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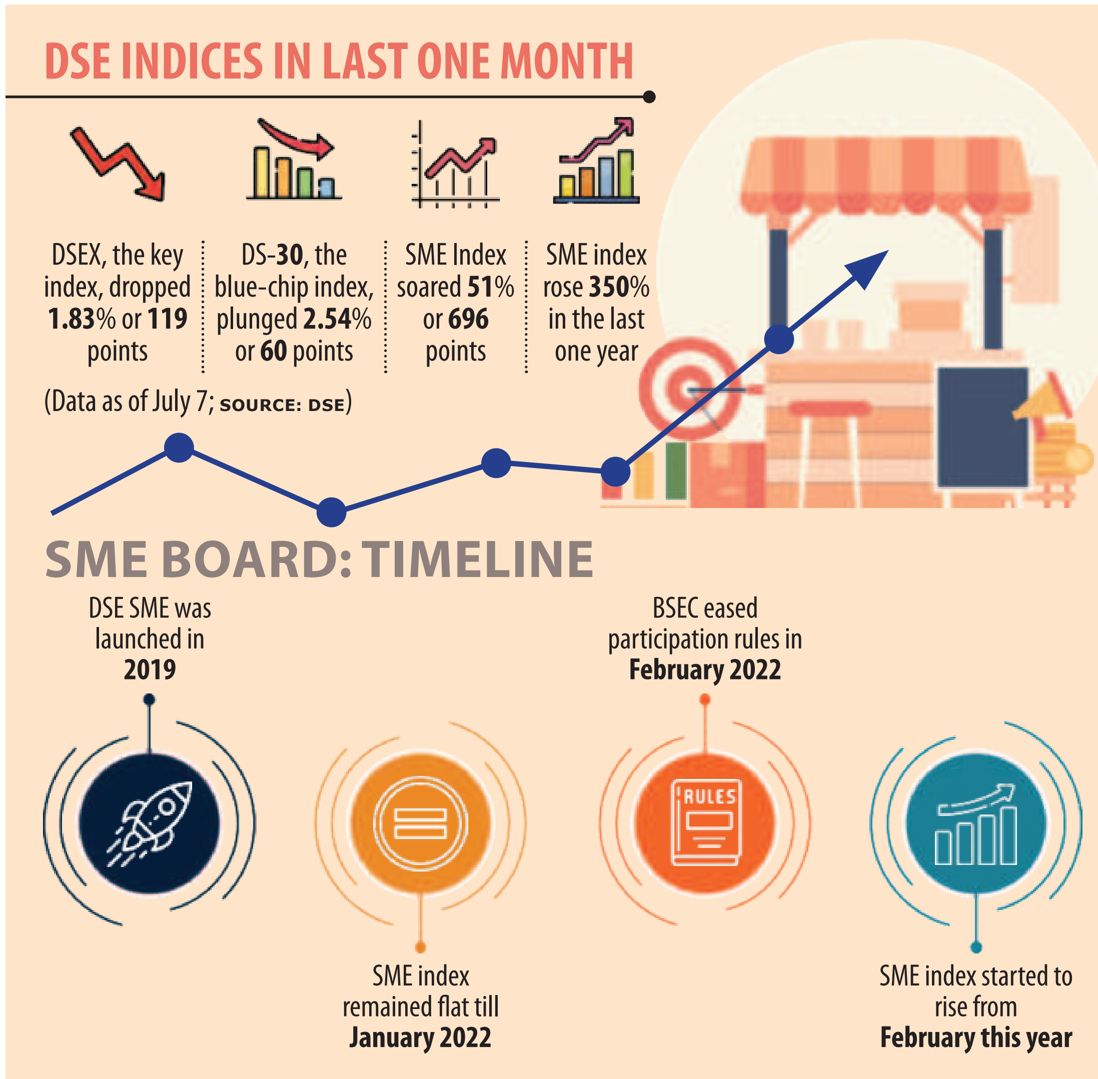

BSEC STEPS SO FAR

- Relaxed rules for general investors for buying and selling of shares
- Lowered investment limit to Tk 20 lakh from Tk 50 lakh
- Now no permission needed to trade on SME board

UNUSUAL PRICE HIKE

Little-known five SMEs' share prices are over Tk 50 while 10 reputed blue-chip companies traded lower than that

Rise in stock prices of listed SMEs

Company	Change in %
Mamun Agro	50
Master Feed Agrotec	66
Oryza Agro	68
Krishibid Feed	57
Krishibid Seed	70
Mostafa Metal	59
Apex Weaving	84
Wonderland Toys	51
BD Paints	366
Bengal Biscuits	17
Nialco Alloys	51
Star Adhesives	33

SME stocks soar though giant firms struggle

Analysts pointing fingers at speculations and rumours

AHSAN HABIB

Shares of small capital-based companies surged abnormally on the Dhaka Stock Exchange (DSE) in the past month whereas the benchmark index of the premier bourse of Bangladesh, as well as blue-chip securities, has been in a bearish mood.

It is understandable why the wider market is falling: economic uncertainty is deepening owing to the Russia-Ukraine war, supply chain woes, runaway inflation, and re-surging coronavirus infections. And there is no end to the crisis in sight.

But the abnormal rise of SME stocks is raising questions and analysts are pointing their fingers at speculations and rumours.

The DSEX, the key index of the DSE, dropped 1.83 per cent, or 119 points, in the last one month. The DS-30, the blue-chip index representing reputed companies, plunged 2.54 per cent, or 60 points.

However, the SME Index soared 51 per cent, or 696 points. In fact, the index, which consists of 12 little-known companies, rocketed 350 per cent in the last one year.

The DSE-SME, the small-cap board, was rolled out on April 30, 2019, in order to allow small and medium enterprises (SMEs) with a paid-up capital between Tk 5 crore and Tk 30 crore to raise funds from the stock market.

The move was applauded by analysts since most SMEs in Bangladesh don't have adequate access to finance although there are 78 lakh such enterprises in the country and they collectively contribute about 25 per cent to the gross domestic product.

Since then, shares of Bengal Biscuits, Star Adhesives, Nialco Alloys, Wonderland Toys, BD Paints, Apex Weaving and Finishing Mills, Krishibid Seed, Mostafa Metal Industries, Krishibid Feed, Mamun Agro Products, Oryza Agro Industries, Master feed Agrotec, and Himadri Ltd have been trading on the board.

Taking into account the risks usually faced by SMEs, the Bangladesh Securities and Exchange Commission (BSEC) actually had planned not to allow general investors to trade on the new board without prior permission. Individual investors with a stock market investment of at least Tk 50 lakh had to take approval to buy and sell SME stocks.

But the prices of SME shares had remained low due to the thin presence of general investors, and most of the shares were in the hand of institutional investors. This is opposite to the share ownership structure of the DSE where general investors account for 80 per cent of the total turnover, while institutional investors represent the rest 20 per cent.

This led institutional investors -- asset management companies, brokerage houses, merchant banks, mutual funds, pensions, and insurance companies -- to urge the BSEC to relax rules to pave the way for general investors to take part in the buying and selling of the shares.

Subsequently, the regulator issued a circular in February this year, saying if an investor has an investment of Tk 20 lakh in the market, they will not require any permission to trade on the SME board.

The changes gave the institutional investors the opportunity to sell the stocks as many general investors rushed to them by paying heed to rumours and speculations.

Since the listed SMEs have offloaded a small number of securities, speculations often do the rounds that their price would rise further, wooing gullible general investors, said a top official of a stock brokerage firm.

For example, Himadri Ltd, which runs six potato cold storage units in the northern part of Bangladesh and is a subsidiary of Ejab Group, has offloaded 11,775 shares, the lowest among the listed SMEs. BD Paints, a paint manufacturer, floated the highest number of shares, at about 4.24 crore, data from the DSE website showed.

"The trading pattern on the SME Board looks unusual because a daily rise of 8 per cent to 10 per cent is not justifiable," said the stockbroker.

Of the 12 SMEs listed, six companies rose more than 9 per cent on July 7, the last trading day before the Eid holidays. The companies are Bengal Biscuits, BD Paints, Mostafa Metal Industries, Master Feed Agrotec,

READ MORE ON B3

With just days having passed since the recent Eid-ul-Azha celebrations, vegetable traders across Dhaka are yet to see an adequate customer turnout as people are yet to return to their daily lives. The photo was taken yesterday from Hatirpool, a major market for groceries in the capital.

PHOTO: PALASH KHAN

Sandhani readies tax-efficient mutual fund

STAR BUSINESS REPORT

Sandhani Asset Management is all set to launch the country's first no-dividend mutual fund, which is the most tax-efficient investment tool of its kind.

Mutual funds pool money from investors to channel it into securities such as stocks, bonds and other assets. Investors are then paid their share as dividends depending on the profits earned.

When fund managers provide their unit holders with a certain percentage of dividend, 10 to 15 per cent tax is deducted from the investors' shares.

But since there is no tax on capital gain, Sandhani Asset Management decided to introduce a fixed-income mutual fund that bears no dividend.

As such, investors can

READ MORE ON B3

$350m set to enter forex market

BB moves to boost dollar supply

MD FAZLUR RAHMAN

The central bank yesterday beefed up its efforts to increase the supply of US dollars as the foreign exchange market of Bangladesh is facing acute shortages of American greenback amid the yawning gap between imports and exports.

As part of its measures, the Bangladesh Bank asked banks to encash 50 per cent of the balance held in exporters' retention quota (ERQ) accounts immediately and revised downwards the limit.

Currently, there is $700 million in the ERQ accounts of exporters. The fresh move from the BB will enable the injection of $350 million into the foreign currency market instantly, said a central banker.

In Bangladesh, exporters are allowed to keep a portion of their earnings in the ERQ accounts to settle back-to-back letters of credit liabilities without facing exchange losses.

But the central bank, in a notice, said the retention of foreign currencies in such accounts for a longer period without using them is a cost to exporters since deposits in the taka bear adequate yield.

In view of the situation, it has been decided that banks will encash 50 per cent of the balance of the accounts immediately, said the BB.

It also revised the retention limit out of realised export proceeds, bringing them down from 15 per cent, 60 per cent and 70 per cent to 7.50 per cent, 30 per cent and 35 per cent, respectively.

The new limit will remain valid till December 31 this year.

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ACI, Dabur part ways

STAR BUSINESS REPORT

Advanced Chemical Industries Ltd (ACI) has decided to terminate its joint venture with Dabur International Ltd to accelerate its own business, according to a senior official of the company.

As ACI's portfolio includes some products, such as juice and honey that are in common with those of Dabur, the local conglomerate has decided to market its own goods rather than those of the Indian multinational, he said.

Dabur produces a wide range of food items that were distributed through the channels of its local subsidiary, Asian Consumer Care, which was partly owned by ACI.

Other than food items such as Dabur Honey, Dabur Chyawanprash, Asian Consumer Care also marketed the company's personal care products, including Dabur Amla Hair Oil, Dabur Vatika Hair Oil, Vatika Shampoo and Dabur Vatika Face Pack.

ACI's board of directors approved the termination of its joint venture agreement dated July 5, 2003, with Dabur International, formerly known as Redrock Ltd, the company said in a filing on the Dhaka Stock Exchange yesterday.

ACI will sell its entire stake of 24 per cent in the share capital of Asian Consumer Care Ltd involving Tk 60 crore to expand its operations.

The local company invested about Tk 11.5 crore in Dabur. Asian Consumer Care was making profits of around Tk 10 crore on average in the last few years. However, its profit was Tk 2 crore in the last financial year.

Stocks of ACI Ltd rose 0.32 per cent to Tk 279 at the DSE yesterday.

STOCKS

DSEX ▼	CSCX ▼
Flat 6,324.50	0.10% 18,595.40

COMMODITIES

Gold ▼	Oil ▼
$1,711.24 (per ounce)	$94.12 (per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.18% 53,416.15	▲ 0.62% 26,643.39	▼ 1.22% 3,090.63	▼ 0.07% 3,281.74

Indian rupee plunges to record low versus dollar

REUTERS, *Mumbai*

The Indian rupee weakened in opening trade on Thursday to hit record lows against the greenback for a fourth straight session after data showed US inflation, already at four-decade highs, accelerated even further.

The dollar resumed its relentless rise, driven by both expectations for faster policy tightening by the Federal Reserve and safe-haven flows as fears grow for a recession.

The partially convertible rupee was trading at 79.75/76 per dollar by 0338 GMT, compared to its close of 79.63 on Wednesday. The unit touched a life low of 79.77.

Traders expect dollar selling intervention by the central bank to slow the slide in the rupee but expect it to touch levels of 80 to the dollar in the near future.

Tanners have started collecting salted rawhides from markets all over the country following the recent Eid-ul-Azha but as fewer animals than their target were sacrificed this year, they might not be able to achieve their procurement goal. The photo was taken in the Posta area of Lalbagh in the capital yesterday.

PHOTO: AMRAN HOSSAIN

Shanta First Income Unit Fund declares 10pc dividend

STAR BUSINESS DESK

Shanta First Income Unit Fund has announced a 10 per cent, or Tk 1 per unit, dividend for the fiscal year that ended on June 30, 2022.

Earnings Per Unit (EPU) of the fund stood at Tk 1.14, implying that the fund has disbursed 87.7 per cent of its earnings to its valued investors, a press release said.

Now they can opt for the dividend as cash or reinvest the dividend by purchasing units of the fund for further growth.

Shanta Asset Management Ltd, a sponsor and asset manager of the fund, stipulates that only the shareholders who have held units on June 30, 2022 will be entitled to for the dividend.

"Despite a challenging year, with a market return of only 3.7 per cent in FY2021-22, we are delighted to declare a decent dividend for our esteemed investors," said Mohammad Emran Hasan, chief executive officer of Shanta Asset Management.

Commerce Bank gets new DMD

STAR BUSINESS DESK

Bangladesh Commerce Bank recently appointed Md Abdul Kader as its deputy managing director.

He previously served Union Bank as the senior executive vice-president, a press release said.

Kader started his banking career at First Security Islami Bank as a probationary officer.

He is actively involved with the Bankers Forum and the Bangladesh Public Relations Association.

Kader obtained his bachelor's and master's degrees from the University of Dhaka.

UK 'jobs miracle' turns into employers' nightmare

AFP, *Keswick*

Job vacancies seem to come ten-a-penny in Keswick, a tourist town in England's picturesque Lake District, as the hospitality sector cries out for staff -- shortages which are a direct result, critics say, of the coronavirus pandemic and of Brexit.

"Two live-in chef positions available. Excellent rates of pay," reads one advert in a restaurant window.

"Hiring. No experience needed," says another in a fish-and-chip shop.

Britain's ruling Conservative party claims to have engineered a "jobs miracle" since coming to power in 2010, with the national unemployment rate currently standing at 3.8 per cent, the lowest level in almost 50 years.

That is, in fact, better than the International Labour Organisation's definition of "full employment" -- a jobless rate of five per cent.

But for Tony Wilson, director of the Institute for Employment Studies, while the current situation in Britain may be "the best context in 20 years for workers", it is not good for the economy as a whole.

The shortage of workers may be "leading to pay growth and some improvements in employment terms, but it doesn't help the economy at all," he said.

If companies are unable to fulfil their potential then profits and overall growth take a hit, he argued.

Indeed, Britain is set to have the lowest economic growth of any Group of Seven country, projections show.

Back in Keswick, Alison Lamont, the 60-year-old co-owner of the Relish cafe, does not have a minute to spare as she juggles serving with taking payments.

Since Covid lockdowns were lifted, the small eatery has switched to takeaway services only. There is simply no "time for clearing the tables", says Lamont.

Despite attempts to recruit via social media or simply by word-of-mouth, she cannot find the extra staff needed to run the cafe properly. Young people "all want to be influencers or work from home", Lamont complains.

"The main impact on family life is that we don't get weekends together and no time away, we have to work and work and work," she tells AFP, as her husband, who prepares the food upstairs, runs down to bring a sandwich.

Lamont, welcoming each customer like an old friend, says she bought the cafe with her husband around a year before Covid struck. She struggles to sleep some nights and sees no end to the current situation. "You can only do this for so long," Lamont says.

Further up the street, the restaurant at George Hotel was forced to shut for three-and-a-half months this year because it had no chef, costing the business 30,000 ($35,000) a week, a situation that is seen again and again across the UK.

The owner of a London beauty salon told AFP she had even resorted to using a headhunter, typically used for recruiting senior management positions, to find a beautician -- with no luck so far.

In other sectors, airlines such as British Airways and EasyJet are struggling to re-hire the staff they laid off in their thousands at the start of the pandemic.

The result: mass flight cancellations and a situation that is only set to become worse during the upcoming summer holiday season.

The reasons for Britain's current labour market woes are widely blamed on the country's decision to quit the European Union and on the economic fallout from the coronavirus pandemic.

"Since the economy reopened... the demand for workers is much higher than the job seekers, especially in low-paid, low-skill sectors" such as cleaning, construction, distribution and warehousing, said Jack Kennedy, UK economist at recruitment group Indeed.

UAE to invest $2b in India 'food parks'

REUTERS, *Jerusalem*

The United Arab Emirates has pledged $2 billion to help develop a series of "food parks" in India to tackle food insecurity in South Asia and the Middle East, the UAE, India, the United States and Israel said on Thursday.

The idea is to bring farmers, processors and retailers together in one place using the latest climate technology to minimise waste, conserve water and maximise crop yields. The four countries would also advance renewable energy projects in India, they said in a statement.

"US and Israeli private sectors will be invited to lend their expertise and offer innovative solutions that contribute to the overall sustainability of the project," the statement said.

Our love for the Big 4!

FROM PAGE B4

cheating on accountant exams" - Reauters.com; Earnest Young, the firm that audits the Ethics of an organisation, admits that its auditors cheat on Ethic exam. "KPMG fined over Rolls-Royce audit" - FT.com; "EY accused of basic failings in S 2.7bn claim over NMC collapse" - FT.com; "KPMG to be fined Pound 14m for forging documents over Carillion audit" - TheGuardian.com; "Deloitte hit with Pound 2mn fine after rule breaches over Mitie" - Thetimes.co.uk; "PwC fined over exam cheating involving 1,100 of its auditors" -FT.com.

These are merely some examples to stir our blind trust in them!

However, when it comes to audit, opting for the Big 4 is fully justified for ensuring compliance, business/system improvements, independence, credibility, detecting and preventing fraud and so on.

Exceptions aside, they do a very good job too in the majority of cases. And approximately, one third of their revenue comes from this business segment. As for consultancy and others, these firms have a great knowledge base across industries, internationally.

Hence, there is no denying the need and importance of such firms and how irreplaceable they can prove to be, given they follow high ethical standards. Because of such conflicting issues, one of the Big 4 considering to split the company into audit and consultancy operations.

Having said that, if the same firm is given the job of execution of their recommendation, it becomes a different story. Unfortunately, from my three decades of experience in the Bangladesh market, I cannot cite any good experience I had with them on this execution issue.

One of the reasons for this may be that most of their resources are from outside the country who may not have the local knowledge and understanding required for a smooth execution of the recommendation plan.

It is also common that the corporates often misuse the Big 4 for achieving an ulterior motive. Similarly, the Big 4 firms also face a tight spot between revenue and ethics. And cases like the ones cited above mostly occur when revenue outweighs ethics. In all likelihood, the actual number of such cases would be way higher than what gets reported.

If the above examples are carefully examined in developed countries, then the concerned authorities would most likely impose fines, although any fine would be a paltry sum, a slap on the wrist, against their regular exorbitant revenue!

For the "love" of the Big 4 today, both corporates as well as auditors are equally responsible although the onus is more with the auditors for the statutory nature of their role. They may not represent the company but they do represent the investors, shareholders, creditors and stakeholders.

What is important is to bear in mind that while we use the Big 4 to fulfil our own goal, we can be at the hapless receiving end too. To break this loop, it is important that all parties remain strictly professional coupled with effective imposition of regulations by the concerned authorities in Bangladesh.

The author is a telecom and management expert.

It's in China's

FROM PAGE B4

International Monetary Fund, with another $1 billion due to other rich countries.

"Sri Lanka is clearly unable to repay that debt, and it's my hope that China will be willing to work with Sri Lanka to restructure the debt," Yellen told a news conference on the sidelines of a meeting of G20 finance officials on the Indonesian island of Bali.

She declined to comment on recent events in Sri Lanka, where people are waiting for the resignation of President Gotabaya Rajapaksa, who has fled the country to escape a popular uprising as it struggles with an economic crisis.

Sri Lanka defaulted on its $51 billion of international debt in May after years of heavy borrowing and tax cuts by the government, plus the damaging impact of the Covid-19 pandemic.

The economy of the country of 22 million people began to show cracks in 2019 after large tax cuts by Rajapaksa's government drained the country's coffers.

The pandemic then shattered the lucrative tourism industry, and rising global prices have left Colombo struggling for essentials such as fuel, medicine and food.

Yellen singled out China for failing to cooperate in efforts to provide debt relief under the Common Framework adopted by G20 members and the Paris Club of official creditors in October 2020 to help heavily indebted low-income countries weather the Covid-19 pandemic.

Three countries - Zambia, Ethiopia and Chad - have applied for help under the framework, but those efforts have stalled, largely due to foot-dragging by China, now the world's largest sovereign creditor, and private sector creditors. "More needs to be done to help the most vulnerable, and this is a key message I will be emphasizing at these G20 meetings," Yellen told reporters.

Mohammad Mamdudur Rashid, managing director of NCC Bank, greets Abu Noman Md Rafiqur Rahman, chairman of the bank's shariah supervisory committee, with a bouquet at the committee's first meeting at NCC Bank Bhaban in Dhaka recently. Md Abul Bashar, chairman of the bank, virtually joined the meeting.

PHOTO: NCC BANK

Burned Twitter deal bankers see silver lining in Musk's startups

REUTERS

Wall Street's top investment banks that stand to lose lucrative fees from Elon Musk abandoning his $44 billion acquisition of Twitter Inc hope the start-ups backed by the world's richest person will make up for the lost business.

Musk has been one of Wall Street's biggest patrons, doling out nearly $500 million in fees to investment banks such as Goldman Sachs Group Inc and Morgan Stanley since 2000, mostly for work on Tesla Inc, according to an estimate by Refinitiv.

This estimate does not include Musk's privately held start-ups SpaceX, Neuralink and The Boring Company. Bankers said these companies have paid tens of millions of dollars in investment banking fee revenue over the years for their capital raisings.

The bankers, who spoke about their business prospects with Musk on condition of not being identified, said they would pursue some of these opportunities, including roles in any initial public offerings these companies may pursue down the line.

Goldman Sachs and Morgan Stanley did not immediately respond to a request for comment.

According to an earlier regulatory filing, Twitter's financial advisors Goldman Sachs and JPMorgan Chase would receive fees amounting to a total of $133 million.

According to estimates from Refinitiv, Morgan Stanley and the other financial advisors stand to make over $55 million from advising Musk, while the banks providing acquisition financing would stand to receive anywhere between $150 million to $200 million.

This is not the first-time bankers have been let down by Musk in an acquisition. He also reneged on his plan to take Tesla private for $72 billion in 2018 after publicly announcing that he had the "funding secured".

US inflation hits 40-year high

FROM PAGE B4

The war in Ukraine has pushed global energy and food prices higher, and US gas prices at the pump last month hit a record of more than $5 a gallon.

However, energy prices have eased in recent weeks, with oil prices falling below $100 a barrel for the first time since April, which could start to relieve some of the pressure on consumers.

The Federal Reserve is likely to continue its aggressive interest rate increases as it tries to tamp down the price surge by cooling demand before inflation becomes entrenched.

The US central bank last month implemented the biggest rate hike in nearly 30 years, and economists say another three-quarter-point increase is likely later this month.

Wall Street stocks declined Wednesday after the release of the report, which added to recession fears, and some analysts worry the report will prompt the Fed to adopt even tougher measures to tighten monetary policy, such as a full percentage point interest rate increase.

Ian Shepherdson of Pantheon Macroeconomics summed up the data in one word: "Ouch." "This report will make for very uncomfortable reading at the Fed," he said. "It rules out the chance of the Fed hiking by only 50bp this month."

Driven by record-high gasoline prices, the consumer price index jumped 1.3 per cent in June compared to May.

But Shepherdson noted some signs of cooling prices in the data and predicted "this will be the last big increase." When volatile food and energy prices are stripped out of the calculation, "core" CPI increased 5.9 per cent over the past year -- still a rapid pace but slowing from the pace in May, according to the data.

Food and housing prices also rose in June, as did car prices, though the rate has stabilized or slowed from the past month, the report said.

Mickey Levy of Berenberg Capital Markets said the "broadening" of price increases to more categories is a "cause for concern" for the Fed's efforts, but "there is reason to believe price increases may moderate in the near term."

Jute, jute goods exports fall for soaring shipping costs

AKANDA MUHAMMAD JAHID

Exports of jute and jute goods from Bangladesh declined in the last fiscal year due to the unprecedented surge in shipping costs and the higher price of raw fibres.

Jute millers fetched $1.13 billion by selling jute and jute-made products in the fiscal year that ended on June 30, down 2.91 per cent year-on-year, data from the Export Promotion Bureau (EPB) showed.

Earnings from the main exportable yarn and twine dipped 12.67 per cent to $697.80 million.

Mohammed Mahbubur Rahman Patwari, a former chairman of the Bangladesh Jute Mills Association (BJMA), blamed the spiralling freight costs for the decline in the exports of jute and jute goods.

The container freight cost rocketed nearly 10 times to $10,000-$15,000 from $1,000-$1,500 since the pandemic struck the world.

This means if the price of a container full of products is $40,000, the total costs, which include the freight charges, come at $50,000.

"When our products reach Turkey, the total costs exceed the prices of the local products in the country," said Patwari.

So, Bangladeshi exporters are being compelled to sell their products by incurring the loss equivalent to the freight charges, he said.

"We are in hot water."

Jute yarn accounts for two-thirds of the export earnings from the sector, EPB data showed. The product is used in carpets and Turkey is the main buyer for yarns produced in Bangladesh.

But many buyers are using recyclable cotton to make carpets, Patwari said.

Higher prices of the raw jute in the local market, driven largely by manipulation perpetrated by middlemen, mean exporters can't remain much competitive in the international markets when they have to buy the raw material at higher costs.

"If the prices decline in the domestic market next season, we will get relief to some extent," Patwari added.

Exporters say a fresh blow for the industry comes several months after export receipts hit $1.16 billion in the fiscal year of 2020-21, the highest on record, driven by a higher price of raw jute and an increased demand.

According to millers who produce yarn, twine, bags, sacks and other jute goods for mainly export markets, buyers reduced orders against the backdrop of spiralling prices of the natural fibre, which hit a historic high of more than Tk 5,000 per maund in February this year owing to the stockpiling by the middlemen and a decline in production of the crop last season.

Usually, raw jute is sold at Tk 2,500-Tk 3,100 per maund, especially during the harvest period.

Patwari says costs are still high and international buyers are switching to alternatives to jute goods.

Jute sack and bag makers were the hardest hit as their shipment fell 14 per cent year-on-year to $119.23 million in FY22.

Abdul Barik Khan, secretary general of the BJMA, says there is a lack of policy support to promote the sector, which involves about five crore people.

The government formulated the Mandatory Jute Packaging Act in 2010 to cut the use of plastics and promote eco-friendly fibre. But it has not been implemented properly yet.

This prompted the association to move to the High Court this year and file a writ petition. The court, on June 28, directed 14 ministries and departments to inform it within 60 days as to why the law has not been implemented, said Khan.

He pointed out that the Bangladesh Bank has formed the Export Development Fund, which lends to exporters at only a 2 per cent interest rate to allow them to import raw materials, including yarn.

"But when we buy jute from our own farmers, we pay at least 9 per cent interest."

He demanded the fixation of the maximum price of raw jute and urged the government to take strict measures against illegal hoarding.

Amid declining export volume, the government has extended a 20 per cent cash incentive for the shipment of diversified jute products such as food-grade bags, clothes, yarns, and twines.

Exporters have to ensure the use of the natural fibre equivalent to at least 50 per cent of the export price, said the central bank in a notice recently.

The cash incentive for hessian, sacking and carpet backing cloth is 12 per cent.

Farmers in Bangladesh have grown roughly 80 lakh bales of jute annually over the past five years.

Stocks turnover hits 2-month low

STAR BUSINESS REPORT

Turnover of the domestic stock market plunged to under Tk 600 crore for the first time in about two months as investors are shaky about pouring in their funds amid the recent economic uncertainty, according to analysts.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), remained flat at 6,324 by the end of yesterday's trading session.

However, turnover of the Dhaka bourse plunged to Tk 580 crore, down from Tk 702 crore the previous day. The stocks edged flat after a bumpy ride as most investors followed a cautious stance amid macroeconomic concerns, International Leasing Securities said in its daily market review.

The exchange rate recently reached a new high of Tk 94.35 per US dollar as the foreign reserves slipped below $40 billion for first time in two years.

"So, investors are reluctant to make fresh bets and besides, most of them are yet to return to Dhaka after celebrating Eid," it added.

At the DSE, 129 stocks advanced, 198 dropped and 55 remained the same.

Meghna Condensed Milk topped the gainers list, rising 9.96 per cent, while Bangladesh Autocars, Usmania Glass Sheet Factory, Gemini Sea Foods, and Information Services Network also advanced significantly.

NRB Commercial Bank shed the most, eroding 5.36 per cent, while Regent Textile Mills, Paramount Textiles, Evince Textile and Intraco Refueling Station were among the heavy losers as well.

Titas Gas Distribution and Transmission became the most traded stock with shares worth Tk 47 crore changing hands followed by Beximco Ltd, KDS Accessories, IPDC Finance, and JMI Hospital.

Meanwhile, stocks at the Chattogram bourse dropped yesterday while its turnover also fell.

The CASPI, the all share price index of the Chattogram Stock Exchange (CSE), dropped 19 points, or 0.10 per cent, to hit 18,595.

At the CSE, 71 stocks rose, 173 fell and 38 did not move by the end of the trading hour.

Turnover of the port city bourse stood at Tk 10 crore, down from Tk 22 crore the previous day.

Oil prices drop

REUTERS, *London*

Oil prices fell on Thursday as investors focused on the prospect of a large US rate hike that could stem inflation but at the same time hit oil demand.

Brent crude futures for September were down $1.86 cents to $97.71 a barrel at 1016 GMT after settling below $100 for a second straight session on Wednesday.

US West Texas Intermediate crude for August delivery was at $94.01 a barrel, down $2.29 cents.

Oil prices have tumbled in the past two weeks on recession concerns despite a drop in crude and refined products exports from Russia amid Western sanctions and supply disruption in Libya.

"Clearly, focus is now on the demand side of the oil equation. Yesterday's weekly EIA (US Energy Information Administration) report showed sizeable builds in product inventories," Tamas Varga, analyst at PVM Oil Associates, said.

"Collateral damage of growing fears of inflation is the strong dollar, which is also bearish for oil prices. Interestingly, physical markets are still strong but the change in sentiment of financial investors is currently the dominant driving force."

$350m set to enter forex market

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It came after the foreign exchange reserves of Bangladesh slipped below $40 billion for the first time in nearly two years, owing to higher imports caused by surging commodity prices globally and the appetite in the economy rebounding from the coronavirus pandemic. Reserves stood at $39.70 billion yesterday.

Between July and May, imports increased to $75.40 billion, up 39 per cent year-on-year, whereas exports grew 33 per cent to $44.58 billion during the same period.

Full fiscal year import data has not been published yet.

Exports hit an all-time high of $52.08 billion in the just-concluded fiscal year, giving much-needed breathing space to the country amid ongoing volatility in the foreign exchange regime.

Remittances, the cheapest source of foreign currencies for Bangladesh, however, contracted in 2021-22, the first time in six years, as many remitters opted for the informal channels to send their money. The inflow stood at $21.03 billion.

Fahmida Khatun, executive director at the Centre for Policy Dialogue, welcomed the central bank's move.

"It means that the central bank is recognising the problems and is taking steps to address them."

In May, the noted economist had said the ERQ limit should be reduced to 5-10 per cent of repatriated proceeds for the next six months.

In another initiative yesterday, the BB has allowed, for the first time, the domestic banking units of banks to borrow from their offshore banking operations, to settle the import payments of capital machinery, industrial raw materials and imports made by the government.

Now, offshore banking operations can place funds with their domestic counterparts for six months with a limit not exceeding 25 per cent of the total regulatory capital of a bank.

The relaxation will remain valid till December 31 as well.

Also yesterday, the BB asked banks to report all types of foreign exchange transactions, including those of offshore banking operations, to the different web portals of the central bank on a regular basis.

As part of import monitoring, banks have been advised to submit import information to the Bangladesh Bank Online Import Monitoring System 24 hours prior to opening letters of credit.

The reporting requirement is for transactions involving $5 million and above and excludes the imports carried out by the government.

SME stocks soar

FROM PAGE B1

Nialco Alloys and Mamun Agro Products, DSE data showed.

What is even more startling is that the share of most SMEs is trading higher than that of some of the blue-chip companies, which are well-known for steady growth, strong fundamentals, and sound business practices.

For example, Bengal Biscuits, BD Paints, Nialco Alloys, Wonderland Toys, and Star Adhesive all are trading above Tk 50 whereas companies such as Brac Bank, City Bank, Eastern Bank, IFIC Bank, Islami Bank Bangladesh, non-banking financial institutions IDLC and LankaBangla, mobile phone operator Robi, electricity producer Summit Power, and gas utility company Titas Gas are trading below Tk 50.

Mohammad Rezaul Karim, a spokesperson of the BSEC, says the regulator has relaxed the conditions following requests from the associations of market intermediaries.

Since the number of listed SMEs and the number of their shares available for trade is low, their prices have gone up, he said.

"If more SMEs go public, the demand and supply gap will narrow."

Karim could not say immediately whether the SME shares are overvalued and added that such conclusion can be made after they announce dividends.

"Our surveillance team is closely monitoring to find out whether anyone is doing anything unlawfully," he said.

Sandhani readies tax-efficient mutual fund

FROM PAGE B1

benefit from the new feature by selling units back to the fund manager when they reach a higher value, according to Mir Ariful Islam, managing director and chief executive officer of Sandhani Life Insurance.

The unit prices will be determined on the basis of its current net asset value and so, there is no chance for investors to get a lower price, he said.

Other than being more tax effective, investments in no-dividend mutual funds are safe as it is a fixed-income fund and the proceeds will be mostly invested in fixed-income instruments.

"So, the fund will be a perfect fit for investors who want to protect their investment against inflation and secure a stable return," Islam added.

Banks that use credit ratings offer very minimum interest rates and, in most cases when it is lower than the inflation rate, the fund could be more profitable as its investment exposure will be in government securities and investment-grade bonds.

"This offers much better returns than fixed deposit receipts or deposit pension schemes."

Bangladesh Securities and Exchange Commission approved the Sandhani Asset Management SLIC Fixed Income Fund last month and its subscription is going to start from Sunday.

The size of the fund could reach up to Tk 50 crore, of which Tk 10 crore was provided by its sponsor, Sandhani Life Insurance. The rest can be raised from general investors with the price of each unit set at Tk 10.

EU cuts euro zone growth forecasts

REUTERS, *Brussels*

The European Commission cut its forecasts for economic growth in the euro zone for this year and next and revised up its estimates for inflation on Thursday largely due to the impact of the war in Ukraine.

In its quarterly forecasts, Brussels confirmed its more downbeat outlook, which it had already discussed with euro zone finance ministers on Monday.

The EU executive now predicts growth of 2.6 per cent this year for the 19-country currency bloc, slightly less than the 2.7 per cent it had forecast in May.

But next year, when the impact of the Ukraine war and of higher energy prices may be felt even more acutely, growth is now forecast to be 1.4 per cent, instead of the 2.3 per cent previously estimated.

"A storm is possible, but we are not there at the moment," EU economics commissioner Paolo Gentiloni said, noting that the fall of the euro to parity against the dollar was a major concern largely for developing economies, rather than for the euro zone, because the euro was appreciating against other major currencies.

For the wider 27-country European Union, the growth forecast was unchanged at 2.7 per cent this year, but revised down to 1.5 per cent in 2023 from 2.3 per cent.

In a major change, the Commission also raised its estimates for euro zone inflation, which this year is now expected to peak at 7.6 per cent before falling to 4.0 per cent in 2023.

In May, the Commission had forecast prices in the euro zone would rise 6.1 per cent this year and 2.7 per cent in 2023.

Brussels warned headline inflation could move even higher if gas prices soared due to Russia cutting off supplies, which might lead to a further downward revision of growth.

Risks to the outlook from a resurgence of the Covid-19 pandemic could also not be ruled out, the Commission said.

Despite these high risks, the Commission underlined that the euro zone was not expected to tip into a recession and the forecasts could also improve if recent declines of oil and commodity prices continued.

Thanks to a strong labour market with historically low unemployment rates, the Commission said private consumption could also prove more resilient to increasing prices if households were to use more of their accumulated savings.

Germany, the EU's biggest economy, would see growth slow to 1.4 per cent this year and 1.3 per cent in 2023. The Commission had in May forecast expansions of respectively 1.6 per cent and 2.4 per cent.

France is expected to grow by 2.4 per cent this year, instead of the previously forecast 3.1 per cent. Next year, growth is estimated to slow further to 1.4 per cent, against 1.8 per cent predicted in May.

Among the three biggest economies of the bloc, Italy is the only one that is expected to grow this year by more than previously forecast. It is now seen to expand by 2.9 per cent, rather than the 2.4 per cent estimated in May.

However, the country is expected to experience a marked slowdown next year, when growth is predicted at 0.9 per cent, the lowest in the euro zone and down from a previous forecast of 1.9 per cent.

India's inflation stays above 15pc in June

REUTERS, *New Delhi*

India's annual wholesale price-based inflation kept above 15 per cent in June, government data showed on Thursday, but the slight easing from the prior month's three-decade high of 15.88 per cent strengthens prospects for more rate hikes next month by the central bank.

Economists say inflation, driven by higher global crude oil and domestic prices, has shown little sign of cooling, despite a rise of 90 basis points in the benchmark rate of the Reserve Bank of India (RBI) over the last two months and export curbs.

Wholesale prices (INWPI=ECI), akin to producer prices, eased slightly to 15.18 per cent, but stayed in double digits for a 15th straight month, the data showed.

A depreciation of nearly 7 per cent this year in the rupee currency against the dollar has pushed up prices of imported food and energy products for companies as well as consumers.

June's figure was lower than a forecast of 15.50 per cent in a Reuters poll of analysts, and compared to 12.07 per cent in June 2021.

Aditi Nayar, chief economist at ICRA, the Indian arm of Moody's rating agency, said WPI inflation could ease to 13 per cent in July, reflecting correction in global commodity and fuel prices, which surged after Russia's invasion of Ukraine in February.

"We foresee 60 basis points of rate hikes by the Monetary Policy Committee (MPC) over the next two reviews," she said, referring to the central bank's rate-setting panel.

The repo rate could rise to 5.5 per cent by September, followed by a pause to ascertain economic growth momentum, she added.

Two farmers are seen harvesting a portion of their zinc-enriched paddy in Shafirhat village under Patgram upazila of Lalmonirhat. Increasing demand for the highly nutritious variety of rice has prompted farmers in five districts of Rangpur to start growing the crop.
PHOTO: S DILIP ROY

Cultivation of zinc-rich paddy growing in Rangpur

S DILIP ROY

Zinc-enriched paddy cultivation is expanding day by day across five districts of the Rangpur division thanks to increased demand for the crop given its immunity-boosting properties.

Only a handful of farmers were engaged in growing zinc-rich paddy when the crop was first introduced in the northern region eight years ago, prompting Natun Zibon Rochi (NAZIR), a non-government organisation, to start working to encourage cultivation of the crop.

Now, thousands of farmers are benefiting from the comparatively higher yields provided by this variety of paddy. In order to bolster production, the government is preparing to officially procure the crop.

Zinc-enriched paddy has been cultivated on 99,000 hectares of land in Rangpur this year, up 24 per cent compared to 80,000 hectares in 2021, according to the Department of Agricultural Extension (DAE).

Eight years ago, it was cultivated on just 900 hectares of land with each hectare yielding about seven tonnes of paddy.

The demand for zinc-enriched paddy has grown significantly as experts are calling for people to consume more healthy foods in a bid to boost their immune system.

Hemanta Chandra Sen, a farmer and trader of zinc-enriched paddy seeds in Shafirhat village under Patgram upazila of Lalmonirhat, has been cultivating the crop on three bighas of land for the last four years.

"Everyone in my family eats zinc-enriched rice, which tastes delicious and is very beneficial for growth and immunity," he told The Daily Star.

At first, people were reluctant to try their hand on the zinc-rich paddy farming, but following the Covid-19 pandemic, many started paying for seeds in advance.

"So, the number of farmers cultivating this paddy is increasing," Sen added.

Gyanada Rani, a farmer in Dalgram village of Kaliganj upazila in Lalmonirhat, says NAZIR has helped her secure zinc-enriched paddy seeds, which she planted on three bighas of land and got 62 maunds of the crop.

"Zinc-rich paddy is less susceptible to pest attacks and diseases compared to other varieties," Rani said, adding that she will increase cultivation next year.

Lutfar Rahman, a farmer from the same village, grew zinc-enriched paddy on one bigha of land six years ago just to feed his family. But after seeing the benefits, he has brought six bighas of land under the cultivation of the crop variety.

Many people now buy zinc-rich rice from Rahman and after seeing his success, other farmers have started jumping on the bandwagon of cultivating the crop.

Sultan Hossain, a rice trader in Lalmonirhat town, has been buying zinc-rich paddy directly from farmers to produce rice for the last six years.

Although the crop is more nutritious, its price is comparatively the same or lower compared to other varieties.

"The demand for zinc rice has multiplied with a lot of consumers coming to me for the crop following the advice of doctors," he said.

Hossain and other traders like him sell an average of five tonnes of zinc rice per day.

"We had faced troubles in attracting farmers to cultivate zinc paddy initially. Now farmers have understood its importance and are taking initiatives on their own to cultivate the paddy," said Mosharof Hossain, project manager of NAZIR.

Now thousands of farmers are benefiting from the comparatively higher yields provided by this variety of paddy. In order to bolster production, the government is preparing to officially procure the crop

The NGO also works to connect farmers with millers and traders.

NAZIR is implementing the Commercialisation of Bio-fortified Crops (CBC) programme, an initiative of the Global Alliance for Improved Nutrition (Gain) and HarvestPlus.

The CBC programme acts to catalyse commercial markets for bio-fortified seeds, grains, and food products in six countries -- Bangladesh, Kenya, India, Nigeria, Pakistan, and Tanzania -- with pervasive levels of malnutrition.

By developing commercial markets for bio-fortified crops that are primarily grown by smallholder farming families, the CBC programme will help create a sustainable basis for improving diet quality and tackling hidden hunger among farmers and consumers.

The programme, funded by the German Federal Ministry for Economic Cooperation and Development and the government of the Netherlands, aims to reach 190.6 million people with bio-fortified foods by 2022 and 571.8 million people by 2028.

The CBC programme works with country partners on a value-chain approach to create sustainable commercial pathways for bio-fortification. Existing value chains for comparable non-bio-fortified staple crops and foods are leveraged, and any gaps or barriers in production or trading are identified and addressed.

Hamidur Rahman, deputy director of the Lalmonirhat DAE, says since farmers are accustomed to cultivating other varieties of paddy, they initially showed little interest in cultivating the zinc-enriched version.

"But in recent times, many of them have benefited by cultivating the paddy and as such, other farmers are becoming more interested in this regard. So, the DAE gives advice to the farmers," Rahman said, adding that the market for zinc-enriched paddy will surge in the future.

Rafiqul Islam, district food controller in Lalmonirhat, says a proposal has been sent to the concerned ministry to officially procure zinc-enriched paddy.

"As rice is supplied from government warehouses in the form of relief items, if the government procures zinc rice, it will reach marginalised people and benefit them."

Our love for the Big 4!

MAHTAB UDDIN AHMED

When it comes to the Big 4, the corporate trust instincts set in for good reasons but is it time to question if such blind reliance is the best practice always?

A newly appointed regional head finds himself in a conflict with one of his country heads and makes it his mission to make him suffer the consequences at all costs! And yes, the pun is intended.

He finds an issue to frame him and gives the job to none other than one of the Big 4 knowing their credibility would go down well with the board members. So, in comes one of the Big 4 beckoned more by an irresistible million-dollar bill than ethics.

The desperate country head lodges a complaint through the whistleblower channel of the Big 4 in question of its blatant role in the "outcome-based factfinding vs a fact-based outcome" assignment. However, it proves futile as the complaint hits a dead end with no further examination of documents/evidence to prove otherwise.

The corporate sector is fraught with similar stories in varied scales echoing "might is right".

A few years back, I observed a finance team of an organisation having a debate with its regional group on the valuation of a sensitive financial transaction between two subsidiaries, where one of the subsidiaries had to act under pressure in lowering the price to minimise the tax impact.

Again, guidance or rather endorsement, was sought from one of the Big 4. When such direction is pursued, it means something is not quite right!

Second opinions were also sought but unanimous support went for the Big 4 in question for the obvious corporate bias they enjoy, if not for the sake of speedy solution. In my experience, I would often get the Big 4 to endorse any matter of discord I had with the board in order to get approval; such is the weight of their branding. I would like to believe that the above two incidences may be an outlier as the Big 4 is known for its quality and capacity to deal with complex matters.

For the "love" of the Big 4 today, both corporates as well as auditors are equally responsible although the onus is more with the auditors for the statutory nature of their role

The love for the Big 4 is not limited to multinational corporations only, but is also prevalent among the local corporates in Bangladesh. Corporates prefer to hire the Big 4 as a status symbol despite the exorbitant fees they charge due to its brand value, as opposed to that charged by the local resources that are also qualified with deep rooted local knowledge.

But if you ask them about the execution of the recommendations made by the Big 4, you would be surprised to find the response to be mostly negative or mixed, at best.

Big corporate houses usually have highly qualified professional accounting and financial resources who have sound understanding of their industry and the countries they operate in. It would be wrong to assume that they are incapable of conducting independent/impartial verification or valuation.

However, when it comes to audit, obviously an independent body needs to audit as per the regulatory requirement. Most of the audit firms of the Big 4 extend their services to consultancy, forensic, outsourcing etc.

Let us look at some of the recent headlines: "EY to pay $100 mln to settle US charges of staff

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US inflation hits 40-year high

AFP, *Washington*

US inflation surged to a fresh peak of 9.1 per cent in June, further squeezing American families and heaping pressure on President Joe Biden, whose approval ratings have taken a battering from the relentless rise in prices.

Government data released Wednesday showed a sharp, faster-than-expected increase in the consumer price index compared to May driven by significant increases in gasoline prices.

The 9.1 per cent CPI spike over the past 12 months to June was the fastest increase since November 1981, the Labor Department reported.

Energy contributed half of the monthly increase, as gasoline jumped 11.2 per cent last month and a staggering 59.9 per cent over the past year. Overall energy prices posted their biggest annual increase since April 1980.

While acknowledging the inflation rate was "unacceptably high," Biden argued that it was "out of date" as it did not reflect a clear drop in energy prices since mid-June.

According to AAA, the national average price at the pump was down to $4.63 a gallon, from $5.01 a month ago.

The recent price drop had provided "important breathing room for American families. And, other commodities like wheat have fallen sharply since this report," the president said in a statement.

Insisting that tackling inflation was the top priority, Biden admitted his administration needed "to make more progress, more quickly, in getting price increases under control."

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People shop for frozen food at a store in Rosemead, California on June 28. Americans' feelings about the economy slumped further in June after falling sharply the month before amid concerns over skyrocketing inflation.
PHOTO: AFP/FILE

It's in China's interest to restructure Lankan debt

Yellen says

REUTERS, *Nusa Dua, Indonesia*

China is a "very important" creditor of Sri Lanka and it would likely be in the interest of both countries if China participated in restructuring Sri Lanka's debt, US Treasury Secretary Janet Yellen said on Thursday.

Yellen said she would urge other members of the Group of 20 major economies to put pressure on China to be more cooperative in long-stalled efforts to restructure the debts of countries in debt distress, including Sri Lanka.

Sri Lanka owes at least $5 billion to China although some estimates put it at almost twice that amount. India has also lent it $3.8 billion and Japan is owed at least $3.5 billion, according to the

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