
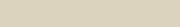


STOCKS		COMMODITIES		ASIAN MARKETS				CURRENCIES					
DGEN	CSCX		Gold ▼ \$1,528.10 (per ounce)		Oil ▼ \$99.39 (per barrel)	MUMBAI ▼ 1.17% 15,543.93	TOKYO ▼ 0.29% 8,398.89	SINGAPORE ▲ 0.24% 2,672.78	SHANGHAI ▲ 0.16% 2,173.56	USD	EUR	GBP	JPY
▲ 0.73% 5,257.60	▲ 0.85% 9,572.67									BUY TK 81.20	103.33	124.02	1.01
										SELL TK 82.20	107.53	128.34	1.11

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BUSINESS

DHAKA FRIDAY DECEMBER 30, 2011, e-mail:business@thedailystar.net

More pain than gain for a year in stocks

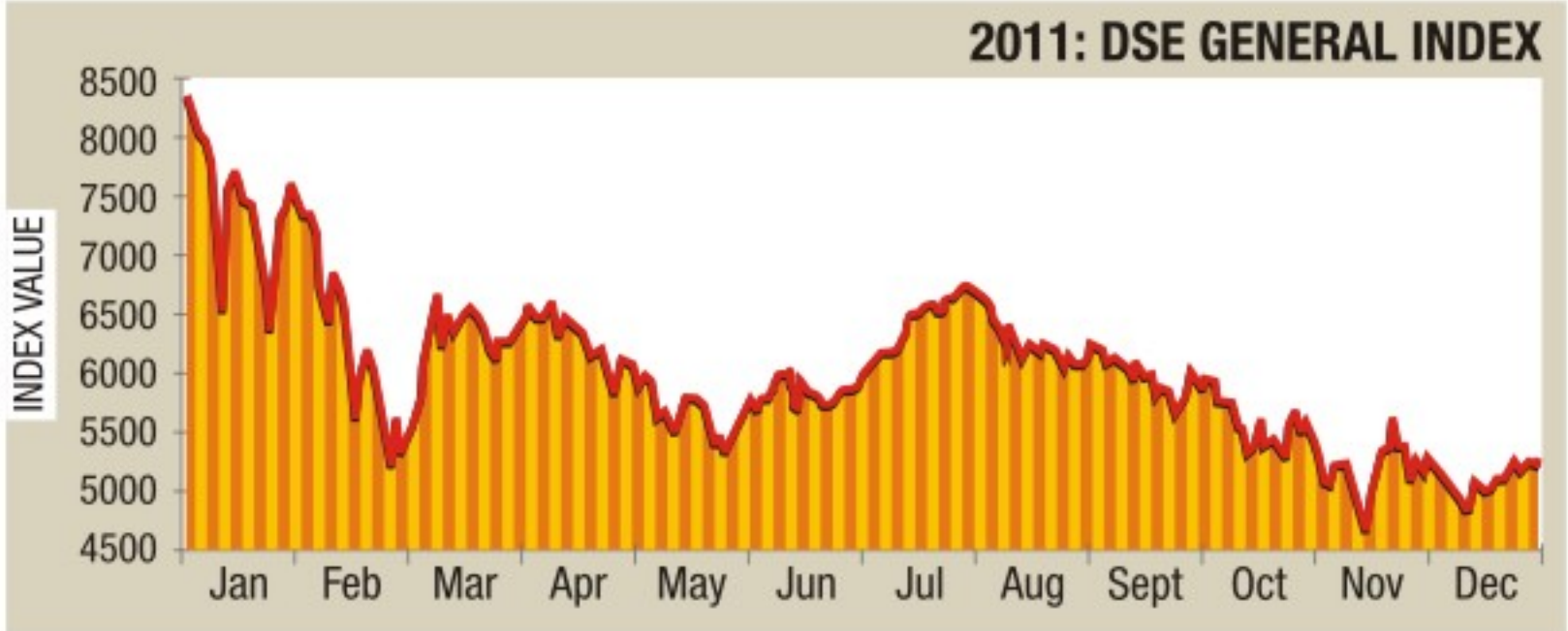
SARWAR A CHOWDHURY

The stockmarket that was inflated in the last two years got punctured this year with two debacles pulling down the key index by around 37 percent, shattering investors' confidence and reminding them of the 1996 bubble that burst.

The market soared irrationally in 2009 and 2010, and then burst in 2011. Although the government and the regulator tried to tackle the situation, their repeated intervention only prolonged the debacle till the end of the year.

Manipulation, too much greed of the investors, and malgovernance and malpractices of the market intermediaries and the regulator overheated the market with all the securities prices going beyond their fundamentals.

Analysts were repeatedly warning that the market would crash anytime. But no proper initiatives were taken; rather people were invited by influential persons to



come in the market.

Stockbrokers spread out across the country, companies' assets were overvalued, auditors overlooked the inflated figures, regulators did not take actions and finally the investors forgot the investment rules.

A big correction in share prices was inevitable following the abnormal and irrational hike, and the expected correction in share prices began in December 2010, but it turned into a crash in January-February this year.

But the second debacle at the end of the year was unexpected, as it was

due to a continuous erosion of investor confidence.

The two crashes in a year sent the retail investors into a tailspin as many of them lost all their investments. And it has become a habit of the frustrated investors to take to the streets in the busy commercial hub of Motijheel each time the key index fell.

The second crash prompted Prime Minister Sheikh Hasina to intervene in the troubled-torn market. In November she sat with the stockmarket regulator and other stakeholders.

READ MORE ON B3

Cooking oil prices spiral as govt dithers over action

STAR BUSINESS REPORT

The government is likely to reset cooking oil prices, as traders are selling soybean oil at prices higher than the rate fixed earlier.

The prices started an upward climb two weeks ago, according to data from Trading Corporation of Bangladesh (TCB).

"The government seems slow to act," said Qazi Faruque, president of Consumers Association of Bangladesh. "Traders made hefty profits because of the government's carelessness," he said.

Retailers sold a litre of loose soybean oil yesterday at Tk 124-128, up 11 percent from two weeks ago.

Refiners increased the prices of bottled soybean oil without informing the government prior to the price hike in line with the law, the Control of Essential Commodities Act.

The prices of a 5-litre container of soybean oil increased to Tk 605-615 from Tk 595-605 earlier this month.

The current prices of open and packed soybean oil are higher than the prices fixed by the government in July; the price of a litre of loose soybean oil at mill gates was fixed at Tk 103-105.

To review the recent hike in prices, Bangladesh Tariff Commission (BTC) Chairman Mozibur Rahman sat with representatives of refiners at his office in a meeting

yesterday.

Rahman said a recommendation to adjust prices will be sent to the commerce ministry on Sunday. BTC monitors the prices of essentials.

Blaming the depreciation of the taka against the dollar for an increase in cooking oil prices, he said the monitoring cell would recommend price 'adjustments' with increased import costs.

"The cost against deferred letters of credit (LC) has gone up for some refiners because of the depreciation of the taka," he said, explaining the reasons behind the price hike.

Representatives of refiners were present at the briefing.

He however did not clarify why the cell had delayed to react to reviewing the recent price hike.

"We will not recommend any price hikes; we suggest adjusting prices with the increased cost of the dollar," said the BTC chairman.

"We will suggest adjustments, not by increasing prices, but by other means -- such as reduction of VAT -- so that consumer's sufferings do not increase," he said.

Referring to the claims by refiners and importers, Rahman also said bank interest rates were partly responsible for the soybean oil price hike.

Banks are taking service charges along with interest rates against opened LCs, increasing the importers' costs, Rahman added.

However, representatives of refiners did not mention the names of those banks charging higher fees.

The BTC chairman also pointed at a surge in demand for soybean oil in the recent cold wave for the price hike as palm oil solidifies in low temperatures.

He said there is no shortfall of palm oil in the market; but there is a supply-demand gap for soybean oil.

On loose soybean oil, Rahman, referring to refiners' claims, said the refiners are yet to increase prices as they are charging Tk 106 a litre.

But a section of refiners charged more than the government rate, while some have reduced the supply to create a shortage in the market so that prices go up, according to some distributors. However, in the last few months, prices of soybean oil in the international market dropped.

But Mohammad Ali Bhutto, general secretary of Bangladesh Edible Oil Wholesalers Association, denied the refiners' claims, saying they are not getting soybean oil at Tk 105 a litre.

"Let the refiners make public the daily report on whom they sold soybean to at Tk 105, and in what quantities," he said.

Meanwhile, TCB began open-market sales of soybean oil, along with sugar and pulses in Dhaka. The agency charges Tk 115 for each bottled litre.

Second undersea cable to come in three years

ABDULLAH MAMUN

The country is going to see the second international submarine cable within three years as the state-owned Bangladesh Submarine Cable Company Ltd (BSCCL) has recently signed a deal to join a consortium of more than 16 countries.

The project of the consortium styled SEA-ME-WE 5 (South East Asia-Middle East-West Europe 5) is an international undersea optical fibre cable that provides internet connections and will connect Bangladesh with international information highway.

After taking the finance ministry's consent, the telecommunications ministry gave its approval to the state-run company to join the consortium, according to an official of the telecom ministry.

The second submarine cable will follow the route of the current SEA-ME-WE 4 cable and will reach Japan via Hong Kong, said Monwar Hossain, managing director of the state company.

The project will be completed by 2014 at a cost of Tk 450 crore, said Hossain, adding that an international bid will be floated in July.

The BSCCL will invest Tk 200 crore and collect the rest from international agencies or financial institutions. However, the government will not guarantee the BSCCL loans as it has a fund crisis, said the ministry official.

Hossain said the state-run company has the capacity to operate the new submarine cable as it has the experience of operating the existing one. "Moreover, the company has its own landing station."

Currently, Bangladesh is connected with the information highway with its only submarine cable SEA-ME-WE 4.

In 2004, Islamic Development Bank funded the project of SEA-ME-WE 4 cable from France to Singapore.

Meanwhile, the government has approved six licences for setting up international terrestrial cables connecting the country with the world via India.

The cables to go through Meherpur, Benapole, Sylhet and Comilla borders will provide a route alternative to the sub-sea connectivity.

MBA Assoc meets foreign minister

STAR BUSINESS DESK

A delegation of Bangladesh MBA Association met Foreign Minister Dipu Moni at the minister's office in the capital on Wednesday, the association said in a statement yesterday. The delegation was led by Azizul Hoque, managing director of GlaxoSmithKline, Bangladesh.

Dipu Moni was apprised of the activities of the association where the body proposed to increase its involvement in promoting trade through Bangladeshi embassies abroad.

Fall of taka hits consumers hard

Taka slumps 15pc against the dollar

SAJJADUR RAHMAN

Consumers had tough times throughout the outgoing year as the local currency depreciated by more than 15 percent against the US dollar in 2011.

Bangladesh Bank (BB) data shows the taka had depreciated only by 0.54 percent in 2008, 0.47 percent in 2009 and 2.09 percent in 2010.



Analysts said this devaluation of the taka acted as a catalyst to a hike in prices of fuel, food, capital machinery and industrial raw materials.

"Import costs went up for the depreciation that had a direct impact on the consumers," said Dr Mustafa K Mujeri, director general of Bangladesh Institute of Development Studies (BIDS).

BB data also shows the inter-bank exchange rate (also known as wholesale rate) was Tk 71 against a dollar on January 10 this year, which reached Tk 71.60 on March 10, Tk 73.88 on June 09, Tk 74.20 on September 11 and Tk 81.90 on Decem-

ber 29 (yesterday).

The price of the dollar at the customer level (import payments) was on average Tk 82.17 yesterday, according to treasury officials in different banks.

"It's (depreciation) not good for the financial sector. It also impacts the whole economy," said Dr Salehuddin Ahmed, a former central bank governor.

Ahmed said the depreciation did not only fuel inflation, it also increased the prices of intermediate goods and raw materials and input costs of manufactured goods.

If a businessman imports \$10,000 worth of things, he had to spend Tk 700,000 in January 2011. It is now Tk 820,000, up by over 17 percent.

An importer, no matter what he imports, has to bear this additional cost for the exchange rate.

"This additional cost is passed on the consumers," said Ahmed.

Point-to-point inflation reached nearly 12 percent in November.

A sliding foreign exchange reserve, now at around \$9.7 billion, has further worsened the situation, while the central bank cannot pump up enough dollars into the market to stabilise the exchange rate.

"Business costs may go up if foreign banks ask for a third party guarantee, seeing the declining reserve," said the former BB governor.

Ahmed said the central bank is in a dilemma over the falling exchange rate. Neither can it inject dollar into the market to stabilise the exchange rate in the wake of a falling reserve and balance of payments, nor can it bear the soaring inflationary pressure.

But exporters and remitters had good times as they got more taka due to the depreciation.

"Exports were more competitive in the outgoing year due to the devaluation of the taka," said Mujeri of the BIDS.

"Bangladeshi expatriates in the Middle East sent home more money in the recent months to cash in on the soaring exchange rate," said a treasury official of a private bank.

sajjad@thedailystar.net

24

HOURS

a day

7

DAYS

a week

365

DAYS

a year

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