Stock index hits 3.5yrs high

STAR BUSINESS REPORT

The prime index of the stock market jumped to a three-and-a-half-year high yesterday thanks to increased participation from investors.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), rose 57 points, or 0.92 per cent, to 6,266. This is highest since that of January 7, 2018, when the index was at 6,268.

Investors are motivated to invest more after the government's decision to launch a new incentive package and reopen the economy ahead of the upcoming Eid-ul-Azha, said a top official of a leading stock brokerage firm.

Prime Minister Sheikh Hasina announced five new stimulus packages of Tk 3,200 crore for low-income people, who have been hit hard by the ongoing restrictions imposed due to the coronavirus, according to a government circular.

These decisions gave a positive momentum to stock investors because it will impact the demand side of the economy positively, said the broker.

As the government also decided to open all economic activities from July 15, it will also be a relief for listed companies' business, he said.

But an alarming issue was that investors were still rushing towards junk stocks and the regulator should take strong steps against any rumour-based price volatility and manipulation, the broker added.

RN Spinning Mills topped the gainers' list, rising 10 per cent, at the DSE followed by Zeal Bangla, Tamijuddin Textiles, Paper Processing & Packaging, and Fine Foods.

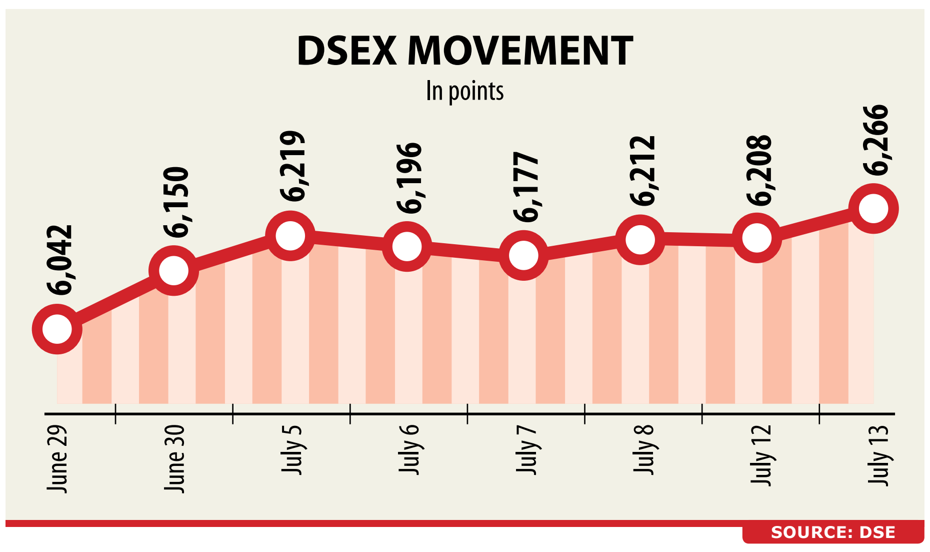
People are motivated to invest more after the government's decision to launch a new incentive package and reopen the economy ahead of Eid

Among the top five, four are from junk category and one was of B category stock, showed the DSE data.

Turnover, an important indicator of the market, soared 4.31 per cent to Tk 1,668 crore. At the DSE, 212 stocks advanced, 129 fell and 32 remained unchanged.

Stocks of Beximco were traded the highest, worth Tk 181 crore, followed by Power Grid Company, LafargeHolcim Bangladesh, Southeast Bank and LankaBangla Finance. Sonali Life Insurance shed the most, losing 6.35 per cent, followed by Desh Garments, Envoy Textiles, Hwa Well Textiles, and Aziz Pipes.

Chittagong Stock Exchange (CSE) also surged yesterday. The CASPI, the general index of the port city bourse, rose 179 points, or 0.99 per cent, to 18,220. Among the 310 stocks to witness trade, 165 rose, 118 fell and 27 remained unchanged.



Pandemic halts once high-flying Jobike

ASIFUR RAHMAN *and* SUKANTA HALDER

Jobike has been left crippled by the ongoing Covid-19 pandemic as the on-demand bicycle rental service provider had to shutter a majority of its operations in the country.

The company was forced to close four of its six operational areas in March last year after the Covid-19 outbreak in Bangladesh.

The service allows users to book a bicycle for short trips within covered areas through its mobile application.

And with the recurring lockdowns and restrictions on public movement imposed in a bid to curb the spread of coronavirus, Jobike saw a steep fall in revenue.

After its launch, the company had quickly gained popularity, especially among university students, for its cheap, healthy and environment-friendly alternative to traditional modes of transport.

"The number of bikes and our operation were expanding as the app was getting popular, but the pandemic forced us to pause now," Mehedi Reza, founder and chief executive officer of Jobike, told The Daily Star.

These types of ride-hailing or sharing services were first launched in Bangladesh in mid-2016, when Pathao rolled out its first fleet of motorcycles.

A few months later, global giant Uber hit the streets of Dhaka.

Bangladesh has also seen the launch of Obhai, another ride-sharing service.

To survive the current crisis, Jobike had to lay off 75 per cent of its workforce. Before the pandemic, the company had 55 employees but that number has since shrivelled to just 12.

"We are revising our business model as well as bringing more innovative products to introduce to our market to keep operations going amid the pandemic," he said.

Jobike now focuses more on residential areas rather than university campuses, he said.

Reza left his job at Chinese e-commerce giant Alibaba in February 2018 to start Jobike.

PHOTO: COLLECTED

A man is spraying disinfectants over some bicycles of Jobike.

On June 18 that year, the company's app was launched in Cox's Bazar as a part of its plan to champion two-wheelers as one of the main modes of transport in congested cities.

Months after beginning operations with only 20 bicycles, Jobike rolled out its app in Jahangirnagar University and eventually Dhaka.

By June 2020, the first-ever bike rental service of Bangladesh expanded its footprint to six areas in the capital, including Mirpur DOHS, Dhaka University, Shahjalal University of Science and Technology and Chittagong University with a fleet of more than 300 bicycles.

During the pre-pandemic era, the company had plans to continue expanding.

"It saved time, money and was convenient to use," said Sunjida Islam Srabony, a student of Dhaka University.

"Our hall was a little outside of the main campus, so we used Jobike as much as twice a day, reducing our dependence on rickshaws."

According to Jobike, the company now operates in just two locations -- Mirpur DOHS and Gulshan.

But during a recent visit to the Gulshan area, this correspondent could not find any sign of Jobikes being used anywhere, even in the spot designated as a "refill point" on the app.

A few residents told The Daily Star that they have not seen anyone using the Jobike service in the past few weeks.

Two residents of Mirpur DOHS echoed the same.

When contacted, the Jobike CEO said they partially shut their Gulshan operations amid the recent upsurge in Covid-19 infections.

The pandemic's continued onslaught has also left many of the bicycles damaged or rusted.

"Around 140 bicycles were damaged because most of them were left on campus grounds without any maintenance during the coronavirus outbreak."

During its heyday, Jobike registered one lakh rides per month.

When the company first rolled out its service in Dhaka University back in October 2019, it was already close to its break-even point.

"Because of the pandemic, we had to shut down our operation from universities and Cox's Bazar, which ended up with no business at all."

To survive the coronavirus fallout, it started the "Jodelivery" service to ensure last mile delivery solutions. The service ran for six months but it was finally closed because of no considerable success.

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GLOBAL BUSINESS

China's export growth quickens

Global vaccinations, easing lockdowns lift demand

REUTERS, *Beijing*

China's exports grew much faster than expected in June, as solid global demand led by easing lockdown measures and vaccination drives worldwide eclipsed virus outbreaks and port delays.

But overall trade growth in the world's second-biggest economy may slow in the second half of 2021, a customs official warned on Tuesday, partly reflecting the Covid-19 pandemic uncertainties as the Delta virus variant wreaks havoc in some countries.

Overall imports also beat expectations, though the pace of gains eased from May, with the values boosted by high raw material prices, customs data showed.

Thanks to Beijing's efforts in largely containing the pandemic earlier than its trading partners, the world's biggest exporter has managed a solid economic revival from the coronavirus-induced slump in the first few months of 2020.

Exports in dollar terms rose 32.2 per cent in June from a year earlier, compared with 27.9 per cent growth in May. The analysts polled by Reuters had forecasted a 23.1 per cent increase.

"Exports surprised on the upside in June, shrugging off the impact of the temporary Shenzhen port closure and other supply chain bottlenecks," said Louis Kuijs, head of Asia economics at Oxford Economics.

"The headline US$ numbers suggest that in real, sequential terms shipments held up in June, after having moderated earlier on from the record levels of end-2020." China's trade performance has seen some pressure in recent months, mainly due to a global semiconductor shortage, logistics bottlenecks, and higher raw material and freight costs.

All the same, the global easings in Covid-19 lockdown measures and vaccination drives appeared to underpin a strong uptick in worldwide demand for Chinese goods.

Germany, for example, which was at first sluggish in its vaccination drive, said this month it had caught up with the United States in terms of the proportion of the population having had one shot of Covid-19 vaccine.

A worker drives a truck carrying a container at a logistics centre near Tianjin port, in Tianjin, China.

REUTERS/FILE

Work from home fuelling cyber attacks: global watchdog

REUTERS, *London*

Financial firms may need to bolster their defences in the face of rocketing cyber-attacks after employees began working from home, the Financial Stability Board (FSB) said on Tuesday.

The FSB, which coordinates financial rules for the G20 group of nations, said remote working since economies went into lockdown to fight Covid-19 opened up new possibilities for cyber attacks. Working from home (WFH) is expected to stay in some form across the financial services industry and beyond.

"Most cyber frameworks did not envisage a scenario of near-universal remote working and the exploitation of such a situation by cyber threat actors," the FSB said in a report to G20 ministers and central banks.

The report is a first take on lessons learned from the pandemic's impact on financial stability.

US regulator focuses on bank fee conflicts

REUTERS, *Washington*

The US securities regulator has ramped-up its inquiry on Wall Street's blank check acquisition frenzy, homing in on potential conflicts of interest created when banks act as underwriters and advisers on the same deal, three people with direct knowledge of the matter told Reuters.

The Securities and Exchange Commission is exploring whether certain fee structures may incentivise underwriters on special purpose acquisition company, or SPAC, listings to secure unsuitable deals when also advising on the later stage merger, potentially putting investors at risk, the people said.

Banks that have received SEC requests for information include top SPAC underwriters Citigroup, Credit Suisse Group, Morgan Stanley and Goldman Sachs, they said.

Spokespeople for the banks declined to comment.

SPACs are listed shell companies used to take private companies public, sidestepping the more traditional and lengthy initial public offering (IPO) process.

Reuters reported in March that the SEC's enforcement division had opened an inquiry on Wall Street banks' SPAC dealings, sending letters to several institutions seeking information on deal risks and internal controls.

Since March, the SEC has focused its inquiry on a group of banks, law firms and SPAC sponsors involved in troubled deals and has sought more information about the deals and interviewed executives concerned, according to two of the three sources. The SEC is particularly interested in the fees banks have earned when playing several roles on a deal, all three sources said. They declined to say which deals were under scrutiny.

"The big issue for the SEC is to understand if the advisers are conflicted," said one of the people.

A spokesperson for the SEC did not respond to requests for comment.

SPAC sponsors typically pay banks a 5.5% fee for underwriting the IPO, part of which is paid up front, with the rest paid upon completion of the merger.

Underwriting banks can earn more fees if they also go on to represent the merger target and help the SPAC sponsor raise additional cash from private investors to finance the takeover.

The SEC is examining potential conflicts in such situations when a bank works for both sides of the transaction and stands to earn a chunk of fees when the merger goes through.

Critics say such arrangements could incentivise banks to talk up targets or play down potential problems, which could harm investors if the target company's earnings underperform, or other regulatory or legal issues emerge following the merger.

People exit the headquarters of the US Securities and Exchange Commission in Washington, DC, US on May 12.

REUTERS/FILE

China central bank says macro policy will depend on domestic conditions

REUTERS, *Beijing*

China will base the pace and intensity of monetary policy on the domestic economy and inflation trends in the second half of the year, a central bank official said on Tuesday, following a surprise cut in bank reserves to bolster the economic recovery.

Sun Guofeng, head of the monetary policy department at the People's Bank of China (PBOC), said China's policy will prioritise stability and focus on domestic conditions, adding that possible tightening by the US Federal Reserve would have a limited impact on China's monetary policy.

"It's normal for the United States and China to have different operations of their monetary policy," Sun said. "China's stance of prudent monetary policy has not been altered."

The PBOC announced on Friday it would cut the amount of cash banks must hold as reserves, releasing around 1 trillion yuan ($154.67 billion) in long-term liquidity to underpin its post-Covid economic recovery that is starting to lose momentum.

The PBOC last cut the RRR in April last year, when the Chinese economy was still badly affected by the coronavirus crisis.

Small firms are bearing the brunt of a recent surge in raw material prices as they are unable to pass on the higher costs to consumers.

The producer price index (PPI), which is already near its highest in more than a decade, is likely to continue to hover at an elevated level in the third quarter, before falling back in the fourth quarter and next year, Sun said.