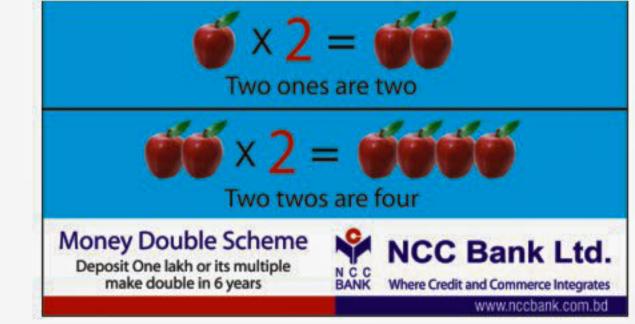
ASIAN MARKETS

TOKYO

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COMMODITIES



Makeshift shops in front of Chandni Chawk market in Dhaka wear a deserted look yesterday, the first day of a 36-hour shutdown called by main opposition BNP and its key ally Jamaat-e-Islami.

Stocks skid to three-month low

STAR BUSINESS REPORT

STOCKS

DGEN

CSCX

Dhaka stocks yesterday plunged more than 5 percent or 313 points in reaction to the next fiscal year's budget that offered no incentives to the stockmarket.

With yesterday's fall, the Dhaka Stock Exchange General Index came down to a three-month low at 5,676 points. The Selective Categories Index of Chittagong Stock Exchange also plummeted 496 points, or 4.65 percent, to 10,182.

The premier bourse started the day in a negative note and lost more than 200 points in the first hour of trading.

Participation of investors was low due to the 36-hour countrywide shutdown enforced by the main opposition BNP and its key ally Jamaat-e-Islami.

Salahuddin Ahmed Khan, who teaches finance at Dhaka University, said, "Stocks declined as the investors reacted negatively to the proposed budget, which had no incentives for the capital market."

The government also stopped investment tax credit opportunity for the investors, which too negatively impacted the investors and market operators, said Khan, also a former

chief executive officer of DSE.

Khan said the proposal to increase tax on commission of brokerage houses also created a negative impact.

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Akter H Sannamat, former managing director of Prime Finance and Investment, said: "The proposed budget has failed to fulfil the expectation of the investors, as there was no indication of liquidity management in it for the capital market."

The fact that there are no incentives for the capital market pushed down investor confidence, said Sannamat.

He said the budget is fully dependent on borrowing from the banking sector. As a result, the capital market will face credit dearth in the next fiscal year.

Sannamat also said no indication of offloading shares of state-owned enterprises also dented investor confidence.

The government could have given another chance of investing 20 percent of undisclosed money in the stockmarket, he added.

CURRENCIES

SHANGHAI

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SUSD €EUR ÆGBP ¥JPY

Doubling the tax on commission of brokerage houses dealt a blow to the investors' spirit, as they pay the levies to the houses, said a market operator.

A DSE official also attributed the fall to the

government's budgetary plan for the next fiscal year that denied black money-holders the scope to invest their untaxed money in the market.

Most of the investors shied away the market, as they were wary of any major slide in the prices of shares, he added.

Both stock exchanges have already urged the government to reconsider the budgetary proposal of doubling tax on brokerage commission.

Of the total 259 issues traded on the DSE floor, 252 declined, five increased and two remained unchanged. Turnover stood at Tk 596 crore, down by 10.49 percent from Thursday's trading.

All the sectors lost: bank 6.9 percent, nonbank financial institutions 5.3 percent, telecommunications 4.9 percent, pharmaceuticals 2.8 percent and fuel and power 4.3 percent.

United Commercial Bank topped the turnover chart with a turnover value of Tk 35.6 crore.

IBBL Mudaraba Perpetual Bond was the biggest gainer of the day, posting a 0.30 percent rise, while Pubali Bank was the worst loser, slumping by 9.58 percent.

Private firms to scout for foreign funds

SAJJADUR RAHMAN

The central bank is encouraging private firms to seek low-cost capital from foreign sources to reduce the growing pressure on balance of payments (BOP) and liquidity.

......

"We gave permission to 4/5 firms last week. Another two firms will be allowed to get foreign currency loans this week," Atiur Rahman, governor of the Bangladesh Bank (BB), told The Daily Star.

Giant business groups such as Pran, Summit and Apex have already ensured the go-ahead from the central bank. Two projects of United Group got permission yesterday. Also, half a dozen enterprises are waiting for such a nod.

The private sector is going for foreign currency loans for cost-effectiveness. This type of loans cost LIBOR plus 4 percent, which means the enterprises have to pay less than 5 percent interest rates per annum against 15-18 percent offered by the local banks.

Currently, London Interbank Offered Rate (LIBOR) stands at less than 0.5 percent. Firms can borrow money from foreign sources on a long-term basis, while Bangladeshi banks mostly offer short-term loans.

At a post-budget briefing of the finance minister, the central bank governor on Saturday said the private sector is welcomed to borrow from foreign sources, which he said would help the country reduce pressure on the declining BOP and liquidity.

BOP, which was \$2.2 billion at the end of April 2010, now went down to negative

territory (-\$522 million).

If a private firm wants to seek loans from foreign sources, it has to take prior approval from the Board of Investment before submitting the proposal to the central bank, which has a screening committee to look into the issue.

To borrow capital from foreign sources, enterprises need to prove that they have feasible projects and healthy financial practices, which can be certified by auditing firms.

Some firms are now negotiating with different European banks for loans worth hundreds of millions of dollars to fund their projects.

"We are in talks with some European and Asian banks for loans to fund our new projects," said Afzal Hossain, senior general manager (foreign trade) of Meghna Group, one of the conglomerates and commodity traders in Bangladesh.

Hossain said rising interest rates and the ongoing liquidity crisis in commercial banks have forced them to look for loans from foreign sources.

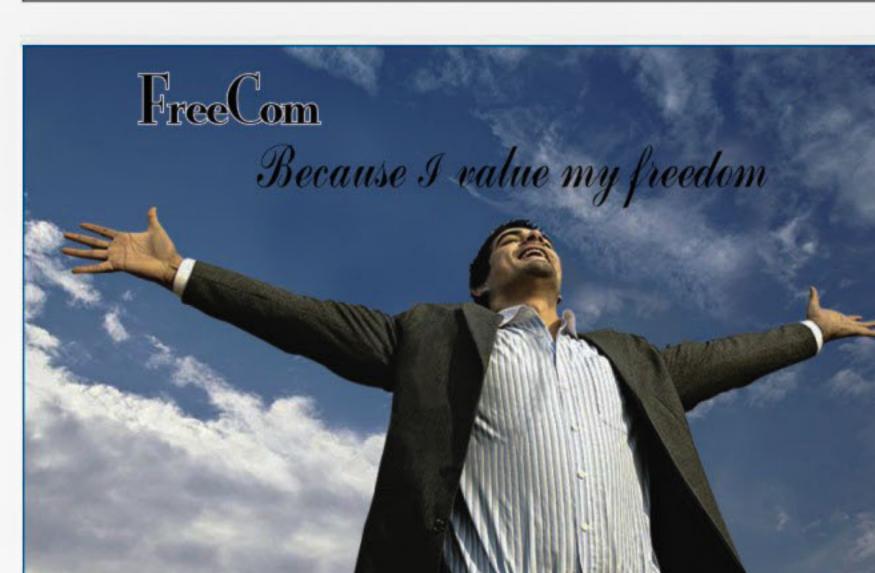
The BB governor also asked managing directors of all scheduled banks to help their customers bring low-cost finances from foreign countries.

The biggest risk to foreign capital is

the exchange rate, according to businesses. A decline in the taka against the US dollar would cost borrowers high.

However, a private banker said if such loans go up sharply, this may cause problems to the local financial system.

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Hartal slows port activities

STAFF CORRESPONDENT, Ctg

Loading, unloading and transportation of goods to and from Chittagong Port was hampered yesterday, on the first day of 36-hour shutdown enforced by two opposition parties.

Unloading of food items, including rice, wheat and sugar, from five vessels at port jetties was partially disrupted as trucks could not enter the port due to the hartal.

Officials said steps were taken on Saturday night to transport some export containers from different private container depots to the port jetties with police escort.

Chittagong Port Authority (CPA) Secretary Syed Farhad Uddin Ahmed claimed loading and unloading of goods at the jetties and at outer anchorage were normal but the delivery of goods was hampered.

He said loading and unloading of goods from privative done at 55 vessels at the jetties and day night.

outer anchorage.

No containers loaded with import or export goods could be transported to and from the port until this report was filed at 7.30pm yesterday.

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) said owners of fifteen garment factories appealed to the BGMEA Monitoring Cell to take steps regarding police escort for transporting their export goods from factories to private depots.

BGMEA First Vice President Nasir Uddin Chowdhury said two export consignments were transported from Sitakunda to a private depot at Kalurghat in presence of policemen.

Deputy Commissioner (Port) of Chittagong Metropolitan Police Kushum Dewan said they provided protection for transporting some export containers from private depots to the port on Saturday night.

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