Stocks fall as investors go slow

Star Business Report

The key index of the Dhaka Stock Exchange (DSE) fell yesterday, the second consecutive day of decline, as investors slowed trading activity.

The DSEX lost 27.43 points, or 0.40 per cent, to close at 6,851.32, the lowest in four days. Turnover, an important indicator of the market, dropped 13.35 per cent to Tk 2,227 crore, which was Tk 2,570 crore on Wednesday.

The blue-chip index, or DS30, was down 0.25 per cent, the Shariah-based DSES index declined 0.40 per cent, and the large-cap CDSET index gave up 0.24 per cent to end at 2,453 points, 1,487 points, and 1,337 points, respectively.

All the large-cap sectors posted negative performance.

Telecommunication posted the biggest loss of 1.30 per cent, followed by banks 0.86 per cent, engineering 0.66 per cent, fuel and power 0.45 per cent, and pharmaceuticals 0.27 per cent, according to an analysis of Brac EPL Stock Brokerage.

The non-bank financial sector rose 4.82 per cent and the food and allied sector was up 0.03 per cent.

South Bangla Agriculture & Commerce Bank was the most traded share with a turnover of Tk 73 crore, followed by LankaBangla Finance, Beximco Pharmaceuticals, Beximco Ltd, IPDC Finance, and LafargeHolcim.

Investment Corporation of Bangladesh gained the most at 9.98 per cent. CVO Petrochemical Refinery advanced 9.21 per cent, Aziz Pipes 8.94 per cent, Al-Haj Textile Mills 8.75 per cent, and Regent Textile Mills 8.44 per cent.

First Finance was the worst loser, shedding 7.37 per cent. Kattali Textile lost 6.92 per cent, EBL NRB Mutual Fund 5.41 per cent, Renwick Jajneswar 5.11 per cent, and Exim Bank 1st Mutual Fund 4.55 per cent.

Of the securities traded on the DSE yesterday, 105 advanced, 251 declined, and 20 closed unchanged.

In the port city, the CASPI, the general index of the Chattogram Stock Exchange, lost 126 points, or 0.63 per cent, to end the day at 19,930. Shares worth Tk 85 crore changed hands.

The losers outnumbered the gainers by 222 to 80. Twenty-three issues were unchanged.

STAR/FILE

Ever since the coronavirus was first detected in the country, people from all socioeconomic backgrounds have been affected in one way or another. The coronavirus fallout and recurring lockdowns slightly pushed Bangladesh off its pre-pandemic growth trajectory.

Economy showing signs of recovery

But progress slowed by certain factors, MCCI says in quarterly analysis

Star Business Report

Bangladesh's economy has been showing signs of recovery ever since the fourth quarter of fiscal 2020-21 despite facing various challenges amidst the ongoing Covid-19 pandemic, according to a quarterly analysis by the Metropolitan Chamber of Commerce and Industry (MCCI).

The government's stimulus packages eased the suffering of numerous industries, from large firms to micro-enterprises, which eventually gave a boost to the economy, it said.

Besides, Bangladesh has done well in terms of export and inward remittance, two important drivers of the country's economy, amid the Covid-19 crisis.

So, it can be said that robust remittance and export earnings facilitated Bangladesh's economic recovery in the just concluded fiscal year.

Exports grew by about 15 per cent while remittance ballooned by 36.11 per cent, the MCCI said in its analysis, styled "Review of Economic Situation in Bangladesh: April-June of FY 2020-21".

The findings of the study were released yesterday.

Inward remittance has had a hugely positive impact on the rural economy as it helped sustain domestic demand.

This has had a multiplier effect on other economic sectors, especially the small-and-medium industry.

Moreover, inflation is under control while the foreign currency reserve is in a satisfactory position.

As such, the exchange rate has remained stable for some time now while the balance of payments is also in a positive trajectory, the MCCI said.

Bangladesh, like many other countries, struggled with the skyrocketing number of Covid-19 infections and subsequent measures to prevent its spread, such as social distancing and working from home amid the "new normal".

Ever since the coronavirus was first detected in the country on March 8, 2020, people from all socioeconomic backgrounds have been affected in one way or another.

The coronavirus fallout and recurring lockdowns since March last year has slightly pushed Bangladesh off its pre-pandemic growth trajectory.

And although the road to recovery remains uncertain, much depends on mass vaccination and the strength of the global economy.

The non-availability of vaccines on a massive scale may appear to be one of the critical factors behind Bangladesh's slower economic recovery.

Similarly, some of the economic indicators appear to be less promising than previously projected.

The fiscal framework continues to be weak in view of poor achievements, more specifically, both in terms of revenue mobilisation and public expenditure.

The unemployment situation and low investment is also a challenge.

So, a significant increase in public and private investment is necessary to maintain competitiveness and generate further growth.

The policymakers need to focus on strategies for a post-Covid recovery and concentrate on policies to upgrade various private sectors so that more successful revenue-earning streams can be generated and attract reinvestments.

All this may cushion the losses sustained during this pandemic period, the MCCI added.

Emerald Oil to take more time to resume production

Star Business Report

The resumption of production of Emerald Oil Industries, one of the early entrants in the domestic rice bran oil market, is not going to begin from September 1 this year.

The company is going to take more time to restart operation of its factory, which went out of production in 2017, meaning that investors will have to wait to get dividends from stocks.

The rice bran oil maker's shares fell 0.91 per cent to Tk 32.80 at the Dhaka Stock Exchange (DSE) yesterday.

The company on July 12 announced the decision of its regulator-appointed board that it would go into full-fledged commercial operation from September 1 to produce 48 tonnes of rice bran oil and 282 tonnes of de-oiled rice bran.

Yesterday, the company said it could not renew or obtain most of the required licenses till date as all offices were closed from July 23, 2021 to August 10, 2021 due to a strict lockdown imposed by the government to curb the spread of the coronavirus disease.

As a result, it could not complete rescheduling of loans with bank and non-bank financial institutions and transfer shares to Minori Bangladesh, which wants to take over 31 per cent of stakes of the Emerald Oil from the existing sponsors.

"We do not want to go to production without solving legal issues," said Emerald Oil Managing Director Md Afzal Hossain.

The rice bran oil maker, in its posting to the DSE, said it would require more time to resolve the issues and cited the decision of the board to not start commercial operation.

Established in 2008, Emerald Oil launched its rice bran oil brand "Spondon" in 2011. It raised Tk 20 crore from the public to pay off loans and meet working capital needs. It went out of production in 2017 leaving general investors with shares.

Since then, Emerald Oil has not given any dividend.

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GLOBAL BUSINESS

Afghanistan's banks brace for bedlam

Reuters, London

Afghanistan's banks, critical to the country's recovery from crisis, are facing an uncertain future say its bankers, with doubts over everything from liquidity to employment of female staff after the Taliban swept to power.

Banks were expected to reopen imminently, a Taliban spokesman said on Tuesday, after they were closed for some ten days and the financial system ground to a halt as the Western-backed government collapsed amid the pullout of US and allied troops. Yet there has been scant evidence so far of a reopening or of banking services returning to normal, with large crowds thronging the streets outside banks in Kabul on Wednesday.

"The banks continue to be closed - with no clear signs of reopening, they have run out of money," said Gazal Gailani, trade and economic adviser at the Afghan embassy in London. "Afghanistan's banking system is now in a state of collapse, and people are running out of money."

Many rural areas get by largely without banks. But in the cities, where government worker salaries are often paid into bank accounts, closures are causing hardship in a mostly cash-based economy.

The outlook for lenders looks precarious, with looming questions about the Taliban's grasp of finance and its ability to restart an economy shattered by 40 years of war.

With no significant exports apart from illegal narcotics bringing in cash, one immediate obstacle is liquidity in a country that is heavily dollarised and relies on regular physical dollar-shipments that have been halted, according to former central bank chief Ajmal Ahmady .

REUTERS/FILE

A youth walks at a street in Kabul, Afghanistan on February 4.

The Afghanistan Banks Association (ABA) had reached out to the central bank to coordinate steps on a return to normality, said Syed Moosa Kaleem Al-Falahi, chief executive and president of Islamic Bank of Afghanistan (IBA), one of Afghanistan's three largest banks.

Commercial banks had collectively decided to suspend services until the central bank confirmed liquidity and security arrangements, he said. "It would be rather difficult to control the rush if banks reopen immediately," he added.

Liquidity had already been an issue in the run-up to the bank closures as people scrambled to withdraw cash.

Da Afghanistan Bank (DAB), the central bank, provided financial support to banks during last week's cash squeeze, said a banker at one of Afghanistan's largest lenders, speaking on condition of anonymity. But its ability to continue to do so appears uncertain, with DAB's roughly $9 billion in foreign reserves looking largely out of Taliban reach.

"Banks will face major liquidity challenges as central bank officials have not had access to reserves yet," the banker said.

"They will face foreign currency liquidity issues which will cause huge fluctuations in the exchange rates."

The afghani plunged on the expectation of dollar scarcity and further volatility is expected, with Afghanistan's import coverage reportedly collapsing from more than 15 months to a couple of days.

Bankers in Afghanistan are also waiting for clarity from foreign-based correspondent banks, which provide services such as currency exchange and money transfers, on whether ties will continue after the Taliban takeover. Any new sanctions could see many links cut.

A senior Afghan banker said their bank's correspondent banks in Turkey, Russia, Spain, United Arab Emirates, Qatar, Pakistan and India were still showing support. Faith in the banking system was severely damaged by the 2010 collapse of Kabul Bank, in one of the biggest corruption scandals of the 20-year Western presence in Afghanistan.

China's property crackdown stalks credit markets

Reuters, Shanghai

China's push to wean property developers from excessive borrowing is spilling over into loan losses at banks and pain in credit markets as cash-strapped builders fall into distress, raising the risk of fallout rippling across the economy.

Debt and land-buying curbs and hundreds of new rules are hitting developers far harder than they had expected, setting off a scramble to sell assets as well as a steady drumbeat of bankruptcies, defaults and cut-price takeovers.

The regulatory push is the latest in years of efforts to reduce risks in the real estate sector and, as with crackdowns roiling the internet and education sectors, has not been formally announced.

Yet, unlike previous iterations, it is driving a heightened level of discomfort in markets as investors grapple with authorities' persistence and with what is at stake for a sector that currently comprises about a quarter of the Chinese economy.

"The government is engineering a gradual decoupling between China's economy and the real estate sector by reducing its importance," said Xing Zhaopeng, senior China strategist at ANZ.

Capital is being reallocated to technology or other targeted areas, he said. What that looks like, so far, is a series of high profile property-sector defaults this year and a sharp deterioration in bond markets' faith in China's corporate borrowers. The premium over risk-free yields that investors demand for China's developer-dominated high-yield debt has surged 300 basis points in three months, whereas European and US premiums have fallen. The divergence is the widest on record.

Bank loans are also turning bad where exposure is high, with bad debts in the property sector tripling for Shenzhen's Ping An Bank in the first half and rising 53.5 per cent at the Bank of Jinzhou and 25.8 per cent at Bank of Shanghai.

Court records show about 220 real estate companies filed for bankruptcy so far this year, tracking at a slightly lower rate than the 390 filings during 2020.

"Markets should be prepared for what could be a much worse-than-expected growth slowdown, more loan and bond defaults, and potential stock market turmoil," Nomura's chief China economist Ting Lu wrote in a report published this week.

"In a sense, this could be China's Volcker moment, considering Beijing's unprecedented determination to tighten property sector policy and tame property prices," he said, a reference to former US Fed chair Paul Volcker whose late 1970s and early 1980s rate hikes triggered recession but cooled inflation.

NEWS In Brief

Air New Zealand narrows pandemic losses

AFP, Wellington

Air New Zealand managed to cut its losses by a third in the last financial year as strong domestic and cargo demand partially offset the impact of the global pandemic, the airline said Thursday.

The flag carrier said its net loss for the 12 months to the end of June was NZ$289 million (US$202 million), compared with a NZ$454 million hit the previous year.

The result was boosted by a 71 per cent increase in cargo revenue and a recovery in domestic demand to 93 percent of pre-pandemic levels.However, border closures meant operating revenue slipped 48 per cent to NZ$2.5 billion.

Chairwoman Therese Walsh said the loss reflected a reality in which Air New Zealand was still unable to operate two-thirds of its passenger network.

"In a severely constrained environment, Air New Zealand maintained cost discipline, focusing on delivering with excellence in the areas in its control," she said.

"The return of a strong domestic business and growth in the cargo services that underpin our key export markets was a reminder of the airline's crucial role in New Zealand's infrastructure.

PetroChina posts interim profit of $8.2b

Reuters, Singapore

PetroChina reported an interim profit of 53.04 billion yuan ($8.18 billion) on Thursday, thanks to rising oil and gas prices and a recovery in Chinese fuel demand from the coronavirus pandemic slump.

The figure compared to a net loss of 29.98 billion yuan in the same period a year earlier. PetroChina's first-half revenue was up 29 per cent at 1.197 trillion yuan, it said in a filing to the Hong Kong Stock Exchange.

Oil and gas output dipped 1.7 per cent on-year to 819.6 million barrels of oil equivalent, with crude oil production down 6.8 per cent but gas output up 5.1 per cent.

Refinery throughput rose 6.7 per cent to about 606 million barrels and sales of gasoline, diesel and kerosene combined were up 4.9 per cent at 80.34 million tonnes.

UK pursuing data partnerships with US and others

Reuters, London

Britain said it was pursuing data partnerships with countries including the United States, Australia, South Korea and other fast-growing markets to break down barriers and boost trade after Brexit.

Britain's digital minister, Oliver Dowden, said on Thursday data adequacy partnerships would mean organisations would not have to implement costly compliance measures to share personal data internationally when doing business. The government also named New Zealand Privacy Commissioner John Edwards as its preferred candidate to be the UK's next Information Commissioner.