

Lockdown tip: Hold on to good stocks

Analysts advise investors not to panic

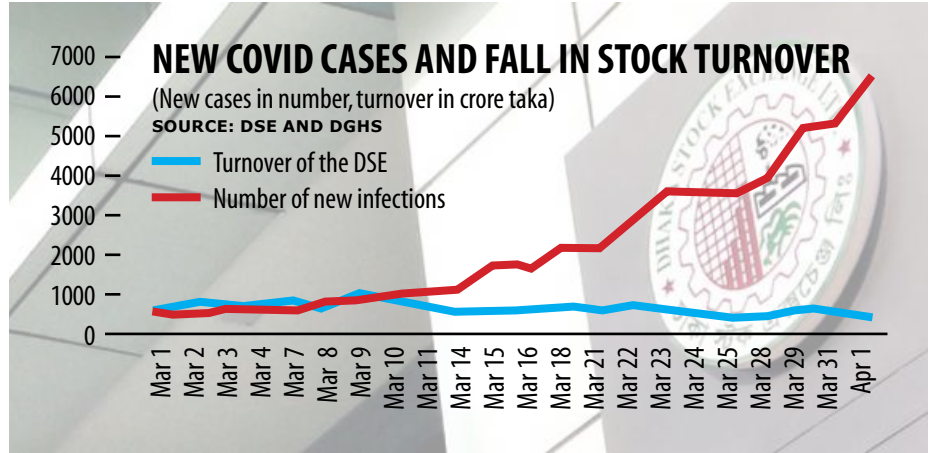
With a new lockdown coming up to curb the fast spread of the coronavirus, stock market analysts have recommended not to panic and holding on to shares of companies with good performance records. Road Transport and Bridges Minister Obaidul Quader yesterday made public the government decision to impose a seven-day countrywide lockdown from Monday. Investors need to have patience during the crisis period and they should not sell shares of companies showcasing good performances, said Sharif Anwar Hossain, investor Mahmudul Hasan.

Investors apprehend that the country's economy could be much worse impacted compared to that resulting from the previous lockdown, he said.

In an analysis, The Daily Star found that the average profit of listed companies dropped 34 per cent year-on-year to Tk 1,655 crore in the April to June period.

In other words, demand hit rock bottom after the health crisis wiped out millions of jobs and created an additional 20 per cent new poor in Bangladesh.

The country was under lockdown during the two months of April and May.



president of the DSE Brokers Association (DBA).

Many investors gained profits by purchasing shares at a lower price during last year's lockdown, he said.

This year the panic level is different too because investors have come to realise the impact of the pathogen in the past one year, he said.

On the other hand, many investors have already retired to the sidelines in the last couple of weeks witnessing the higher rate of infections, so turnover of the market dropped.

Turnover, an important indicator of the stock market, dropped to the Tk 400 crore level last week whereas it was above the Tk 900 crore level one month earlier, shows the Dhaka Stock Exchange data.

Investors are in panic now, a situation which has been prevailing for the past couple of weeks as the number of infections and deaths have been soaring, said stock

Many companies ran their operations by using their savings but this year they will be worse off if the lockdown remains for a long time, said Hasan.

"So, they are in panic and concerned after the announcement of the lockdown. A rumour of trade closure is also fuelling the panic," he said.

However, spokesperson of the Bangladesh Securities and Exchange Commission (BSEC), Mohammad Rezaul Karim, said the stock market would remain open if banks remained open.

As the stock market can run online, it will remain open, he said.

Karim, also an executive director of the regulatory body, said investors can conduct trade online by even using mobile phones.

"If necessary they can trade by calling operators so we will not face any problem to run the market," he added.

READ MORE ON B3

Skilled workforce needed to stay competitive globally

PM's Adviser Salman F Rahman says at DCCI webinar

STAR BUSINESS REPORT

The government plans to spend more on human resource development, research and development activities in the days to come to stay competitive in the global market, said Salman F Rahman, the prime minister's private industry and investment adviser.

The government has implemented a number of reforms to expand trade and investment in the country and will continue to do so in the future.

It will be easier to do business once the One-Stop Service of the Bangladesh Investment Development Authority becomes fully operational, he added.

Rahman made these comments at a webinar styled, "Country Competitiveness of Bangladesh: Key Reforms in Doing Business", organised by the Dhaka Chamber of Commerce and Industry (DCCI) yesterday.

The ratio of tax in the gross domestic product is very low in Bangladesh and it is possible to lower the tax rate and widen the tax net if the ratio can be improved.

A lower tax rate will surely help in reducing business operation costs significantly, Rahman said.

"The capacity of all the ports in the country has increased in recent times but we will continue our efforts for further development in this regard," he added.

In addition, emphasis should be given on time management at the time of trade dispute resolutions to cut the delays in handling such cases.

The government has taken various reformative measures, but banks, traders and other stakeholders could not take benefit of the efforts because of their delays in implementing the reforms, the adviser said.

The government will provide necessary policy reform

assistance to the private sector on arbitration, business agreement implementation and bankruptcy, said Golam Sarwar, law and justice secretary.

That is why the e-judiciary project has been taken to handle trade disputes, he said.

It usually takes about four years to resolve trade disputes in Bangladesh because of the lengthy legal processes, said DCCI President Rizwan Rahman.

To remove the barrier, many countries in the world have ensured proper enforcement of laws, automation of court proceedings and introduction of electronic payment systems.

Meanwhile, Bangladesh's position in the Global



STAR/FILE

The capacity of all the ports in the country has increased in recent times, but the government will continue efforts to improve their condition further, said an adviser to the prime minister.

Competitiveness Index published in 2019 was 105 and the report emphasised on increasing the competitiveness in the least developed countries, he added.

The DCCI chief proposed the formation of a high-powered national steering committee with the participation of the private sector to improve Bangladesh's position in the Global Competitiveness Index.

He also called for encouraging businesses to increase use of alternative dispute resolution for trade disputes.

Increased competitiveness would play an important role in economic growth, export diversification and job creation, Rizwan said.

Reforms should be fast-tracked, said Abul Kasem Khan, chairman

of Building Initiative Leading Development.

"Bangladesh now has a window of opportunities to avail and if we miss it, someone will grab it."

He also shed light on the importance of the use of the country's dynamic labour force as an added advantage.

He also suggested a reform of tax and audit system related policies.

A comprehensive policy should be taken for the special economic zones, which could be a game changer for the economy, he said.

Kazunori Yamada, Bangladesh representative of the Japan External Trade Organisation, and Ahsan Khan Chowdhury, chairman and CEO of PRAN-RFL Group, also spoke at the event.

GLOBAL BUSINESS

Power play: India wields oil 'weapon' to cut dependence on Saudi

When India's government last month asked refiners to speed up diversification and reduce dependence on the Middle East - days after OPEC+ said it would maintain production cuts - it sent a message about its clout and foreshadowed changes to the world's energy maps.

It was a move that had been in the works for years, fuelled by repeated comments from Indian Oil Minister Dharmendra Pradhan, who in 2015 called oil purchases a "weapon" for his country.

When the Organisation of Oil Exporting Countries and Major Producers (OPEC+) extended the production cuts into April, India unsheathed that weapon. Indian refiners plan to cut imports from the Kingdom by about a quarter in May, sources told Reuters, dropping them to 10.8 million barrels from monthly average of 14.7-14.8 million barrels.

Oil secretary Tarun Kapoor, the top bureaucrat in the ministry, told Reuters that India is asking state refiners to jointly negotiate with oil producers to get better deals, but declined to comment on plans to cut Saudi imports.

"India is a big market so sellers have to be mindful of our country's demand as well to keep the long-term relationship intact," he said.



REUTERS/FILE

India's Oil Minister Dharmendra Pradhan speaks at a road show organised by the Directorate General of Hydrocarbon in Mumbai, India.

The Saudi state oil company Saudi Aramco and the Saudi energy ministry declined to comment.

Pradhan, who sees high oil prices as a threat to India's recovering economy, said he was saddened by the OPEC+ decision. India's fuel import bill has rocketed, and fuel prices - inflated by government taxes imposed last year - have hit records.

The International Energy Agency forecasts India's consumption to double and its oil import bill to nearly triple from 2019 levels to

more than \$250 billion by 2040.

An oil ministry official, who declined to be named because of the sensitivity of the matter, said the OPEC+ cuts have created uncertainty and made it difficult for refiners to plan for procurement and price risk.

It also creates opportunities for companies in the Americas, Africa, Russia and elsewhere to fill the gap.

If India is successful, it will set an example for other countries. As buyers see more affordable choices

and renewable energy becomes increasingly common, the influence of big producers like Saudi Arabia could wane, altering geopolitics and trade routes.

India has reduced the share of crude oil imports from the Middle East in recent years.

India's oil demand has risen by 25 per cent in the last seven years - more than any other major buyer - and the country has surpassed Japan as the world's third-largest oil importer and consumer.

The country has already curbed its reliance on the Middle East from more than 64 per cent of imports in 2016 to below 60 per cent in 2019.

That trend reversed in 2020, however, when the pandemic pummelled fuel demand and forced Indian refiners to make committed oil purchases from the Middle East under term contracts, shunning spot purchases. As India shifts gears again after Pradhan's call for faster diversification, refineries are looking for new suppliers, the oil ministry official said.

Costly refinery upgrades that allow for the processing of cheaper, heavier oil grades have encouraged importers to seek out far-flung sources. HPCL-Mittal Energy Ltd bought the country's first cargo from Guyana this month, and Mangalore Refinery and Petrochemicals Ltd just imported Brazilian Tupi crude for the first time.

Vaccines, fiscal stimulus power US employment; economy blooming

REUTERS, Washington

The US economy created the most jobs in seven months in March as more Americans got vaccinated and the government doled out additional pandemic relief money, marking the start of what could be the strongest economic performance this year in nearly four decades.

The Labor Department's closely watched employment report on Friday also showed job gains in February were larger than initially estimated.

The best first two months of employment growth of any administration in history suggested the labor market has finally turned the corner.

All industries added jobs and many people rejoined the labor force. A measure of the economy's ability to create employment also improved. But the road to full recovery remains long. The jobs deficit is still huge and more than four million Americans have been unemployed for over six months.

President Joe Biden welcomed the job growth spurt.

"The first two months of our administration has seen more new jobs created than the first two months of any administration in history," Biden told reporters. "It's a reflection of two things going on here, a new economic strategy focused on building from the bottom to the middle up, and one that puts government on the side of working people." Nonfarm payrolls surged by 916,000 jobs last month, the biggest gain since last August. Data for February was revised higher to show 468,000 jobs created instead of the previously reported 379,000. Still, employment remains 8.4 million jobs below its peak in February 2020.

Economists polled by Reuters had forecast payrolls increasing by 647,000 jobs in March. At the current pace, many believe the more than 22 million jobs lost during the pandemic could be recouped by the end of next year.

The economy added 1.6 million jobs in

the first quarter.

The strong gains could play into fears of the economy over heating, even as ample slack remains. The Federal Reserve has signaled it would maintain its ultra easy monetary policy stance for a while to allow complete healing.

"The economy is booming," said Chris Low, chief economist at FHN Financial in New York. "If vaccines result in low enough COVID numbers to allow significant further service-sector reopening, the Fed will have



REUTERS

A worker installs an aluminium roof at Look Trailers cargo trailer manufacturing facility in Middlebury, Indiana, US on April 1

Japan and US aim for chip supply chain deal with PM Suga's visit

REUTERS, Tokyo

Japan and the United States will cooperate on the supply of critical parts for chips, aiming for an agreement when the leaders of both countries meet later this month, the Nikkei newspaper said on Friday.

Prime Minister Yoshihide Suga is due to become the first foreign leader to visit the United States since President Joe Biden took office. The meeting, originally scheduled for April 9, has been pushed back until April 16, Japan's chief cabinet secretary said.

At a regular news briefing, White House spokeswoman Jen Psaki confirmed the timing of the visit.

Psaki said the visit reflected "the importance



Japan's Prime Minister Yoshihide Suga

we place on the bilateral relationship with Japan, and our friendship and partnership with the Japanese people."

The White House had no immediate comment on the Nikkei report. The Japanese embassy said no decisions had been made about the expected results of Suga's meeting with Biden.

The visit comes as the global shortage of semiconductors has squeezed US automakers and other manufacturers, forcing them to cut production. The issue has become important for policymakers, who worry about economic and security risks from the shortage.

Officials from the United States, South Korea and Japan are expected to discuss concerns about the shortage at a meeting on Friday, a senior US administration official said.