet 90 percent of demand for the knitwear sub-sector and nearly 40 percent for the woven sub-sector, he said.

The import of finished fabric increased by 88 percent in January-March, after the RoO was relaxed, he said.

Alamin said by stopping the sale of raw cotton for several months now, India is now selling yarn at low prices to dump into the Bangladeshi market, he said.

"A total of 356 spinning mills produce 3,000 tonnes of yarn a day for local consumption. But over the last three months, that quantity is not being sold and stockpiles are increasing day-by-day," he said.

The spinners are now offering 30-count yarn at $5 a kilogram, which sold at $7 even one month ago, he said.

The spinners are unable to sell yarn at the lower prices, as they had bought cotton at higher prices last year, although cotton prices declined significantly in the last two weeks.

The government should either increase the cash incentives to 15 percent from an existing 5 percent, or set higher duties to discourage imports, he added.

At the meeting, Salim Osman, president of Bangladesh Knitwear Manufacturers and Exporters Association and Siddiqur Rahman, acting president of Bangladesh Garment Manufacturers and Exporters Association, opposed the option of cash incentives for the spinners.

Osman said the situation will normalise when demand from the manufacturers will increase.

The textiles and jute minister said the 88 percent increase in import of fabric is alarming. "But I do not think our spinning sector will be affected, as the situation is temporary."

He said the government will not increase cash incentive at the moment. "I do not think the time has come to give any stimulus package for the survival of the spinning sub-sector," Siddiqui said.

The minister said he called upon the leaders of the three associations to create an environment of discussion and solve the problems though mutual understanding.

"If necessary, I will arrange further meetings between the leaders to resolve the problems. But I will not interfere."