

Higher economic growth hinges on strong stockmarket: analysts

STAR BUSINESS REPORT

The stockmarket should be turned into a regular source of funds to ensure sustainable economic development of the country, analysts said.

"To achieve the goal, it is necessary to ensure smooth operation of primary and secondary market, increase financial literacy among investors and minimise volatility of the market."

The comments came at a conference, "Capital market and economy: role of investors", as part of an event held on Friday to observe World Investor Week.

The Institute of Chartered Accountants of Bangladesh (ICAB) organised the seminar at the ICAB auditorium in the capital.

Bangladesh's equity market was extremely depressed due to the mass exodus of investors from the stock exchanges after the share market disasters of 1996 and 2011.

However, the market regained some of its momentum in the last couple of years, speakers said.

Prashanta Kumar Banerjee, professor and director of Bangladesh Institute of Bank Management, presented a keynote paper on the subject at the seminar.

The ratio of GDP growth and market capitalisation of the stockmarket is very low in Bangladesh compared to other countries like USA, Hong Kong, Singapore and India, said M Khairul Hossain, chairman of Bangladesh



M Khairul Hossain, chairman of Bangladesh Securities and Exchange Commission, speaks at a conference on the capital market and economy, at the ICAB auditorium in Dhaka on Friday. The Institute of Chartered Accountants of Bangladesh (ICAB) organised the event to observe World Investor Week.

Securities and Exchange Commission (BSEC).

Bangladesh's stockmarket is yet to be developed properly to contribute to the economy's growth, he said.

The economy would develop if the proportion of GDP growth and capital market capitalisation is increased, Hossain said.

Three BSEC commissioners—Helal Uddin

Nizami, Amzad Hossain and Swapan Kumar Bala—also spoke at the seminar where KAM Majedur Rahman, managing director of Dhaka Stock Exchange, was also present.

Mostafa Kamal, acting president of ICAB, delivered the welcome speech at the seminar, which was chaired by Md Shaifur Rahman Mazumdar, a council member.

Fed officials eye Dec rate hike

REUTERS

Choking up employment losses last month to the temporary hit of a severe hurricane season and reiterating expectations that inflation will strengthen, Federal Reserve policymakers on Friday signalled they continue to see gradual US interest-rate hikes ahead.

"Even though inflation is currently somewhat below our longer-run objective, I judge that it is still appropriate to continue to remove monetary policy accommodation gradually," said New York Fed President William Dudley, whose regular meetings with Fed Chair Janet Yellen and constant contact with Wall Street banks bolster his influence among Fed policymakers.

While other policymakers largely agreed, they also said they were keeping a close eye on the data, particularly on inflation.

And one offered a strong rebuttal, saying the central bank risked a "policy mistake" if it continues raising rates despite inflation data that remains stalled.

"If we go too far in our zeal to normalize (rates) we might push inflation expectations down further and that might hinder our ability to hit our target," said St. Louis Fed President James Bullard, who called the September jobs number "startling" even given the hurricane. "The December meeting is going to be too early to make a determination on whether inflation is coming back."

Others were more on board with the December increase, though they also offered some scepticism about inflation.

Atlanta Fed President Raphael Bostic, the newest of the 12 Fed presidents, told Reuters

in an interview that he continues to believe the US central bank should raise interest rates again by the end of the year, though he is "not wedded" to that position and continues to track data closely.

And Robert Kaplan, chief of the Dallas Fed, told reporters that inflation is "likely building" given the low unemployment rate, which would make the case for further rate hikes. Though the number of jobs fell in September for the first time in seven years, the unemployment rate fell to 4.2 percent and hourly wages rose more than expected.

Striking a somewhat less eager tone than his colleagues though, Kaplan said, "I'm going to watch a little bit here. We have the benefit of having a little time and I plan to take it."

Last month, the Fed left rates unchanged and announced the well-telegraphed start to a gradual shrinking of its \$4.5 trillion balance sheet, which was swollen by massive purchases of Treasury bonds and mortgage-backed securities in the aftermath of the 2007-2009 financial crisis and recession.

But market expectations are high that the Fed will hike rates again in December, especially after Fed Chair Janet Yellen outlined why she is fairly confident that inflation, now at 1.4 percent by the Fed's preferred measure, will rise toward the Fed's 2-percent target over the medium term. It would be imprudent, she said in late September, to wait until inflation actually reached that target to raise rates. Investors are more skeptical of the Fed's forecasts of roughly three more hikes next year.

Reliance sells US shale asset for \$126m

REUTERS, Mumbai

Indian oil-to-telecoms conglomerate Reliance Industries Ltd has agreed to sell a shale oil and gas block in the United States for \$126 million, a third of the price it paid seven years ago, amid a downturn in global oil prices.

BKV Chelsea LLC, an affiliate of energy investment firm Kalnin Ventures LLC, bought the asset, located in the Marcellus shale in northeastern and central Pennsylvania, from Reliance, the company said in a statement, adding it could further receive \$11.25 million based on changes in natural gas prices.

Reliance bought the Marcellus asset in 2010 for \$392 million. The US shale market has since become highly competitive and companies have cut costs to stay afloat after a slump in crude oil and gas prices.

Houston-based Carrizo Oil & Gas Inc, the operator of the Marcellus asset, also exited its investment, Reliance said. The deal reduces the number of Reliance-owned US shale assets to two.

Reliance may look at selling its other US shale assets, which have also been losing money, analysts said. It had invested just over \$2 billion in 2010 to purchase the three assets, which were operated by its joint-

venture partners.

"It is a smart move," said an analyst with an Indian brokerage, referring to the sale.

"The shale oil and gas market is consolidating in the US and shale gas particularly is not remunerative at current low prices," said the analyst, who did not want to be identified, citing his company's policy.

The three shale assets accounted for less than 1 percent of the consolidated revenue of Reliance, which runs the world's biggest refinery complex in western India. It has also expanded into telecoms in recent years, investing \$30 billion in a new fourth-generation network named Jio.

Japan's Denso unveils \$1b investment in US for electric cars

AFP, Washington

Japanese auto supply giant Denso announced plans Friday to invest \$1 billion to expand its US operations to focus on technology for automotive safety and electric vehicles.

The investment is expected to create 1,000 new jobs at Denso's facility in Tennessee, according to the company.

"This is an investment in the future of Denso, and also the future of transportation. We are seeing dramatic shifts in the role of transportation in society, and this investment will help

position us to meet those changing demands," said Kenichiro Ito, chairman of Denso North America and chief executive of Denso International America. Denso's move comes amid a growing trend by global automakers to shift to electric vehicles and new connected technologies for automobiles.

Denso last month announced a partnership with fellow Japanese group Mazda to develop electric vehicles. At the 2016 Consumers Electronics Show, Denso unveiled its system of vehicle to vehicle (V2V) communication designed for accident avoidance and reducing congestion.

Brazil inflation continues to drop

AFP, Rio De Janeiro

Inflation in Brazil continued to slow in September, the government statistics office said Friday, with a year-on-year price gain of 2.54 percent.

The consumer price index climbed 0.16 percent, down from August, when it rose 0.19 percent, according to the IGBE statistics office, as the country slowly exists from its worst recession on record.

In the first nine months of the year prices rose 1.78 percent, the lowest level in September since 1998 and well below the 5.51 percent of the same period last year.

Markets expect 3.38 percent price increases for this year, meaning the government will easily beat its target of 4.5 percent inflation. That's a sharp contrast with the 10.67 percent inflation in 2015 and 6.2 percent at the end of 2016.

The trend has freed the bank to relax rates and try to spur Latin America's largest economy.

Center-right President Michel Temer, who is battling a criminal charge of corruption, is pushing austerity cuts, looser labor laws and a big privatization program that he says will revive the economy after two years of recession.



AKM Shaheed Reza, chairman of Mercantile Bank, attends the bank's business performance review meeting at Radisson Blu Dhaka Water Garden yesterday. Kazi Masihur Rahman, CEO, was also present.

Orion to build 'tourism village' in Cox's Bazar

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Last month, the cabinet committee on economic affairs approved the draft contract agreement with Orion, which will be signed soon, said an official of the civil aviation and tourism ministry.

Bangladesh Parjatan Corporation invited proposals and got response from a total of six firms.

Of them, four have been identified as

eligible firms.

They are: Orion Development Consortium with operating partners Pan Pacific Hotels Group; Premier Group of Companies with operating partner Hilton Hotels and Marriot Hotels; Siam Siam International Group with operating partner Pattaya Park Beach Hotel Co; and Inter Asia-CGGC JV with operating partner Centara Grand and Movenpick Hotel.

Stocks attracting more foreign investors: BSEC

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He emphasised improving institutional participation in stocks and said around 70-80 percent investment in India is institutional while it is only 10-20 percent in Bangladesh.

The market lacks companies with strong fundamentals, said Arif Khan, CEO of IDLC Finance, adding that efforts should be put to encourage good companies to offload shares.

It is difficult for retail investors to understand the financial statements of listed companies, he said. "To avoid risks, they can invest through mutual funds."

Bangladesh's stockmarket performed better than those in Vietnam and India in recent times, said Khan, who is also a former member of the stockmarket regulator.

He claimed no insider trading is now taking place thanks to strong rules and regulations.

Money transfer charge too high: mobile operators

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The transfer service providers give out some of these to customers for free and mobile operators say they are in the dark about the volume.

Since this does not generate revenue, the operators say they lose out under the contract's "revenue sharing clause".

"We found no transparency here and we want transparency in place," said Mahmud Hossain, chief corporate affairs officer of Grameenphone.

Addressing a discussion organised by the Association of Mobile Telecom Operators of Bangladesh (AMTOB) at its office, he said "revenue sharing" called for taking part in running the business, something they were not doing.

So mobile operators should be paid on use of every SMS and USSD session, not a percentage of only those that generate revenue, he said.

The mobile operators recently sent a proposal to the telecom regulator to fix a moderate rate. Earlier they had proposed Tk 1.50 for use of every USSD session.

The contract was a temporary arrangement of using USSD when the money transfer service was launched but this arrangement cannot last for an indefinite period, unlimited time, said senior executives of different mobile operators.

Besides, the SMS and USSD session creates congestion in the network during peak hours and causes call drops and a decline in service quality, they said.

TIM Nurul Kabir, secretary general of AMTOB, said they wanted a fair share of the revenue coming from the use of their networks.

"We asked the telecom regulator to fix a rate taking into consideration what was happening in neighbouring counties," he said.

Contacted by The Daily Star, bKash Chief Executive Officer Kamal Quadir said they maintained full transparency when it came to what they charged per transfer and the revenue sharing.

Anyone with questions can contact the banking regulator, he said.

He also disapproved of the comparison with those in India. "The Indian model and our model is not the same. So that should not be comparable," he said.

After paying the mobile operators, bKash provides 77 percent of the revenue generated per transaction to its agents and keeps the remaining 16 percent.

Five years back following its launching, the figures were 85 percent and 8 percent respectively.

The number of active mobile money transfer accounts were 5.7 crore in August when Tk 32,182.96 crore was moved, says a monthly report of Bangladesh Bank.

Referring to another report, mobile operators said of bKash transfers, 62.87 percent occurred through agents, 34.31 percent from person to person, 2.1 percent for mobile top-ups and 0.72 percent for merchant transactions.

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