Global crypto funds post sharp gains

REUTERS, *New York*

Global cryptocurrency funds racked up steep gains last year after most digital currencies soared in price, led by bitcoin and ether amid strong institutional interest and greater acceptance from regulators worldwide, according to BarclayHedge, a division of Backstop Solutions.

The BarclayHedge cryptocurrency traders index was up 138.1 per cent for 2021, according to data the firm posted on Friday, showing results for about 39 funds, or less than 50 per cent of the digital asset management firms it tracks.

That followed record gains of 173 per cent in 2020, as crypto funds benefited from extreme volatility that the coronavirus pandemic stoked across financial markets.

Bitcoin gained 60 per cent in 2021 as it hit a record peak of $69,000 in November, while ether, the token used for the Ethereum blockchain, surged roughly 400 per cent.

"There is an air of legitimacy now. Bitcoin is no longer viewed as an esoteric digital currency used only on the fringes by techies and cypherpunks," according to CoinDesk's annual crypto and blockchain review for 2021.

For the month of December, however, crypto funds showed losses of around 11 per cent, as bitcoin and ether slumped as well.

Bitcoin dropped 19 per cent last year, while ether fell 20 per cent.

"Crypto was the only sub-sector that didn't make money in December, as many of the industry's headline assets suffered whiplash from a sharp price downturn," said Ben Crawford, head of research at BarclayHedge.

Crypto's more traditional cousin, foreign exchange, on the other hand, turned in modest returns in 2021.

People carrying shopping bags walk inside the King of Prussia shopping mall in Pennsylvania, as they show up early for the Black Friday sales. PHOTO: REUTERS

US retail sales plunge in December

REUTERS, *Washington*

US retail sales dropped by the most in 10 months in December, likely the result of Americans starting their holiday shopping in October to avoid empty shelves at stores.

Economists cautioned against reading the unexpected plunge in retail sales last month reported by the Commerce Department on Friday as a sign of weakness.

Consumer spending remains underpinned by huge savings, rising wages as companies scramble for scarce workers as well as soaring household wealth.

Still, the report and news of an unexpected decline in production at factories in December suggested the economy lost momentum at the end of 2021.

That trend likely persisted into January amid spiraling Covid-19 infections, driven by the Omicron variant, which have disrupted businesses and schooling.

"It is clear that most shoppers heeded the advice to get holiday shopping done early and that, combined with a massive surge in goods spending earlier in the year, conspired to pull sales sharply lower to end the year," said Tim Quinlan, a senior economist at Wells Fargo in Charlotte, North Carolina.

"We do not view today's drop in retail sales as a sign that consumer spending is coming unglued."

Retail sales fell 1.9 per cent last month, the largest decline since February 2021, after rising 0.2 per cent in November.

Economists polled by Reuters had forecast retail sales unchanged.

Estimates ranged from as low as a drop of 2.0 per cent to as high as a 0.8 per cent increase. Retail sales, which are mostly goods, increased 16.9 per cent year-on-year in December.

Unadjusted sales rose 10.0 per cent last month after gaining 2.5 per cent in November.

Bottlenecks in the supply chains caused by the pandemic have led to shortages of goods, including motor vehicles.

The pulling forward of sales also likely impacted the so-called seasonal factor, the model that the government uses to strip out seasonal fluctuations from the data.

The online sales category was hardest hit by the drag from the seasonal factor, plunging 8.7 per cent.

Receipts at auto dealerships slipped 0.4 per cent after rising 0.2 per cent in November. Automobiles remain scarce because of a global semiconductor shortage. Motor vehicles could remain in short supply for while.

A separate report from the Federal Reserve on Friday showed a 1.3 per cent drop in production at motor vehicle plants helped to pull down manufacturing output 0.3 per cent in December.

Production at factories increased 0.6 per cent in November. Economists had expected output to rise 0.5 per cent.

Economists still expected the Fed to start raising interest rates in March, against the backdrop of high inflation.

"The level of nominal and real goods spending remains elevated, and we do not think today's reading will have a significant impact on the Fed's decision to liftoff rates, likely in March, which will depend more heavily on inflation than activity data," said Andrew Hollenhorst, chief economist at Citigroup in New York.

"The seasonal adjustment factor turns highly positive in January suggesting that online sales and overall retail sales will bounce back strongly."

Stocks on Wall Street were lower. The dollar rose against a basket of currencies. US Treasury prices fell.

Teletalk, Summit sign tower-sharing deal

STAR BUSINESS REPORT

Summit Towers Limited (STL) has signed an agreement with Teletalk Bangladesh for sharing cell sites under government guidelines.

Md Arif Al Islam, managing director and chief executive officer of Summit Towers, and Md Shahab Uddin, managing director of Teletalk Bangladesh, signed the deal at the network provider's head office in Dhaka on Wednesday, according to a press release.

Muhammad Farid Khan, chairman of Summit Communications Limited, a key shareholder of Summit Towers, and top officials from both companies were also present on the occasion.

Addressing the programme, Shahab Uddin said the state-owned mobile network operator has taken a mega plan to set up 2,500 base stations to expand its fifth generation (5G) services across the country.

Teletalk was the first carrier to launch 5G services in Bangladesh. The operator has been continuously expanding its network to meet the demand of its growing customer base.

Besides, Teletalk has been working relentlessly to expand the network system. Meanwhile, all 64 districts, 402 upazilas and most of the highways have been brought under the coverage of the state-owned carrier.

"A project is also underway to ensure uninterrupted connections all over the country," Shahab Uddin added.

Muhammad Farid Khan said the collaboration with the state-owned operator and working together for improving the service is a matter of pride for Summit Towers.

"Summit Towers has built 700 towers across 56 districts in the country. The expansion of towers in other districts is progressing rapidly," he added.

Over the last decade, Teletalk has been strengthening its network through Summit Communications' fibre optic infrastructure, the press release said.

STL has been constructing telecom tower infrastructures for mobile network operators ever since it received a licence in this regard from the Bangladesh Telecommunication Regulatory Commission in 2018, it added.

Google buys London office complex for $1b

AFP, *London*

Google on Friday agreed to buy a central London building complex for $1 billion, but stressed it remained committed to new hybrid working patterns in the wake of Covid.

The tech titan will purchase the Central St Giles office site, where it is a tenant, for the equivalent of 872 million euros.

Google said it would give the site a multi-million-pound overhaul for flexible working patterns, including outdoor work spaces.

"This investment represents Google's continued confidence in the office as a place for in-person collaboration and connection," the group said in a statement.

Md Nazmul Hassan, chairman of Islami Bank Bangladesh Ltd, attended the bank's two-day Business Development Conference 2022 at the Pan Pacific Sonargaon Dhaka yesterday. IBBL has reached a deposit milestone of Tk 138,300 crore by adding more than Tk 20,000 crore as on December 31, 2021. Mohammed Monirul Moula, managing director of the bank, Muhammad Qaisar Ali, and Md Omar Faruk Khan, additional managing directors, were present. PHOTO: IBBL

US inflation slowing

Says Fed official

AFP, *Washington*

The wave of US price increases that have battered consumers in recent months should slow this year, as supply and transportation issues are resolved, a top Federal Reserve official said Friday.

New York Federal Reserve Bank President John Williams said he sees inflation falling to 2.5 per cent this year, but cautioned that the ongoing Covid-19 pandemic means any forecast faces high uncertainty.

Given the rapid recovery, improving labor market and high inflation, he said the Fed is "approaching a decision" on raising lending rates.

Inflation in 2021 hit its highest rate in nearly 40 years, and the Fed already has begun to remove the massive stimulus pumped into the world's largest economy during the pandemic to aid in the recovery.

PHOTO: BANK ASIA

Md Arfan Ali, president and managing director of Bank Asia Ltd, presides over the bank's day-long BAMLCO Conference 2022, which took place virtually, yesterday.

Bank Asia holds confce on anti-money laundering efforts

STAR BUSINESS DESK

Bank Asia Ltd organised a daylong "BAMLCO Conference 2022" for branch anti-money laundering compliance officer (BAMLCO) through digital platform yesterday.

Kazi Aktarul Islam, deputy head of the Bangladesh Financial Intelligence Unit (BFIU), was present as the chief guest, according to a press release.

Raaj Kumar Khetan, regional KYC policy head of Citibank NA in Singapore, and Md Rokon-Uz-Zaman, joint director of the BFIU, were the special guests.

Md Arfan Ali, president and managing director of Bank Asia, presided over the programme, while Mohammad Ziaul Hasan Molla, Shafiuzzaman and Alamgir Hossain, deputy managing directors of the bank, were present. Around 2,000 employees of the bank, including heads of departments, branches and Islamic windows, attended the conference.

Md Mahbub Ul Alam, chairman of Social Islami Bank Ltd, attended the bank's two-day Annual Business Conference-2022 at Le Meridien Dhaka. Md Kamal Uddin, Md Jahangir Hossain and Jebunnessa Akbar, directors, Zafar Alam, managing director, and Abu Reza Md Yeahia, additional managing director, were also present at the conference that ended yesterday. PHOTO: SIBL

What is your risk appetite

FROM PAGE B4

Even if the same investor invests in a term deposit scheme at any commercial bank for a year or two, they are happy with an interest rate of 5 per cent to 6 per cent. Unfortunately, when they invest in the capital market context, the expectation is sky-high, and even a 20 per cent to 30 per cent return, which is very lucrative if you're a rational investor, doesn't satisfy their needs.

As an investor, you have to be rational. As the number of irrational investors is higher in the market, riskiness increases, and from past bitter experiences, many investors lose their equity and become penniless. The blame eventually goes with our market because nobody goes deeply enough to understand how you would have lost your hardest money.

As a new investor, that negative feedback will buzz in your ears. From 1996 to 2010, the blame game had been going on. As far as my concern goes, the regulators are responsible for creating the platform (market). However, it's not their responsibility to advise you on the instruments in which to invest.

DON'T PUT ALL YOUR EGGS IN ONE BASKET

This is the famous quote from Warren Buffet that we all know. The exciting part is: how many people follow this theory while investing in the market?

The investment decision is yours, and the profit and loss all belong to you. You have to measure your riskiness and how much risk you can absorb as per your financial conditions. Understanding your risk tolerance enables you to make sound financial decisions.

Investors can apply various models that are risk-adjusted return models. One of them is the capital asset pricing model, which will adjust the expected return with respect to the total risk that a particular investor has undertaken.

AVOIDING SYSTEMATIC RISK

Systematic risk, also known as undiversifiable risk, affects the overall market, and we can't avoid it. For example, in the 2010's market crash, there was a systematic risk that investors would not save their investments through diversified portfolios. However, we can avoid the unsystematic risk by building a diversified portfolio.

If you want to know how much systematic risk a particular security, fund, or portfolio has, you can look at its beta, which measures how volatile that investment is compared to the overall market. A beta of greater than one means the investment has more systematic risk than the market, while a beta of less than one means less systematic risk than the market.

A beta equal to one means the investment carries the same systematic risk as the market. For example, an investor who is looking to invest in high beta stocks is generally expecting a higher rate of return to compensate for higher systematic risk.

An investor who is looking to invest in a lower beta stock is generally expecting a lower rate of return to compensate for the lower systematic risk. Hence, it can be said that investors should apply a risk-adjusted model in order to derive the expected returns when they are investing in the capital markets.

BEEFING UP DUE DILIGENCE

Another risk, especially one that most brokerage houses face, is that investors tend to have more leverage when investing in the market. Due to extreme market volatility and by nature, there is a high risk of not adjusting the margin loan accordingly when the market falls. As a result, when we have a prolonged bearish market, investors' equity depreciates day by day, and later on, the equity of the portfolios becomes negative, which makes both investors and institutions vulnerable.

Many brokerage houses don't even have any risk management tools to control the high margin loan exposure. Here, the institutions should be stricter in implementing the rules and regulations, especially the margin rules of 1999. In addition, we need an updated margin rules policy to string the due diligence in line with the present market scenario.

The author is the head of internal control and compliance at UniCap Securities Limited. He can be reached at shahriar@unicap-securities.com. Views are personal.