Stocks take a tumble despite blue-chip boost

Star Business Report

The prime index of Dhaka Stock Exchange (DSE) dropped yesterday despite a rise in prices of blue-chip stocks amid increased purchase by institutional investors.

The blue-chip index, DS-30, rose by 10 points while the DSEX fell by 4 points, or 0.07 per cent, to 6,208.

As many companies fell by a higher extent, the prime index fell despite the rise of blue-chip stocks, said a stock broker

According to data from the DSE, 75 non-blue chip companies dropped by more than 2 per cent.

Meanwhile, Grameenphone had a big impact on the blue-chip index as it surged 1 per cent.

Institutional investors are currently active in the market and are buying good stocks.

"So, the blue-chip index is rising," said the stock broker.

However, general investors are not returning to good stocks, and instead are pouring money into shares with low fundamental values.

"This is a very big concern for the market," he added.

Among yesterday's top five gainers at the DSE, three were junk stocks. One was from the B-category and while another was a new company, showed the DSE data.

Turnover, an important indicator of the market, soared 7 per cent to Tk 1,599 crore.

At the DSE, 159 stocks advanced, 186 fell and 27 remained unchanged.

Institutional investors are currently active and buying good stocks, which is why the blue-chip index is rising, said a stock broker

Sonali Life Insurance topped the gainers' list, rising 440 per cent, followed by Tung Hai Knitting and Dyeing, Paper Processing & Packaging, CVO Petrochemical Refinery, and Tamijuddin Textiles.

Stocks of Beximco traded the most, worth Tk 120 crore, followed by Power Grid Company, BD Finance, Sonali Life Insurance, and LafargeHolcim Bangladesh.

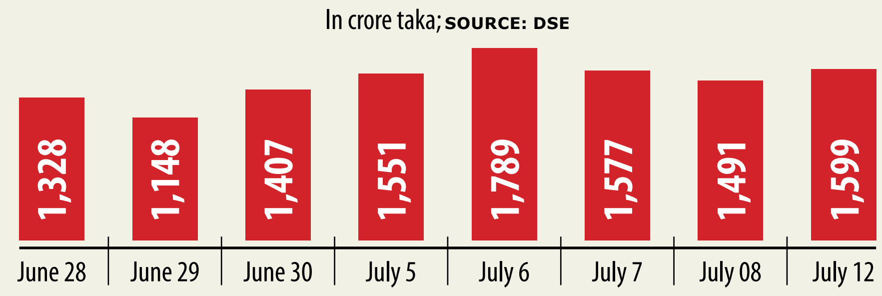
Purabi General Insurance shed the most, losing 6.39 per cent, followed by Monno Fabrics, Phoenix Insurance, Reliance Insurance, and Green Delta Insurance.

Unlike the DSE, Chittagong Stock Exchange (CSE) surged yesterday. The CASPI, the general index of the port city bourse, rose 38 points, or 0.21 per cent, to 18,040.

Among the 306 stocks to witness trade, 130 rose, 147 fell and 29 remained unchanged.

DSE TURNOVER

In crore taka; SOURCE: DSE



Bogura glass vial SME cluster almost extinct

Lack of assistance, automation among causes

PHOTO: MOSTAFA SHABUJ

One of the few surviving glass vial makers of Bogura's Adamdighi upazila is seen preparing his wares at home. The region once housed around 400 of these small-scale operations, many of which now lie in disarray due to a lack of income amid rising production costs.

Mostafa Shabuj

Just three or four years ago, Shihari and Dumori villages in Bogura's Adamdighi upazila were buzzing with activity as some 400 small glass vial factories operated in the area.

At the time, these factories collectively employed more than 3,000 locals to produce glass tubes of all shapes and sizes, which were mainly used to preserve homeopathic medicine or rectified spirits.

But due to high production costs alongside the arrival of numerous plastic industries and automated manufacturing, the small-scale glass vial factories in the two villages are now nearly extinct.

Another major reason for their disappearance is that the owners of these factories do not receive any financial or technical support from government organisations.

According to locals, the glass tube industry in Shihari village was established about 50 years ago, when an unnamed man set up a production unit called the "Cumilla Glass Pipe Factory".

Soon after, about 200 small-scale factories were set up in the area before it eventually spread to the neighboring Dumori village, where another 200 entrepreneurs joined the industry.

Eventually, the two villages began shipping glass tubes all over Bangladesh, including Dhaka, Chattogram, Jhenaidah, Khulna and Panchagarh, registering a collective annual turnover of more than Tk 100 crore.

Unfortunately though, this is now just a distant memory for locals. During a recent visit to the region, it was found that around 100 glass pipe factories had been shut.

In 2013, the Bangladesh Small and Medium Enterprises Foundation (SMEF) conducted a cluster mapping study across the country that identified 177 clusters of small and medium enterprises, including Bogura's glass bottle industry.

DISTRICTS IN FOCUS

The study also states that the Shihari glass bottle cluster was first established privately in 1972, when some 400 skilled and semi-skilled workers were employed by 100 factories.

Their products catered to about 80 per cent of the domestic demand at the time, when the annual turnover of Shihari village was around Tk 50 lakh.

The study further warned that the Shihari glass bottles industry would go extinct someday due to increasing production costs and a lack of financial or technical support.

However, the study was only done in the Shihari village cluster, where locals said that many traders were able to make good profits even up till 2017-18.

As production costs kept rising over the years, the entrepreneurs of these two villages later hired only female workers for nearly half the wages paid to their male counterparts.

However, even this could not save the industry from extinction, locals said.

Abdul Jalil, a resident of Dumri village, said the industry has gone out of business since it continuously incurred losses.

"Only two or three houses in Shihari village are still engaged in making glass toys and tubes while the rest have taken up other professions," he added.

Zahid Hasan, another local, said he and his father had set up three glass bottle factories in 2002 with about 150 workers.

Each worker could earn up to Tk 4,000 each week.

"I made good profits until 2017, before which we could make a profit of up to Tk 70,000 every month," Hasan added.

However, business has since taken a turn for the worse as they are unable to compete with cheap plastic alternatives in the face of rising production costs.

"We cannot collect even Tk six to seven lakh from the markets anymore as many factories lost their capital," he said.

Shamsul Haque, chairman of Noshratpur union, told The Daily Star that there were many people that once produced glass pipes to earn a living but that era has since ended as they could not adapt to modern markets.

READ MORE ON B3

GLOBAL BUSINESS

Big Oil keeps brakes on spending even with crude rally windfall

Reuters, *London*

Leading international energy companies are resisting the temptation to rush and spend an unexpected windfall from rallying oil and natural gas prices as they focus on longer-term energy transition challenges, executives and analysts said.

Benchmark crude oil prices LCOc1 more than doubled in the second quarter of 2021 from a year earlier and have risen further in recent weeks to close to $78 a barrel, their highest in almost three years as OPEC and other major producers failed to strike an agreement to lift output.

That, along with higher global natural gas prices because of supply issues, will boost the coffers of oil companies after firms like Exxon Mobil, Royal Dutch Shell and BP sharply cut costs in the wake of the coronavirus pandemic last year.

"The cash flow for majors is looking very strong, they're certainly firing on the oil and natural gas cylinders," Redburn analyst Stuart Joyner said, adding that things could improve further once demand for refined products fully recovers.

The companies are expected to provide updates on their spending plans in second quarter earnings reports over coming weeks, but are unlikely to significantly shift tack with investors laser-focused on securing higher returns from the sector after a disappointing decade.

REUTERS/FILE

A combination of file photos shows the logos of five of the largest publicly traded oil companies: BP, Chevron, Exxon Mobil, Royal Dutch Shell, and Total.

While the heads of top energy companies said last month $100-a-barrel oil was achievable again in coming years, they added prices would be volatile, meaning there is little incentive, at least for now, to commit billions to projects that could take a decade or more to show a return on investment.

Also dampening the bullish mood is huge uncertainty over near-term energy demand due to the resurgence of Covid-19 in parts of the world and longer-term with the shift to lower carbon fuels to fight climate change.

"The international oil companies are still rebuilding their balance sheets," Brian Gilvary, CEO of INEOS' oil and gas division INEOS Energy and a former BP chief financial officer told Reuters.

Shell said last week it will increase returns to shareholders earlier than expected thanks to higher revenue, holding its annual capital expenditure at no more than $22 billion.

China drafts new cyber-security industry plan

Reuters, *Shanghai*

China's Ministry of Industry and Information Technology said on Monday it has issued a draft three-year action plan to develop the country's cyber-security industry, estimating the sector may be worth more than 250 billion yuan ($38.6 billion) by 2023.

The draft comes as Chinese authorities step up efforts to draft regulations to better govern data storage, data transfer, and personal data privacy.

Over the weekend, the Cyberspace Administration of China proposed draft rules calling for all data-rich tech companies with over 1 million users to undergo security reviews before listing overseas.

That regulation came in the wake of a regulatory probe of Chinese ride-hailing giant Didi Chuxing for allegedly violating data privacy laws.

Under pressure, EU puts plan for its own digital levy on hold

Reuters, *Brussels*

The European Commission will delay its plan to put forward a new levy on digital services later in July, a spokesman said on Monday, following intense pressure from the US administration.

Some European officials have also questioned the value of the EU executive's planned tax after the world's 20 largest economies agreed on Saturday on a global reform of corporate tax.

The US administration is wary of the EU's initiative as it wants existing national digital service taxes to be repealed as part of the global overhaul of cross-border corporate taxation.

"We have decided to put on hold our work on our new digital levy as a new EU-own resource," EU commission spokesman Daniel Ferrie told a news conference in Brussels.

The EU will reassess the situation in the autumn, he said.

On Saturday, EU economics commissioner Paolo Gentiloni had said that the EU's priority was to implement the G20 deal when asked whether the digital services levy plan may be postponed.

"Successfully concluding this process will require a final effort from all parties, and the Commission is committed to focusing on that effort," Ferrie said, referring to the global tax deal, whose final details have to be agreed in October, before national approvals by the over 130 countries that have so far endorsed it.

US Treasury Secretary Janet Yellen has met top EU officials in the last few days and meets EU commission president Ursula von der Leyen in Brussels on Monday. Before the meeting a source close to the EU had said it was a priority for her to derail the new digital levy.

The United States also feared that the EU plan, if proposed in July, could undermine the global deal and complicated its approval in the US Congress. Even within the Commission there was opposition, with one European official echoing the view that the new levy could hurt the broader global agreement.

The EU has been trying for years to impose its own digital levy and was aiming to put its proposal forward this month to raise revenues to finance its huge economic recovery plan in the wake of the Covid-19 pandemic.

REUTERS/FILE

European Union flags flutter outside the EU Commission headquarters in Brussels, Belgium on May 5.

Saudi, Oman call for continued cooperation between Opec and allies

Reuters

Saudi Arabia and Oman called on Monday for continued cooperation between OPEC and other allied producers to stabilise and balance the oil market, the Gulf states said in a joint statement, Trend reports with reference to Reuters.

Saudi Arabia, the biggest oil producer in the Organization of the Petroleum Exporting Countries, and Oman, a small non-OPEC producer, are both part of the OPEC+ alliance, which includes other nations such as Russia.

OPEC+ scrapped talks last week to adjust their agreement on oil output curbs after a dispute between Saudi Arabia and the United Arab Emirates, another OPEC producer in the Gulf.

The dispute halted plans to pump more oil into the market where crude prices have recently hit 2-1/2 year highs.

OPEC+ have said they will decide later on a date for a new meeting, without signalling whether a compromise had been reached.

Oman's leader, Sultan Haitham bin Tariq al-Said, visited Saudi Arabia on Sunday on his first official overseas trip since assuming power 2020.