

STOCKS

DGEN	CSCX
▲ 0.34%	▲ 0.36%
4,219.31	8,175.59

COMMODITIES

Gold	Oil
\$1,658.90 (per ounce)	\$91.26 (per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.63%	▲ 0.70%	▲ 0.25%	▲ 1.24%
19,444.84	10,395.18	3,191.80	2,233.25

CURRENCIES

USD	EUR	GBP	JPY
BUY TK 79.75	104.48	126.92	0.92
SELL TK 80.74	108.48	130.91	1.02

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Star

BUSINESS

DHAKA MONDAY DECEMBER 31, 2012, e-mail:business@thecitizenstar.net

A rocky year winds down for stocks

SARWAR A CHOWDHURY

Stocks are all set to end the year in the red territory, as the market failed to recapture its pre-2011 shine in 2012.

The price slide, which started in January 2011, continued well into 2012, with the odd gains here and there.

DGEN, the key index of the Dhaka Stock Exchange, have so far lost around 22 percent, which coupled with last year's drop of 37 percent. This continuous slide had a demoralising effect on investors who were otherwise hopeful of a comeback in 2012.

DSE GENERAL INDEX

The market came down to 3,809 points -- the lowest in 27 months -- in the first quarter of the year, making investors fearful of another crash, the third in a space of a year.

Liquidity crunch due to a tight monetary policy and the finance minister's remark that the economy was under a "dark shadow" due to recession in the West, were to blame for the drop during the quarter.

The market rebounded in the second

quarter, rising to 5,502 points on April 17, on the back of the flag-giving **2012 IN REVIEW liquidity crunch.**

The government's initiative of compensating the retail investors who lost money during the downswings of 2011, too, created a positive sentiment in the market.

But the positivity wore off soon, with the market crossing the 4,000-point mark, once again, in the next two quarters.

All other market-related indicators eroded in value, too: daily trade slumped by 66 percent, while the total market capitalisation fell by 10 percent.

Institutional investors, the market movers and shakers, were almost inactive throughout the year due to liquidity crunch of their own.

Furthermore, banks and non-bank financial institutions' stockmarket exposure dropped to under 2.5 percent of their total deposits, in preparation of the changes due to be made to the Companies Act.

A proposal is in place to amend the Companies Act such that banks and financial institutions would be allowed to make investments of up to 25 percent of their paid-up capital in the stockmarket.

Mutual funds that have entered the market in 2010 -- when they were at their peak -- have been watching the market movements from the sidelines.

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BB seeks investment from mutual funds in bonds

GAZI TOWHID AHMED

The central bank has asked Bangladesh Securities and Exchange Commission to make it mandatory for mutual funds to invest in government bonds to make the debt instruments more popular.

"We received a proposal from the central bank on December 18," an official of BSEC said, asking not to be named. But Bangladesh Bank did not specify the investment portion, he said.

"The BSEC will take a decision on this soon."

Currently, it is not mandatory for mutual funds to invest in government bonds.

At a meeting with the BSEC, Registrar of Joint Stock Companies and Firms, Insurance Development and Regulatory Authority, Microcredit Regulatory Authority and Department of Cooperatives on November 21, the central bank tabled the issue of such mandatory investment.

Separately, a move is underway to amend the existing rules for mutual funds, making it mandatory for fund managers to invest 50 percent of their funds in government securities. The other 50 percent will have to be invested in listed securities.

The central bank has also proposed to allow non-bank financial institutions (NBFI) to underwrite, like banks and insurance companies, after getting licences from the BSEC.

"We have applied to the central bank to allow us to work as underwriters. The central bank has understood the need for it," said Asad Khan, president of Bangladesh Leasing and Finance Companies Association.

Underwriting means the procedure by which an underwriter brings a new security issue to the investing public in an offering.

In such a case, the underwriter will guarantee a certain price for a certain number of securities to the party that is issuing the security. Thus, the issuer is secure that they will raise a certain minimum from the issue, while the underwriter bears the risk of the issue.

Dhaka trade fair begins tomorrow

UNB, Dhaka

The month-long Dhaka International Trade Fair (DITF) begins tomorrow to showcase Bangladeshi products with new features among the visitors from home and abroad.

The Export Promotion Bureau and the commerce ministry will jointly host the mega event, in its 18th year, at Sher-e-Bangla Nagar in Dhaka.

Bangladesh received spot export orders worth \$5.14 million, a 72 percent rise from the previous year, according to the organisers.

Commerce Minister GM Quader will brief the media on the fair today.

StanChart signs \$193m loan deal with Ashuganj Power

STAR BUSINESS REPORT

Standard Chartered Bank has arranged around \$193 million loans for Ashuganj Power Station Company Ltd to help the state-run electricity producer set up a 225-megawatt combined cycle power plant.

The London-based bank yesterday signed a deal with Ashuganj Power at Bidyut Bhaban in the capital for the fund backed by export credit agencies (ECAs).

"We have arranged 85 percent costs of the project as ECA loans," said Abrar A Anwar, managing director and head of origination and client coverage at Standard Chartered Bank in Bangladesh.

The bank has arranged the ECA-backed finance from K-Sure in Korea and Euler Hermes in Germany. The interest rate of the project is LIBOR+3.69 percent a year.

ECAs provide financing services such as guarantees, loans and insurance to local companies to promote exports.

This is the second ECA deal signed by Ashuganj Power. Earlier, on December 21, it signed another contract with HSBC for a \$420 million fund for its 383MW combined cycle power plant.

READ MORE ON B3

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EULER-HERMES of Germany
ONDD of Belgium
and
MIGA of the World Bank Group
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