

# A fall in call money rates: Citi

STAR BUSINESS DESK

(CONTINUED FROM YESTERDAY)

The interbank call money market experienced some volatility during the first half of the year. The year started with a high rate of 20 percent and continued to remain at that level during the whole month of January and remained as high as 15 percent till most part of March 2012.

During this time, Bangladesh Bank had also intervened and set ceilings in the call money market, first at 18 percent and subsequently at 15 percent. Consequently rates started to ease somewhat, but on the backdrop of limited liquidity support from the central bank, call money rates began to rise and remained within the range of 9 to 15 percent for the following months.

Apart from some seasonal volatility during Eid festivals (August and October), the overall

interbank call money rate remained less volatile during later half of the year. Bangladesh Bank continued its Assured Liquidity Support (ALS) and special repo facilities throughout the year with limited exceptions which contributed in keeping the call money rate stable.

Credit in both domestic and private sector have also observed sharp declines compared to the previous fiscal, leading to surplus fund in the interbank market. Currently the rate is hovering around 10 percent range and is expected to remain around the same level till year end.

**Yield curve shifts upward**

Yields of government securities for all of the tenors marked modest rises over the previous fiscal year, with the shorter tenor securities rising more significantly. The yields of shorter-end bills with 91 days, 182 days and 364 days tenor rose by 394 bps, 408 bps and 369 bps, respectively.

On the other hand, rates of mid and longer-end government bonds with 5 years, 10 years, 15 years and 20 years tenor increased by 288 bps, 210 bps, 196 bps and 180 bps respectively. The increase in yield was highest in the 182 days tenor bill which added 408 bps.

This year Bangladesh Bank issued a new circular on investment of government securities. According to the new circular 60 percent of the securities issued as per the published calendar (both T-Bill and T-Bond) will be allotted to PDs and 40 percent will be devolved on 25 scheduled banks who has not become primary dealers (PDs).

These 25 non-PD banks need not participate in the auction but each of them has to take share of outstanding 40 percent at cut off yield on that particular auction. This has been made as an obligation to non PD banks. The non-PD bank's individual share

would be proportionate to their obligation to maintain reserve requirement based upon their time and demand liabilities.

**Stocks suffer**

The Dhaka Stock Exchange (DSE) continued its losing streak throughout 2012, after having declined in 2011. The benchmark index, DSE General Index (DGEN), fell in excess of 21 percent year to date and stands at 4,174.7717 as of December 20, 2012. Market capitalisation which was about \$53 billion at its peak in December 2010, stood at \$29 billion on December 20, 2012.

Market liquidity also declined, with average daily turnover of \$50 million in 2012, as compared to about \$89 million in 2011. The Asian Development Bank's (ADB) announcement of providing \$300 million in loan for Bangladesh's capital market development encouraged investors leading to stocks registering a

5.48 percent surge on November 29, 2012, the steepest single-day spike in the last 10 months.

The government and the regulator had taken the following steps to revive confidence in the capital markets: changing the face value of all listed shares to Tk 10, updating the legal provisions on book-building procedure, mutual fund and paid-up capital, reducing the corporate tax rate for merchant banks to 37.5 percent, imposing mandatory share-holding by sponsor-directors of a company (of at least 2 percent individually and 30 percent collectively of share of the paid-up capital of their company), suspension of earlier directives, which barred the investors from availing margin loans against any security within 30 days of its listing or changing category.

TO BE CONTINUED



APOLLO HOSPITALS

Sarath K Weragoda, Sri Lankan high commissioner to Bangladesh, and Shagufa Anwar, general manager for business development at Apollo Hospitals, Dhaka, exchange documents of a deal recently to provide priority corporate benefits and medical services to the employees and their dependants of the high commission.



GM Quader, commerce minister, attends a dialogue on arbitration for settlement of business disputes organised by Bangladesh International Arbitration Centre (BIAC) in Dhaka on Saturday. Mahbubur Rahman, BIAC chairman, was also present.

## A rocky year winds down for stocks

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The total market capitalisation to gross domestic product ratio now stands at 25 percent -- down from January's 34 percent -- meaning the market is considerably undervalued.

So far this year, 10 companies raised Tk 774 crore from the market through initial public offerings (IPOs), while a Tk 100-crore mutual fund was floated.

Demutualisation of the stock exchanges was a much talked issue this year.

The cabinet on October 18 gave the final approval to the draft of the Exchanges (Demutualisation) Bill, 2012 that seeks to ensure transparency, efficiency and accountability in the stockmarket through separating the ownership of stock exchanges from the management.

Another major development in 2012 was the elevation of the stockmarket regulator's powers through amendment to the securities laws and ordinance.

Under the Securities and Exchange (Amendment) Act 2012, the regulator was empowered to form a special tribunal for speedy disposal of stock-related cases.

And as per the Securities and Exchange Ordinance, the regulator can frame its own budget and the employees will get financial benefits, like the central bank.

Bangladesh Securities and Exchange Commission (BSEC), the regulator, in October announced a 10-year master plan for the capital market -- to restore stability.

According to the plan, the BSEC already introduced a modern surveil-

lance system to monitor the market.

It will now formulate the Financial Reporting Act to improve the auditing system, along with demutualisation of the stock exchanges and setting up of a derivative market.

The BSEC will also prepare a long-term guideline on initial public offerings and a national policy on financial literacy, and establish a separate clearing corporation.

This year, the BSEC tried to act as a 'mature institution' and refrained from intervening with the daily trading although the market went through ebb and flow.

Rather, the regulator was busy with modifying the existing rules and regulations and formulating new laws to regulate the market and making it more transparent and accountable.

Faruq Ahmad Siddiqi, a market analyst and a former BSEC chairman, said the market did not perform well; both the index and turnover have been on the slide throughout the year.

"Investors' confidence has not recovered from last year's crash," said Siddiqi.

He said the loan providers, which disbursed share credit in 2010 when the market was bullish, could not recover most of their loans in the last two years, which curtailed their operational ability and market exposure.

"The credit providers, especially the merchant banks, do not have the ability to extend loans anymore. Besides, given the market situation, there are no clients left to receive the loans," he said.

Moreover, the incentives that

were given to the market from the government did not have the desired effect, according to the former BSEC chairman.

"Overall, the money market was not in a good position, and for this reason liquidity could not be switched to the capital market," he said, adding that the market would need more time to get back on its feet.

Md Ashaduzaman Riadh, Lanka Bangla Securities' head of research, said the "whimsical movement" of the market "in both directions" jolted the investors' confidence this year.

"If we analyse the economic factors -- first, in the way that they affect interest rate and overall market liquidity, and second, in the way that they affect company earnings -- conditions were not friendly for the stockmarket."

He said though extreme anxieties loomed at the beginning of the year from both the fiscal and monetary frontiers, they have been comfortably managed in the end.

Sustained revival of the market was repeatedly thwarted by the poor corporate profitability, tight liquidity and shaky investor sentiment, Riyadh said.

"Monetary tightening through direct and indirect policy tools was at the extreme phase in 2012 and that largely curbed the fund flow from individual and institutional investors."

He said behavioural perspective had a large part to play in 2012, despite the regulator's honest efforts to resuscitate the market.

## BIAC holds dialogue on business arbitration

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Commerce Minister GM Quader called for efforts to build confidence among investors by highlighting the resilience of local entrepreneurs, industrial labour and a supportive policy framework.

Quader spoke at a dialogue on arbitration for settlement of business disputes organised by Bangladesh International Arbitration Centre (BIAC) at Ruposhi Bangla Hotel on Saturday.

BIAC will provide an alternative to the court system, and generate confidence among investors, and particularly encourage foreign direct investment, he added.

BIAC Chairman Mahbubur Rahman emphasised the role BIAC can play in assisting the settlement of commercial disputes along with lawyers and judges.

He urged the government to consider using BIAC and its arbitration rules for the disputes where the government is a party.

BIAC Chief Executive Toufiq Ali presented the keynote, highlighting the changes in laws which have made mediation manda-

tory, and the increasing number of pending cases in local courts.

BIAC is arranging training in arbitration and mediation, which will help entrepreneurs and those seeking alternates to the long delays in courts, he said.

Gerben de Jong, Dutch ambassador to Bangladesh, said Bangladesh and Netherlands both depend on trade with the outside world for growth. In such cases, it is vital that countries comply with rules and regulations.

He believed that Bangladesh has a bright future, and could be among the next 11 emerging countries.

Tafazzul Islam, former chief justice, spoke of the role that lawyers can play in assisting courts in speedy disposal of cases, particularly by not seeking adjournments. The courts also need to award costs, as is the practice around the globe, to discourage unnecessary litigation, he said.

Barrister Rafiq-ul-Huq, Barrister Dr M Zahir, and Dhaka Chamber of Commerce and Industry President Asif Ibrahim, also attended the dialogue.



UCB

Showkat Aziz Russell, vice chairman of United Commercial Bank, opens the bank's 129th branch in Khilkhet of Dhaka on Thursday. Mirza Mahmud Rafiqur Rahman, additional managing director, was also present.



SOUTHEAST BANK

Ragib Ali, vice chairman of Southeast Bank, inaugurates the bank's 94th branch at Mohakhali in Dhaka yesterday. Syed Shahid Ali, a sponsor director, was also present.



CONCORD

Shahriar Kamal, deputy managing director of Concord Group, and Rubel Aziz, managing director of Partex Beverage Ltd, attend a recent programme where a deal was signed to supply "Mum" drinking water to Concord's Fantasy Kingdom, Water Kingdom, Heritage Park and Foy's Lake.

## Indenting association's new office bearers

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KMH Shahidul Haque has recently been elected as the president of Bangladesh Indenting Agents' Association, the association said in a statement.

The election took place at the association's 31st annual general meeting, presided over by its outgoing president Shahab Uddin Khan, at Fars Hotel & Resorts in Dhaka on Saturday.

On the occasion, MSI Dastagir and Md Altaf Hossain Biswas were elected as senior vice-



KMH Shahidul Haque

## BTCL clarifies technical glitch

STAR BUSINESS REPORT

Bangladesh Telecommunications Company Ltd (BTCL) yesterday said a technical glitch at the state-run company disrupted its internet gateway services from 2.45pm to 5.45pm on Wednesday.

There was no problem with its upstream bandwidth connectivity with SingTel in Singapore, as the media reported quoting a BTCL spokesperson on Thursday.

In fact, the internet went down due to a technical

## StanChart signs loan deal with Ashuganj Power

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"ECA loan is an innovation model of financing as it will help the government secure international funding from non-conventional sources," said Md Anwar Hussain, chairman of the power company.

The loan will be drawn within three years of the availability period and should be repaid by the next 10 years after project completion.

The average tariff for 25 years' lifetime is Tk 1.68 per unit, which will help reduce the overall power generation cost substantially, said Hussain.

Ashuganj Power had signed a contract with its EPC contractor -- South Korean Hyundai Engineering Company and Daewoo International Corporation -- on October 5 last year to build the 225MW power plant.

On November 28 this year, the government's Hard-Term Loan Committee gave a go-ahead to two ECA funding totalling \$622 million.

Ashuganj Power is the second largest power plant in Bangladesh with installed capacity of 724MW and de-rated capacity of 642MW, meeting 15 percent of the country's electricity requirements.

Bangladesh has plans to add 16,048MW power by 2016 to its current production capacity of about 6,000MW. But the fund crisis has been a big challenge.

To overcome the problem, the government has taken various steps, including lending from multiple donor agencies, supplier's credit, buyer's credit and ECA funding. Power Division Secretary (in-charge) Monowar Islam also spoke.

## A turbulent year

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Amongst the South Asian currencies, while Taka has appreciated against the USD, the INR weakened sharply. INR started the year at 53 against the greenback, and went on to reach a high of over 56 over the course of 2012, and eventually finished around 55 for the year.

As a whole, volumes have fallen across the global FX market, and volatility has hit its lowest level in five years. We've moved away from a lot of the normal drivers of Forex such as interest rate differentials and moved into the realm of politics (EU Debt crisis, US Fiscal Cliff etc).

If supply and demand is the final arbiters of financial markets, then the scales were definitely tilted toward supply for commodities in 2012. A slowdown in consuming behemoth China took the edge off the global appetite for raw materials, which also was spoiled by the euro zone's lurch toward recession and the US economic slump.

Overall, grains and soybeans soared in 2012; crude oil and soft commodities sank, while copper and gold were up for the year.

US grain and soy futures soared in 2012 as a severe drought struck the Midwest, withering corn and soybean crops and sending futures for both commodities to all-time highs in the late summer. The futures are now off their midyear highs, though wheat is still up 21 percent for the year, while soybeans have gained 19 percent and corn 8.6 percent, through Dec 27, 2012.

The current US Department of Agriculture estimate for 2012 corn harvest is 10.73 billion bushels, 27 percent below the agency's original forecast for the crop. For soy, the supply challenge was compounded by drought cutting output in Brazil and Argentina, the top soybean exporters behind the US. Wheat supplies dried up owing to parched weather in US and abroad, most notably in the former Soviet