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REASONS BEHIND THE PLUNGE

-  Fear of further fall
-  Tension over domestic economic conditions
-  Anticipation of further devaluation of taka
-  Talks on raising bank interest rate
-  Adjustment of margin loans
-  Worries over global economy
-  Inflationary pressure

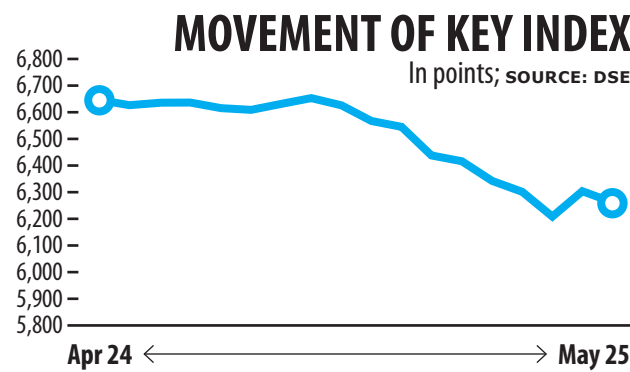
The BSEC is intervening in the market frequently but I oppose too much interference

Faruq Ahmad Siddiqi
former chairman of the BSEC



MEASURES: TIMELINE

- MARCH 8**
BSEC brought down the lower limit of circuit breaker to 2% from 10%
- MAY 22**
BSEC raised margin loan facility
- MAY 23**
Eligible investors asked to increase funds in stocks
- APRIL 20**
Regulator raised the circuit breaker limit to 5%
- MAY 25**
BSEC again lowered the limit of circuit breaker to 2%



Regulator steps up efforts to stop freefall of stocks

Lowers the maximum decline allowed in a day to 2pc

AHSAN HABIB

The stock market regulator in Bangladesh has stepped up its efforts to forestall the freefall of shares despite criticism from institutional investors and analysts as uncertainty is deepening owing to the raging Ukraine war, persistently higher inflation and fresh coronavirus flareups.

The Bangladesh Securities and Exchange Commission (BSEC) is using tools under its disposal as the key index of the Dhaka Stock Exchange has lost 10 times in the last 11 trading days.

The regulator's latest move, which came yesterday, will not allow an individual stock to slip more than 2 per cent on a single day, down from 5 per cent previously, as it reset the lower limit of the circuit-breaker.

Just three days ago, the BSEC raised the margin loan facility to 100 per cent, from 80 per cent earlier.

But market watchers are opposed to frequent

intervention from the regulator since it is not the job of the commission to protect the market from falling and the interference rather disrupts the natural course of the market.

"The BSEC is intervening in the market frequently but I oppose too much interference," said Faruq Ahmad Siddiqi, a former chairman of the BSEC.

For example, reducing the lower limit of the circuit-breaker may stop the index from sliding in the short run, but it will slow the movement of the market in the long run.

Because of the limit, investors may not be keen in buying shares assuming that further fall might be on the way.

"Frequent regulatory intervention can't bring any good outcome for the market. Rather, it erodes the confidence of people," said Siddiqi.

Siddiqi thinks raising the credit facility limit has not been a good idea.

"If the market falls further, both investors and lenders will

fall into trouble."

On May 23, the BSEC also raised the investment requirement for the eligible investors that want to qualify for the quota benefit during initial public offerings, in a bid

to higher levels.

A top official of a merchant bank, preferring anonymity, says the BSEC has brought down the circuit breaker limit to stop the spread of the growing panic.

go down in a single day.

On March 8, the BSEC fixed the maximum limit a stock would be allowed to give up in a single day at 2 per cent from the previous 10 per cent. It raised the limit to 5 per cent on April 20.

On March 19, 2020, the regulator imposed the floor price on all stocks by calculating their average prices from the preceding five days to stop the index from plummeting after the coronavirus pandemic hit the country.

This irked institutional and foreign investors as the liquidity dried up. It even kept the market closed for two months in the middle of 2020, one of a few countries in the world that had done so.

The BSEC removed the floor price in June last year.

Because of the regulatory moves, the number of buyers became thinner since the prices did not reflect the real demand and supply scenarios, said the merchant banker.

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to increase the liquidity in the market.

Turnover on the Dhaka Stock Exchange fell to Tk 513 crore yesterday, the lowest in a month.

Siddiqi also argues that if the regulator allows the demand and supply-based market movement and the index to move naturally, a group of investors will surely enter the market, sending the key index

"Panic has been the main reason for the fall in the market in recent weeks. But such a step is not a global standard."

In the last 11 days, the DSEX, the benchmark index, plunged 511 points due to the worry among investors about the worsening economic indicators.

Yesterday was not the first time the regulator had lowered the ceiling a stock is allowed to

Now comes sugar price shock

SUKANTA HALDER and MOHAMMAD SUMAN

Consumers are already bearing the brunt of the high prices of edible oil, wheat and rice for the Russia-Ukraine war and unfavourable weather conditions on the domestic front.

Adding salt to injury, India's decision to limit sugar export has started to fuel prices of the sweetener in Bangladesh due to concerns over a supply crunch in the coming days.

The neighbouring country imposed a cap, saying it would allow export of just 1 crore tonnes of sugar with effect from June 1 in order to ensure availability and price stability in its own domestic market.

The second biggest producer of sugar after Brazil exported 70 lakh tonnes of sugar in fiscal year 2020-21.

Bangladesh was one of the buyers along with Sri Lanka, Indonesia, Afghanistan and United Arab Emirates, according to reports our correspondent from New Delhi.



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Bangladesh is heavily dependent on the import of sugar.

The country annually requires nearly 18 lakh tonnes of refined sugar according to the Bangladesh Trade and Tariff Commission.

Some 98 per cent are imported, mostly from Brazil, as production at state mills is insignificant.

State mills under the Bangladesh Sugar & Food Industries Corporation (BSFIC) produced 19,500 tonnes of sugar from locally grown sugarcane until March during the current fiscal year of 2021-22.

The amount was 40 per cent of the total production of 48,000 tonnes of last fiscal year, according to the BSFIC.

According to Custom House, Chattogram, about 4.85 lakh tonnes of refined and raw sugar worth Tk 1,897 crore was imported in the last 10 months of fiscal year 2011-22.

Currently raw sugar faces a Tk 3,000 customs duty per tonne, 30 per cent regulatory duty, 15

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STOCKS	
DSEX ▼	CASPI ▼
0.38%	0.65%
6,187.64	18,162.40

COMMODITIES	
Gold ▼	Oil ▲
\$1,849.77	\$111.20
(per ounce)	(per barrel)

ASIAN MARKETS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.56%	▼ 0.26%	▼ 0.48%	▲ 1.19%
53,749.26	26,677.80	3,179.58	3,107.46

SUPPLY CRISIS AMID WAR

Govt to buy MOP fertiliser from Canada

SOHEL PARVEZ

Bangladesh is likely to buy the bulk of its muriate of potash (MOP) from Canada and other countries to meet its requirement for 7.5 lakh tonnes of the chemical fertiliser to produce rice and other crops for the next fiscal year, said officials of the agriculture ministry yesterday, dispelling concerns of a shortage due to the war in Ukraine.

The ministry already awarded contracts to private bidders to buy 2.27 lakh tonnes of the MOP from the international market. It has almost finalised the process of buying another 4 lakh tonnes from Canada under a state-to-state arrangement.

"We will face no crisis of fertiliser, no chance," said Agriculture Secretary Md Sayedul Islam.

Bangladesh does not produce the MOP although state factories produce 10 lakh tonnes of urea and insignificant quantities of triple super phosphate (TSP) and diammonium phosphate.

It used to import roughly 75 per cent of its requirement for the crop production ingredient from Russia, Belarus and the rest from Canada, said Islam.

The Russia-Ukraine war, which broke out by the end of February this year, created concerns amidst sanctions on Russia and Belarus on whether farmers would have the MOP fertiliser available to grow rice, potato and other crops in the next fiscal year of 2022-23 beginning from July.

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Though prices of fertiliser have increased due to Russia-Ukraine war, the government is at a comfortable position in ensuring availability of fertiliser for the next fiscal year, said an official.

PHOTO: MOSTAFA SHABUJ

BB sits with bankers today to talk forex volatility

STAR BUSINESS REPORT

Bangladesh Bank will sit with the Association of Bankers, Bangladesh (ABB) today to discuss the ongoing foreign exchange volatility in the country's banking sector.

A Bangladesh Bank official said they would ask the ABB, a platform of managing directors of banks, to set exchange rates to purchase and sell dollars to exporters, importers and remitters based on the central bank's inter-bank exchange rate.

Bangladesh Bank Governor Fazle Kabir will take part the meeting to be held at the central bank headquarters in the capital.

The country's foreign exchange market has been facing an acute dollar shortage in the last couple of weeks due to soaring import payments.

Against this backdrop, the central bank has

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