Stocks nosedive on BB-BSEC tension

STAR BUSINESS REPORT

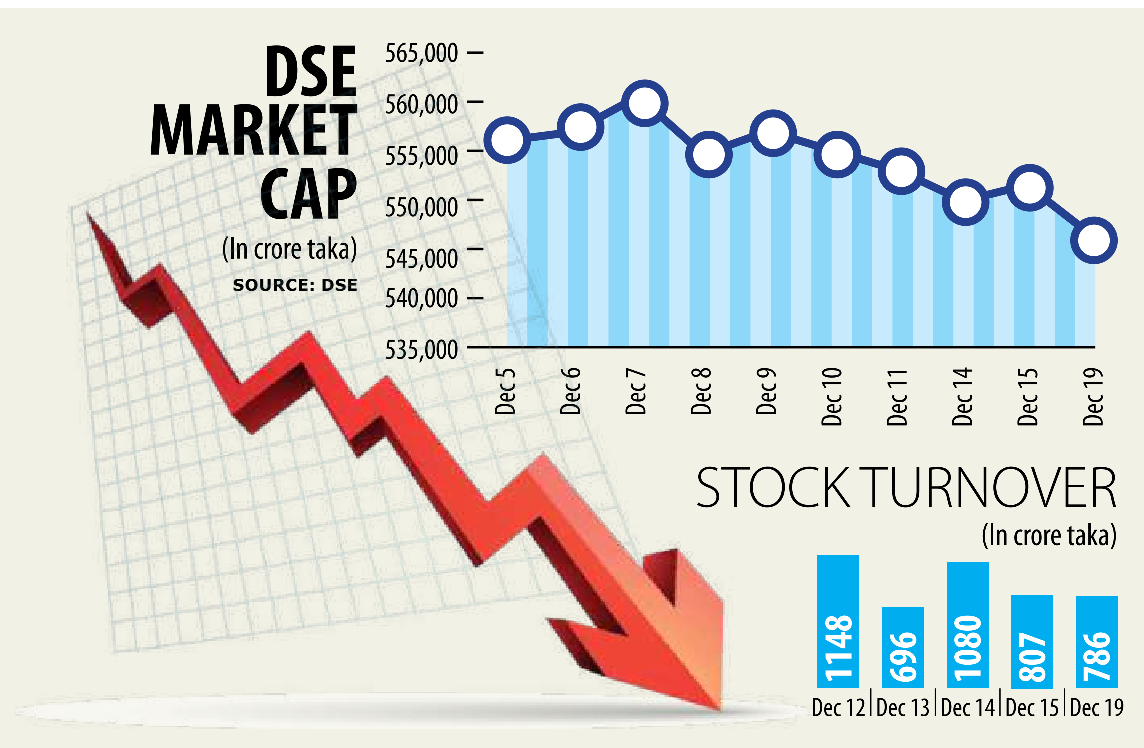
Dhaka stocks took a steep dive yesterday as investors continue to suffer from a confidence crisis amid growing tension between Bangladesh Bank and the Bangladesh Securities and Exchange Commission (BSEC).

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), nosedived 84 points, or 1.23 per cent, to 6,873.

Turnover, an important indicator of the market, stood at Tk 786 crore, down 2 per cent from Tk 807 crore the day before.

"Investors are suffering from a confidence crisis due to the deteriorating situation between two regulators regarding some issues," said a top official of a merchant bank preferring anonymity.

A few weeks back, the BSEC ordered all listed companies, including banks and non-bank financial institutions (NBFIs), to deposit their undistributed dividends to the stock market stabilisation fund.



It also allowed banks and NBFIs to declare dividends from the current year's profits despite having cumulative losses. However, the central bank ordered them to disregard BSEC's orders.

The dispute arose when, after a meeting with Bangladesh Bank, the BSEC said the central bank would change its bank exposure policy by allowing cost-based exposure instead of market value.

However, the central bank refuted this, saying no such decision was not taken at the meeting.

In such a situation, the fight took a new turn as the BSEC curtailed banks' power to cancel payments to perpetual bond holders.

In protest, Bangladesh Bank a sent letter to lenders in the country, saying the BSEC's condition is at odds with central bank guidelines on risk-based capital adequacy.

Such a tussle between the two regulators is badly affecting the market, the merchant banker added.

Eastern Insurance topped the gainers list yesterday, rising 10 per cent, followed by Asia Insurance, Bangladesh National Insurance, Khan Brothers PP Woven Bag, and Shurwid Industries.

Stocks of Beximco Ltd traded the most, worth Tk 73 crore, followed by One Bank, Sonali Paper, Fortune Shoes, and Active Fine Chemicals.

READ MORE ON B3

Summit shuts another power plant

Awaits extension of deal to resume operations

STAR BUSINESS REPORT

Summit Power has shut down its gas-fired Madhabdi Power Plant Unit-2 as the factory's power purchase agreement with the government has expired.

In a disclosure posted on the Dhaka Stock Exchange website yesterday, the listed power company said the 24.30 megawatt plant's agreement to supply electricity to the Power Division had expired on December 15 this year.

On February 18, Summit Power had applied for an extension of its government contract from the Ministry of Power, Energy and Mineral Resources.

However, this request is still under active consideration, the company said in its disclosure.

It also informed that the plant has been shuttered since midnight on December 15 and will remain as such until receiving further instructions from the ministry.

As a result, Summit Power's share value fell 2.26 per cent to Tk 38.90.

Earlier, Summit Power shut down its gas-fired Summit Chandina Power Plant Unit -2 due to the same reason. The unit had a power production capacity of 13.5 megawatts.

The company's Madanganj Power Plant, which has the capacity to produce 102 megawatts, also saw its government contract expire and subsequently halted operations.

Swapon Kumar Pal, company secretary of Summit Power, said operations at all three power plants were suspended due to the same reason, which is the expiry of their government purchase agreements.

Although the company is yet to get extensions for the two plants that were closed previously, they are hopeful of a positive decision from the relevant authorities.

"We are working on it," Pal added.

Meanwhile, the owners of many quick rental power plants have been lobbying the government to extend the tenure of their purchase agreements.

The Bangladesh Securities and Exchange Commission also lobbied government high-ups to grant these extensions considering the interest of general stock investors as many of these plants are listed.

DAP will push up flat prices

Real estate firms say

STAR/FILE

If the housing sector moves forward, so too will backward linkage industries such as cement, paint, steel and ceramics, said Alamgir Shamsul Al-Amin, president of REHAB.

STAR BUSINESS REPORT

Real estate developers are concerned about the increasing cost of building materials as well as the proposed Detailed Area Plan (DAP), which will guide future constructions in Dhaka city, according to the Real Estate and Housing Association of Bangladesh (REHAB).

"I fear the price of flats will go up in the future if the cost of construction materials, especially rod and cement, continues to rise and the proposed DAP is implemented," said Alamgir Shamsul Al-Amin, president of REHAB.

As such, a basic human need such as housing could go beyond the reach of middle-class people if these issues are not addressed.

Al-Amin made these comments while discussing the upcoming REHAB Fair during a press conference at Sonargaon Hotel in Dhaka yesterday.

"So, this year's fair could be a golden opportunity for buyers as various companies will be offering relatively special prices for flats from previously initiated projects," he said.

Besides, if the housing sector moves forward, so too will backward linkage industries such as cement, paint, steel and ceramics, Al-Amin added.

In light of the new DAP being prepared by Rajdhani Unnayan Kartripakkha for the 2017-35 period, the Dhaka Building Construction Rules 2021 are also being framed.

If these rules are finalised, the size of buildings approved for construction will shrink by at least 33 per cent to 53 per cent compared to current standards while the price of flats will increase 50 per cent.

Opposing the proposed guidelines, REHAB wrote a letter to Prime Minister Sheikh Hasina detailing these issues in the first week of December.

The REHAB Fair 2021, a five-day event where members of the REHAB will showcase their housing solutions, is set to begin on December 23 after a two-year hiatus.

The fair, to be held at the Bangabandhu International Conference Center in Agargaon, will feature 220 stalls with building material suppliers and financial institutions also taking part.

Commerce Minister Tipu Munshi is scheduled to participate in the inaugural ceremony as chief guest.

Like every year, visitors who attend the fair will have the chance to win attractive prizes from a raffle draw with their entry tickets. REHAB first started hosting the fair back in 2001 and has since handed over more than 2.25 lakh apartments from the annual event.

With a current membership of 1,191 companies, REHAB is the only trade organisation of real estate developers in the country.

GLOBAL BUSINESS

'Super Saturday' set to lure last-minute shoppers in US

REUTERS, *New York*

US retailers opened their doors on Saturday to what they hope will be swarms of shoppers searching for last-minute holiday gifts, despite surging cases of the coronavirus, including the new, highly-contagious Omicron variant.

The last Saturday before Christmas dubbed 'Super Saturday' is typically one of the busiest shopping days of the year, marked by a rush to buy last-minutes gifts to tuck under the Christmas tree.

The risks to shoppers this year, however, are not just that merchandise might be out of stock, but also that in-person shopping could trigger more coronavirus infections - making Super Saturday a super-spreader event.

Toy store owner Katherine Nguyen says she anticipates more people to shop in person at her three Chicago-area locations compared to the last Saturday before Christmas 2020, or even the last Saturday before the pre-pandemic Christmas of 2019.

"It's like the new variant is the new normal the environment has gotten a little used to that," she said. Foot-traffic tracking firm Placer.ai said it expects more people to visit stores this weekend than on the same weekend last year.

Sensormatic Solutions, a data firm that measures store visits, cited a nearly 48 per cent increase in foot traffic on the Friday after Thanksgiving compared to a year earlier as a sign that people would want to shop in-person.

A supply chain logjam has left many people also feeling nervous about not getting merchandise ordered online in time for the December 25 holiday.

"Consumers have been bombarded with messages about the impact of supply shortages on the availability of holiday gifts," said David Berson, chief economist at Nationwide in Columbus, Ohio.

Nguyen said her three stores never received shipments of merchandise for about 15 per cent of their toy catalog.

The toys, she says, are "sitting on a container in Long Beach, California, outside of the water waiting to come in."

FedEx and the US Postal Service set December 15 as the deadline for ground deliveries to reach homes in time for Christmas, which means that shoppers still in search of gifts may have little choice but to shop in stores if they want to avoid fees for expedited shipping.

FedEx and rival United Parcel Service each say they have hired enough workers to manage the holiday peak, when the number of daily packages they handle easily doubles. Unlike last year, many consumers heeded advice from retailers to shop early - easing pressure on carriers by spreading demand over a longer period of time.

China's property distress sours steel sector

REUTERS, *Beijing*

Debt problems at a major Chinese property developer have now spilled over into a vital artery of the nation's industrial engine - the steel sector - and started to ripple through to other critical parts of the world's second-largest economy.

The spreading balance-sheet crisis at real estate firms is a warning for policymakers as a swing in the fortunes of the steel industry would have significant repercussions for China's economy, with cement, glass, and household appliances all vulnerable to demand drops.

Already, steel prices are down from their record highs seen earlier this year due to easing demand from construction activities, which account for over half of the metal's consumption, while steelmakers' share prices have also been hurt.

Steel's acute sensitivity to the ebbs and flows in construction and manufacturing makes it a closely-tracked bellwether for China's economy, which has started to slow down from the second quarter. Steel firms are also massive employers that support a vast supply chain.

Hitting steel operations, real estate developers have dialled back investment in projects to conserve cash in a sector squeezed by tighter borrowing regulations that have engulfed indebted companies, most notably China Evergrande Group.

"We normally stockpile steel products in winter at relatively lower prices and sell them after the new year holidays when consumption resumes. But we are holding off this year," said Qi Xiaoliang, a Beijing-based steel trader.

"There's still uncertainty in the real estate market for 2022 and the situation is not expected to be fully reversed for another six to 12 months," he added.

In the final quarter of 2021, the property market took a further hit as the unease in the sector shook already weak buyer sentiment, with unsold housing stock in China's 100 biggest cities reaching a five-year high in November.

REUTERS/FILE

Labourers work at a steel plant of Shandong Iron & Steel Group in Jinan, Shandong province, China.

Demand for homes is expected to ease further in 2022, hitting downstream manufacturers of household products.

Cement production, another construction material, was down around 16 per cent for September-November year-on-year, and was lower versus the same period between 2017 and 2019. Demand for earth excavators has also dropped off in recent months.

The broadening spillover impact of the property downturn was also seen elsewhere. In the appliances industry, for example, monthly refrigerator output has been falling since May through to November on an annual basis.

Steel producers were among the best performers of the entire Chinese economy over the first three quarters of 2021, with China's 28 major listed mills pocketing over 106 billion yuan ($16.61 billion) in net profits, up 174 per cent year-on-year and 129 per cent higher than in pre-pandemic 2019.

But the boom times in the steel sector are over. The paralysis that has struck China's mammoth construction industry is triggering a rare contraction in building activity across the country.

New construction starts by floor area have contracted from a year earlier since July - their longest stretch of declines since 2015.

The slowdown in the real estate sector has dented China's monthly crude steel output by more than 20 per cent since September.

The closely-tracked steel equity instruments and commodities futures have captured the reversal of fortunes.

After gaining roughly 90 per cent through mid-September, the CSI steel equities index has plunged 27 per cent since, while futures prices for construction materials rebar and wire rod have tumbled 24 per cent and 31 per cent respectively from their historical highs to erase almost all their gains this year.

As steel producers hit the brakes, the key inputs used in steelmaking have also taken a shellacking, with Dalian Commodity Exchange iron ore futures down more than 45 per cent from their record in May.

Gross profits for steel rebar have started to trend down from the peak seen in late September.

Property-related sectors are the single biggest contributor to China's economy, accounting for 28 per cent of GDP in 2021, down from a recent peak of 35 per cent in 2016.

China to tighten antitrust legal enforcement

REUTERS, *Beijing*

China's antimonopoly bureau will step up legal enforcement against monopolistic behaviour and push forward the amended antimonopoly law to improve the regulatory framework, said Gan Lin, chief of the national antimonopoly bureau.

China last month elevated the seniority of the market regulator's antitrust unit, the National Anti-Monopoly Bureau, and appointed Gan as chief, a move which would help antitrust investigators gain resources when examining mergers and acquisitions.

Gan said China still faces "insufficient punishment" for some monopolistic activities, while some antitrust regulations remain at the elementary level.

"With the rapid development of the digital economy, and new industries and business models emerging one after another, there are great differences in competition modes between the new and the traditional economy," Gan said in an interview published on the official website of State Administration for Market Regulation (SAMR) on Sunday.

"There's an urgent need to further improve the anti-monopoly legislation and industry regulation."

China shed its once relatively laissez-faire approach to market regulation of the internet sector in dramatic fashion this year, blocking mergers and imposing a record $2.75 billion fine on e-commerce giant Alibaba Group Holding for abusing its market position.