Loose monetary policy ramps up stocks

STAR BUSINESS REPORT

The rising pace of the stock market index gained higher speeds after the announcement of another expansionary monetary policy for the current fiscal year amidst the pandemic.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), rose 56 points, or 0.87 per cent, to 6,481.56 yesterday. This is a continuation of the index going past its highest level.

In the previous two days, the index rose at a slower pace as investors were cautious to see what was coming in the monetary plan. In those days, the index rose 46 points.

As the monetary policy was expansionary, investors are hoping for the money flow to rise in the market, said a stock broker.

So investor participation in the market rose, he said, adding that there was not that many scopes to invest excess liquidity of the banking sector.

Excess liquidity in the banking sector stood at Tk 231,462 crore as of June, up 66 per cent year-on-year and 9 per cent from a month ago, according to BB data.

The stock market may see higher liquidity if people's confidence remains on the market, he added.

Turnover, an important indicator of the market, rose 43 per cent to Tk 2,187 crore compared to the previous day.

Despite announcing on the DSE's website that there is no reason for a rise, S Alam Cold Rolled Steels topped the gainers' list, rising 10 per cent yesterday.

The demand for the stock reached such a high that there was no seller for most of the day.

However, Prime Insurance Company shed the most in the market, falling 9.89 per cent, though the company yesterday published its profits for the first half of the current year stating that it had returned to profits from losses.

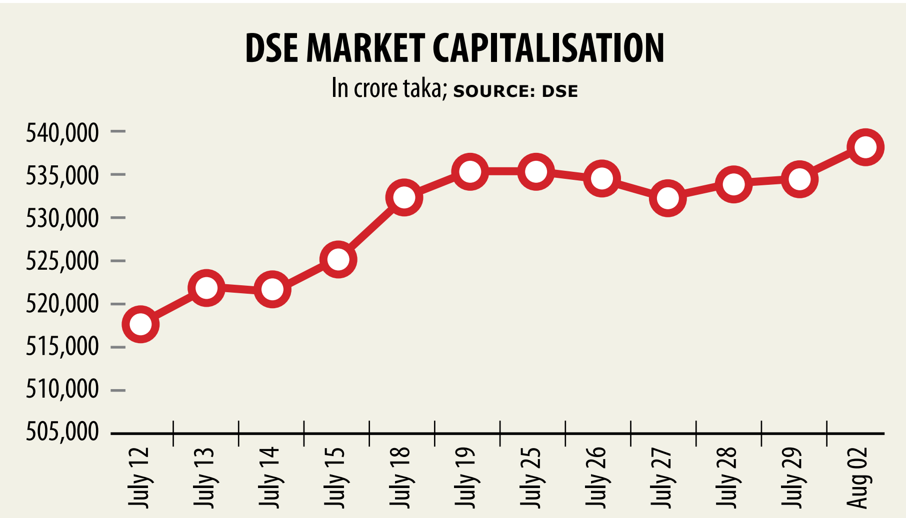
Its earnings per share was Tk 0.75 in the current year's first half while it incurred a per share loss of Tk 0.31 year-on-year.

Stocks of Beximco were traded the most, worth Tk 58 crore, followed by Saif Powertec, Orion Pharmaceuticals, GPH Ispat and Fu-Wang Ceramic Industry.

At the DSE, 232 stocks advanced, 118 fell and 25 remained unchanged.

Chattogram Stock Exchange also rose yesterday. The CASPI, the general index of the port city bourse, increased 223 points, or 1.19 per cent, to 18,858.

Among 323 stocks to undergo trade, 231 advanced, 69 fell and 23 remained unchanged.



Cattle farming a new hope for haor people

MINTU DESHWARA

Other than cows and goats, buffaloes are also in high demand in local markets, especially in the Bangla months of Baishakh and Jaishtha, when wholesalers from all over the country visit Sylhet's haor areas to purchase cattle. MINTU DESHWARA

A number of seasonal cattle farms have sprung up at villages found in Sylhet's haor areas thanks to the availability of naturally-grown grass in the region, providing a much-needed alternative to paddy cultivation.

"Since the land in haor areas is only suitable for growing paddy, I had previously relied on boro farming," said Masum Mia, a seasonal cattle trader based at the Kazirbazar cattle market in Sylhet.

"But every time April rolled around, I would spend sleepless nights wondering if the rain would spoil my crops," he told The Daily Star.

Although the domestic demand for small-and-medium sized cattle is high, farmers have been unable to institutionalise this initiative due the lack of easy access to financing.

Mia turned to cattle farming following successive disasters in 2016 and 2017, when all his crops were washed away by floods.

"Now, the risk is relatively low and I benefit as a result. This job gives me new hopes," he said, adding that the demand for cattle is particularly high in the lead up to Eid-ul-Azha.

Other than cows and goats, buffaloes are also in high demand in local markets, especially in the Bangla months of Baishakh and Jaishtha, when wholesalers from all over the country visit Sylhet's haor areas to purchase cattle.

During a recent visit to the Kawadighi, Kanikiari, Subidpur, and Kubjar haor areas in Sylhet's Moulvibazar district, this correspondent found that a considerable number of farmers have turned to cattle rearing on their own initiative.

According to local sources, the haor farmers buy cattle in the December-January period and raise them organically by allowing them to graze freely till about June each year. Many farmers said they could not increase the number of cattle at their farms due to a shortage of capital.

Ananda Das, a retired government official residing in the Bhuksimoil area of Moulvibazar's Kulaura upazila, said the livelihoods of people living in haor areas was once dependent on just paddy crops.

DISTRICTS IN FOCUS

And due to heavy rains almost every year, the farmers often had to count losses.

To make up for these losses, many marginal and small farmers and sharecroppers have set up seasonal cattle farms.

But thanks to their capital crisis, the number of cattle being reared has not increased.

"They could have become self-sufficient by now by raising more cows and buffaloes if they had got easy bank loans," he added.

Solman Mia, a resident of Kadipur area in Hakaluki Haor of Moulvibazar district, said cattle farms are dependent on the natural grass at haors that makes the cost of raising cattle in these areas comparatively less.

"More profits are being made in less time at lower costs. As a result, many people in the region are becoming interested in seasonal cattle farming," he added.

Shamsul Haque, a resident of Kawadeghi Haor, said he takes loans from affluent personalities under special arrangements due to the lack of access to finance.

"In that case, 50 per cent of the profit has to be paid. For example, if I took a loan of Tk 1 lakh last year to buy a cow that I will sell for Tk 1.5 lakh the following Eid, then I will have to pay a total of Tk 1.25 lakh to the person owed," he said.

"I got only Tk 25,000 as a salary for raising the cows. But there are risks. Creditors don't want to pay everyone. Those who pay more profit are paid. And if I got this loan from the bank, I would have to pay a total of Tk 1.10 lakh," Haque added.

Khairul Islam, another resident of Kawadeghi Haor, said he had gone to Sonali, Krishi and Janata bank branches in Rajnagar upazila for a small loan.

"But the officials concerned of Janata Bank did not pay attention to us. Sonali Bank could not provide the loan either while Krishi Bank welcomed the initiative but only assured cooperation," he added.

READ MORE ON B2

GLOBAL BUSINESS

US senators unveil $1tr infrastructure bill

REUTERS, *Washington*

US senators introduced a sweeping $1-trillion bipartisan plan to invest in roads, bridges, ports, high-speed internet and other infrastructure, with some predicting the chamber could pass this week the largest public works legislation in decades.

The massive infrastructure package, a goal that has eluded Congress for years, is a top legislative priority for Democratic President Joe Biden, who billed it on Sunday as the largest such investment in a century.

Senators said the 2,702-page bill included $550 billion in new spending over five years for items such as roads, rail, electric vehicle charging stations and replacing lead water pipes on top of $450 billion in previously approved funds.

Vehicles are parked outside the US Capitol building in Washington, DC on July 31. REUTERS

"I believe we can quickly process relevant amendments and pass this bill in days," Senate Majority Leader Chuck Schumer, a New York Democrat, said of the legislation after it was announced by a bipartisan group of senators.

"This is a really important bill because it takes our big, aging and outdated infrastructure in this country and modernizes it. That's good for everybody," said Senator Rob Portman, the lead Republican negotiator.

However, some Republicans criticized the bill as too costly. "I've got real concerns with this bill," Republican Senator Mike Lee said in a floor speech. "All is not well with the way we spend money."

It was not yet clear whether senators outside the bipartisan group that negotiated the bill will offer amendments that could possibly upset the delicate coalition that was cobbled together.

If the bill passes the Senate, it must be considered in the House of Representatives, where some Democrats have blasted it as too small and the Democratic leadership has paired it with a $3.5 trillion "human infrastructure" bill to pour money into education, child care, climate change and other priorities.

Democrats want to offset that social spending with tax hikes on corporations and wealthy Americans earning more than $400,000 a year, measures opposed by Republicans, leaving the fate of both bills up in the air.

Sunday night's developments capped months of negotiating, and infighting, among several groups of senators and the White House.

Asian factory activity hit by rising costs, Delta variant

An employee works on a production line manufacturing steel structures at a factory in Huzhou, Zhejiang province, China. REUTERS/FILE

REUTERS, *Tokyo*

Asia's factories hit a rough patch in July as rising input costs and a new wave of coronavirus infections overshadowed solid global demand, highlighting the fragile nature of the region's recovery.

Manufacturing activity rose in export powerhouses Japan and South Korea, though firms suffered from supply chain disruptions and raw material shortages that pushed up costs. China's factory activity growth slipped sharply in July as demand contracted for the first time in over a year, a private survey showed, broadly aligning with an official survey released on Saturday showing a slowdown in activity.

Indonesia, Vietnam and Malaysia saw factory activity shrink in July due to a resurgence in infections and stricter Covid-19 restrictions, according to private surveys.

The surveys highlight the divergence emerging across the global economy on the pace of recovery from pandemic-induced strains, which led the International Monetary Fund to downgrade this year's growth forecast for emerging Asia.

"Anecdotal evidence suggested a resurgence in Covid-19 cases across Asia and ongoing supply chain disruption had led to demand easing in domestic and external markets," said Usamah Bhatti, an economist at IHS Markit.

China's Caixin/Markit Manufacturing Purchasing Managers' Index (PMI) fell to 50.3 in July from 51.3 in June, marking the lowest level in 15 months, as rising costs clouded the outlook for the world's manufacturing hub.

The final au Jibun Bank Japan PMI rose to 53.0 in July from 52.4 in the previous month, though manufacturers saw input prices rise at the fastest pace since 2008.

Japan also faces a surge in Delta variant cases that forced the government to expand state of emergency curbs to wider areas through Aug. 31, casting a shadow over the Olympic Games and dashing hopes for a sharp rebound in July-September growth.

South Korea's PMI stood at 53.0 in July, holding above the 50 mark indicating an expansion in activity for the 10th straight month. But a sub-index on input prices rose at the second highest on record in a sign of the strain firms are feeling from rising raw material costs.

Underscoring the pandemic's strain on emerging Asia, Indonesia's PMI plunged to 40.1 in July from 53.5 in June.

Manufacturing activity also shrank in Vietnam and Malaysia, the PMI July surveys showed. Once seen as a driver of global growth, Asian's emerging economies are lagging advanced economies in recovering from the pandemic's pain as delays in vaccine rollouts hurt domestic demand and countries reliant on tourism.

HSBC profits double

AFP, *Hong Kong*

HSBC on Monday said it would resume paying dividends to shareholders after first-half profits more than doubled as an ongoing restructuring and pivot to Asia continues to pay off.

The results beat analyst estimates and are a shot in the arm for the Asia-reliant lender after a tumultuous 2020 saw its fortunes take a hammering from the coronavirus and simmering geopolitical tensions.

Reported profit before tax rose $6.5 billion to $10.8 billion while reported profit after tax increased $5.3 billion to $8.4 billion.The bank also announced an interim dividend of seven cents per ordinary share for the first half of the year.

British regulators last year ordered banks to suspend payouts as the coronavirus tore through the global economy to shore up liquidity. But last month they relaxed those "temporary guardrail" measures.

HSBC is one of the biggest dividend payers in European banking, and after a year of restrictions is expected to set aside more than any of its rivals this year and next, according to estimates collated by Bloomberg Intelligence. "We definitely feel more confident," chief financial officer Ewen Stevenson told Bloomberg.

"We will keep buybacks under review" together with dividends, he added. HSBC shares were trading up 2.3 per cent in Hong Kong shortly after the results were released.

Like all banking giants HSBC was battered by the coronavirus last year, with a 30 per cent plunge in 2020 profit.

Under CEO Noel Quinn, it has embarked on a dramatic restructuring, rolling out plans to cut its workforce by about 35,000 to drive down costs and to refocus on its most profitable areas -- Asia and the Middle East.

HSBC makes 90 per cent of its profit in Asia, with China and Hong Kong the major drivers of growth.

Twitter's Dorsey leads $29b buyout of Afterpay

REUTERS, *Sydney*

Square Inc, the payments firm of Twitter Inc co-founder Jack Dorsey, will purchase buy now, pay later (BNPL) pioneer Afterpay Ltd for $29 billion, creating a global transactions giant in the biggest buyout of an Australian firm.

The takeover underscores the popularity of a business model that has upended consumer credit by charging merchants a fee to offer small point-of-sale loans which their shoppers repay in interest-free instalments, bypassing credit checks.

It also locks in a remarkable share-price run for Afterpay, whose stock traded below A$10 in early 2020 and has since soared as the Covid-19 pandemic - and stimulus payments to a workforce stuck at home - saw a rapid shift to shopping online.

The all-stock buyout would value the shares at A$126.21 ($92.65), the companies said in a joint statement on Monday.