Stocks soar as trading will go on amid lockdown

Star Business Report

Stocks soared by more than 100 points yesterday riding on hopes that trading would continue amid the current countrywide lockdown.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), rose 107 points, or 1.78 per cent, to 6,150.48.

Following an unprecedented climb in Covid-19 infections, the government recently announced a week-long strict lockdown from today.

After Bangladesh Bank decided that banking activities would continue on a limited scale during this period, the stock market regulator informed that the country's bourses would operate under similar conditions.

Before these decisions were made known, the Bangladesh Securities and Exchange Commission said the stock market would stay open during the lockdown if banks did too. As such, trading will now go on as usual until 1:00pm each day.

"There are two main reasons behind the rise of the index: one is hope for trading to remain open and second is allowing the use of undisclosed income in the stock market," said a top asset manager preferring anonymity.

The market had been in a falling trend for the past few days due to fears that it would be shut down during the strict lockdown.

Besides, since some people prefer to keep cash in hand during crisis situations, they may opt to sell their shares.

But big and institutional investors are not worried about the financial impact this time since most economic activities will remain active during the lockdown.

"So, they are not on a selling spree," he added.

The asset manager went on to say that the government's decision regarding undisclosed income will not provide any real investment.

"We are not hopeful about seeing any considerable investments from undisclosed income due to the high tax imposed on it for the upcoming fiscal year," said Sayedur Rahman, president of the Bangladesh Merchant Bankers Association.

Even when the tax on undisclosed income was 10 per cent in the previous fiscal year, investment was not much higher.

"So, imposing a tax of around 30 per cent this time will ultimately discourage the people looking to whiten their money," he said. "Still though, something is better than nothing, as at least the scope remains," added Rahman, also managing director of EBL Securities.

As per the Finance Act 2021 passed in parliament on Tuesday, no one will question the source of one's income or funds when making any investment in securities.

To avail this benefit, the holders of undisclosed income will have to make the investment anytime between July 1 this year and June 30, 2022.

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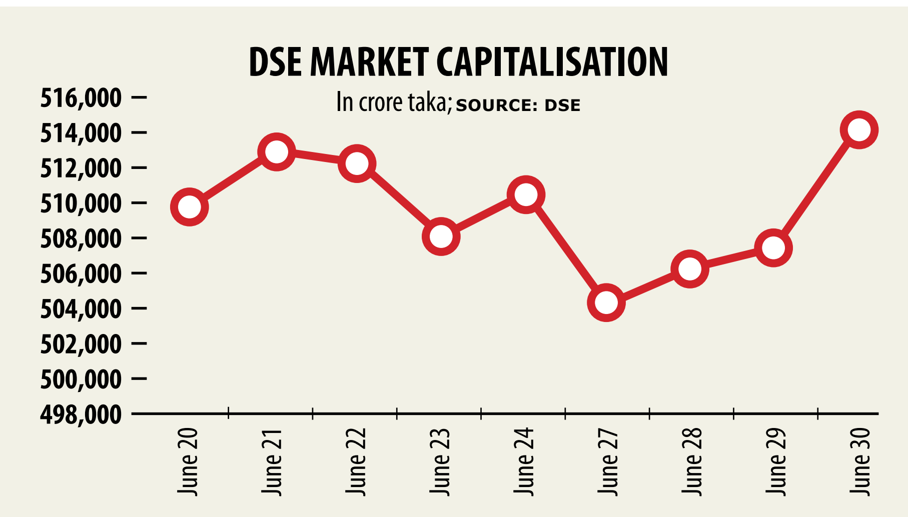

Mymensingh offers bright prospects for more cotton

DISTRICTS IN FOCUS

Md Aminul Islam, *Mymensingh*

Mymensingh division bears bright prospects of growing more cotton, with 2,000 hectares of land targeted to be cultivated this season which was 1,800 hectares last year, said officials of Cotton Development Board (CDB) in Mymensingh.

Now some 3,500 farmers are involved in cotton production in Mymensingh, Tangail, Jamalpur and Sherpur under the division.

Cotton is grown in hilly regions of Mymensingh and char areas, said CDB Executive Director Alhaz Uddin Ahammed.

"There is also prospect of cotton cultivation through intercropping," he said.

Dr Shefali Rani Mozumder, chief cotton development officer of the CDB's Mymensingh zonal office, termed cotton an important cash crop benefitting farmers with good prices.

A farmer can produce 110 maunds to 112 maunds (one maund equals around 37 kilogrammes) of cotton per hectare of land cultivating some six hybrid varieties. Every maund is now sold for Tk 2,700.

The plant can be turned into fuel and fodder while edible oil is produced from its seeds, said the official.

Bangladesh meets 99 per cent of its requirement for the raw material for textiles and garments industry through imports as its domestic production is very low.

Traders, importers and millers import 80 lakh bales of cotton, spending $3 billion a year.

Locally, cotton acreage and production is increasing gradually to meet a part of the domestic requirement.

Production of cotton fibre declined marginally year-on-year to 1.76 lakh bales in fiscal 2020-21 from 1.78 lakh tonnes, shows the CDB data.

Generally farmers are less interested on expanding cotton cultivation as it requires six months to grow, with the starting in July.

Cotton acreage as well as production in Bangladesh is increasing gradually to meet a part of the domestic requirement. PHOTO: STAR/FILE

Omar Ali, a cotton farmer at Kamaria village in Muktagacha of Mymensingh, said he has been cultivating cotton for four years on one acre of land and he gained a good production and a desired profit as well.

"Last year I cultivated cotton on two bighas of land and attained a production of 13 maunds of cotton and sold the produce at Tk 2,500 per maund," he said.

Alam Mia of the same locality said he cultivated cotton on one bigha of land and got a good profit last year. Alam, who is preparing two bighas of land this year, said last year he earned Tk 18,000 cultivating winter vegetables on the cotton fields.

The farmers if there was no rainfall during November and December, there would hopefully be a good production.

They also said cotton cultivation was safer than cultivating banana as the latter was prone to virus attacks while the cultivation cost was also lower than that of many others crops and profits reasonable.

They said they were being encouraged to grow more cotton through necessary suggestion from field-level officials when needed.

Along with technological support, a one-day training is being provided on seed production to farmers selected through 17 sub-stations in the region, said Mozumder.

Farmers who are under demonstration plots are also being provided free support, such as seed, fertiliser and insecticide.

Md Rezaul Karim, cotton unit officer, Gabtoli unit in Muktagacha, said the number of farmers was increasing every year. Now there are 160 farmers under the unit.

Talking to The Daily Star, Dr Alhaj Uddin Ahammed, executive director of the CDB, said they had already developed a variety with a short growth duration named "CDB Mutant Tula-1". It was certified by the ministry concerned this year, he said.

This short duration variety will go to the farmers' level this season and 24 hectares will be cultivated with this variety.

The variety will take 135 days to 150 days to be ready for harvest and the production will be four tonnes to six tonnes per hectare, said the official.

"To attract the farmers, we are also suggesting cultivating crops of a two-month duration and winter vegetables at the early stage of cotton cultivation," said the executive director.

The price of cotton is also on the increase every year and surely the farmers will be benefited, the official said.

Preferring not to be named, an official said the quality of local seeds was good and the farmers should be encouraged to take up these seeds, which were very low in price in comparison to imported ones.

A local variety seed sells for Tk 25 per kg while a local hybrid variety Tk 500. The imported hybrid varieties sell for Tk 2,500.

GLOBAL BUSINESS

Customers will pay more for green gas

US natural gas producers hope

Reuters

US natural gas producers hope climate-conscious electric utilities and gas exporters will pay a premium for what they say is "greener gas" that has been certified as coming from low-emission operations or from renewable sources such as landfills.

EQT Corp, Chesapeake Energy and liquefied natural gas firms Cheniere Energy and NextDecade Corp are among the companies considering low-carbon certifications from groups such as Denver-based Project Canary.

Gas certified as "responsibly produced" and contributing less emissions could get up to 5 per cent above market prices, or up to 15-cents per thousand cubic feet (mcf), proponents say. So far, not many customers have been willing to pay the premium -- a problem for firms trying to sell lower-carbon versions of fossil fuels.

Some European buyers have shunned US shale gas and several US cities including New York and San Francisco have sought to ban new residential gas connections over environmental concerns.

In 2020, the pandemic rocked the economy and US gas prices fell to a 25-year low average of $2.11 per mcf. Idle drillers pushed US gas output down 2 per cent, the first annual drop in four years.

While power plants consumed a record amount of gas in 2020, wind and solar have been gaining market share as preferred alternatives to dirtier coal for electric generation.

With the economy recovering, US benchmark gas prices are up over 40 per cent this year to about $3.70 per mcf.

"When you're talking about trillions of cubic feet of global gas production, mere pennies in price movement can make all the difference between profitability and losses," said Kentaro Kawamori, chief executive of Persefoni, which develops tools to measure a company's carbon footprint.

Utilities, the biggest gas buyers, have endorsed net-zero emissions targets, "but it is not being translated into procurement departments," said Chris Kalnin, chief executive of US shale gas producer BKV Corp.

BKV aims to certify its fuel as "responsibly" produced and hopes for a commitment from electricity generators, he said. Continuous monitoring for certification can cost 1 to 2 cents per mcf, which is a hurdle along with competing measurements. Executives also noted that utility regulators who approve rate increases for gas purchases have yet to consider carbon emissions in price reviews.

Cheniere, the top US liquefied natural gas (LNG) exporter, believes cleaner gas may become a requirement for producers and exporters.

"We don't expect to pay a premium, we don't expect to collect a premium" for gas certified as greener, said Anatol Feygin, chief commercial officer at Cheniere. The company is the biggest buyer of gas in the United States for its LNG plants, accounting for about 7 per cent of US production.

Int'l tourism not seen rebounding until 2023: UN

Reuters, *Geneva*

International tourism arrivals are set to stagnate this year, except in some Western markets, causing up to $2.4 trillion in losses, a UN study said on Wednesday, adding the sector is not expected to rebound fully until 2023.

Covid-19 vaccination and certificates are key to restoring confidence in foreign tourism, which provides a lifeline for many countries, especially small island states that rely heavily on the sector to provide jobs, it said.

In 2020, international arrivals plunged by 73 per cent from pre-pandemic levels in 2019, causing estimated losses of $2.4 trillion in tourism and related sectors, according to the report by UNCTAD and the UN's World Tourism Organization (UNWTO).

"The outlook for this year doesn't look much better," Ralf Peters of UNCTAD's trade analysis branch, told a news conference.

"The first three months were again bad, there was not much travelling happening," he said.

"There is an expectation of a certain recovery in the second half of the year, at least for North America and Europe to a certain extent," he told Reuters, crediting vaccinations.

The report sets out three scenarios for 2021, showing international tourism arrivals forecast to drop by between 63 per cent and 75 per cent from pre-pandemic levels, resulting in losses of between $1.7 trillion and $2.4 trillion.

"In international tourism we are at levels of 30 years ago, so basically we are in the '80s ... Many livelihoods are really at threat," said Zoritsa Urosevic, Geneva representative of the Madrid-based UNWTO.

"What we are looking at in the long run is...meeting the 2019 numbers after 2023," she said.

Sandra Carvao, chief of market intelligence at UNWTO, said that it would be a "very diverse recovery", varying by region and by country.

The European Union's digital Covid-19 certificate, due to come into force on Thursday, represents the only regional harmonisation to date, she said.

Carvao, referring to travel corridors, said: "We see for example Asia-Pacific is still one of the most closed regions in the world at this moment - most of the borders in the countries are either totally closed or with significant restrictions."

REUTERS/FILE

People have their pictures taken next to El Oso y El Madrono (the bear and the strawberry tree) statue, at Madrid's landmark Puerta del Sol square, Spain on June 7.

China's Didi raises $4.4b in upsized US IPO

Reuters, *Hong Kong*

Chinese ride hailing company Didi Global Inc raised $4.4 billion in its US IPO on Tuesday, pricing it at the top of its indicated range and increasing the number of shares sold, according to two sources familiar with the matter.

Didi sold 317 million American Depository Shares (ADS), versus the planned 288 million, at $14 apiece, the people said on condition of anonymity ahead of an official announcement.

This would give Didi a valuation of about $73 billion on a fully diluted basis. On a non-diluted basis, it will be worth $67.5 billion. The company is expected to debut on the New York Stock Exchange on June 30.

The increase in deal size came after the Didi investor order book was oversubscribed multiple times, one of the sources said.

Investors have been told to expect their orders to be scaled back once allocations are completed on Wednesday, according to a separate source with direct knowledge of the matter. Didi did not respond to a request for comment.

The listing, which will be the biggest US share sale by a Chinese company since Alibaba raised $25 billion in 2014, comes amid record IPO activity this year as companies rush to capture the lucrative valuations seen in the US stock market.

Didi's IPO is more conservative than its initial aim for a valuation of up to $100 billion, Reuters has previously reported. The size of the deal was cut during briefings with investors ahead of the IPO's launch.

This suggests increasing investor worries about China's potential anti-trust related crackdown and a more volatile IPO environment globally in 2021, said Douglas Kim, a London-based independent analyst, who writes on Smartkarma.

"But it seems like many investors like this deal, the volatile IPO environment helped to lower IPO price and valuation looks attractive," Kim told Reuters.

Didi's IPO was covered early on the first day of the book-build last week and the investor books were closed on Monday, a day ahead of schedule.

An over-allotment option, or greenshoe, exists where another 43.2 million shares can be sold to increase the deal size. Didi was co-founded in 2012 by former Alibaba employee Will Wei Cheng, who currently serves as the chief executive officer. Cheng was joined by Jean Qing Liu, a former Goldman Sachs banker and the current president of the ride-sharing company.

The company counts SoftBank, Uber Technologies Inc and Tencent as its main backers.

Didi is also known for successfully pushing Uber out of the Chinese market after the US company lost a price war and ended up selling its China operations to Didi for a stake. Liu Zhen, the head of Uber China at the time, is Didi's Liu's cousin.