

Dhaka stocks plunge to 13-month low

STAR BUSINESS REPORT

Shares on the Dhaka Stock Exchange (DSE) suffered another decline yesterday, sending the market to more than a 13-month low, highlighting investors' continued worry about the volatility facing the economy owing to the global crisis.

The DSEX Index, the benchmark index of the premier bourse in Bangladesh, slipped below the 6,000-mark to close at 5,980, the lowest level since June 7 last year after it lost 57 points, or 0.95 per cent.

The DSES Index, which comprises Shariah-based firms, dropped 0.88 per cent to 1,308, and the DS30 Index, which represents the blue-chip companies, gave up 0.81 per cent to end at 2,145.

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"The panic-driven investors went on a heavy sell-off to reduce further losses in the bearish market amid growing tension over macroeconomic cues," said International Leasing Securities Ltd in its daily market review.

Hiva Well Textiles (BD) Ltd topped the gainers' list as it rose 7.50 per cent. Sonali Life Insurance Company gained 4.19 per cent, Envoy Textiles was up 3.54 per cent, and ICB AMCL Sonali Bank Ltd 1st Mutual Fund added 2.56 per cent.

First Finance was the worst-performing stock on the day, falling 3.64 per cent, after it reported a loss for the second quarter this year.

The non-bank financial institution's earnings per share stood at Tk 2.10 in the negative in the April-June period compared to Tk 1.65 in the negative in the same quarter last year.

Global Heavy Chemicals, Samata Leather Complex, Unique Hotel & Resorts, and Linde Bangladesh all lost 2 per cent.

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SME index falls as rules tightened

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The index of the SME board in Dhaka Stock Exchange (DSE) dropped over 5 per cent yesterday after the Bangladesh Securities and Exchange Commission (BSEC) tightened one condition for trading shares on the board.

The BSEC decided to tighten the requirements on Wednesday following criticisms that easy access had let to the overvaluation of the market index.

Any investor registered with the stock exchanges' electronic subscription system and maintaining a minimum investment of Tk 30 lakh in listed stocks will be allowed to trade on the SME board, according to the BSEC's new decision.

Initially, the eligibility hinged on being registered and having an investment of at least Tk 50 lakh.

In February, the BSEC eased the conditions, reducing the investment requirement to Tk 20 lakh and withdrawing the necessity to get registered.

After that, the SME index soared 51 per cent, or 696 points, in the last one month.

Meanwhile, 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.

Against this perspective, the BSEC decided to slightly tighten investment requirements.

The index dropped 96 points or 5.28 per cent to 1,720 yesterday.

After another big Fed hike, investors see ray of hope

REUTERS, New York

Investors are gauging whether the US Federal Reserve has reached the peak of its aggressiveness in hiking rates, with some saying they're ready to up risky positions again.

The Fed delivered its second straight 75 basis point rate increase on Wednesday, but Chairman Jerome Powell suggested the central bank could slow the pace of its rate increases in coming months if there is evidence that tighter monetary policy is taming the worst US inflation in four decades.

Plenty of investors believe inflation will prove tenacious and force the Fed to maintain a hawkish posture well into next year.

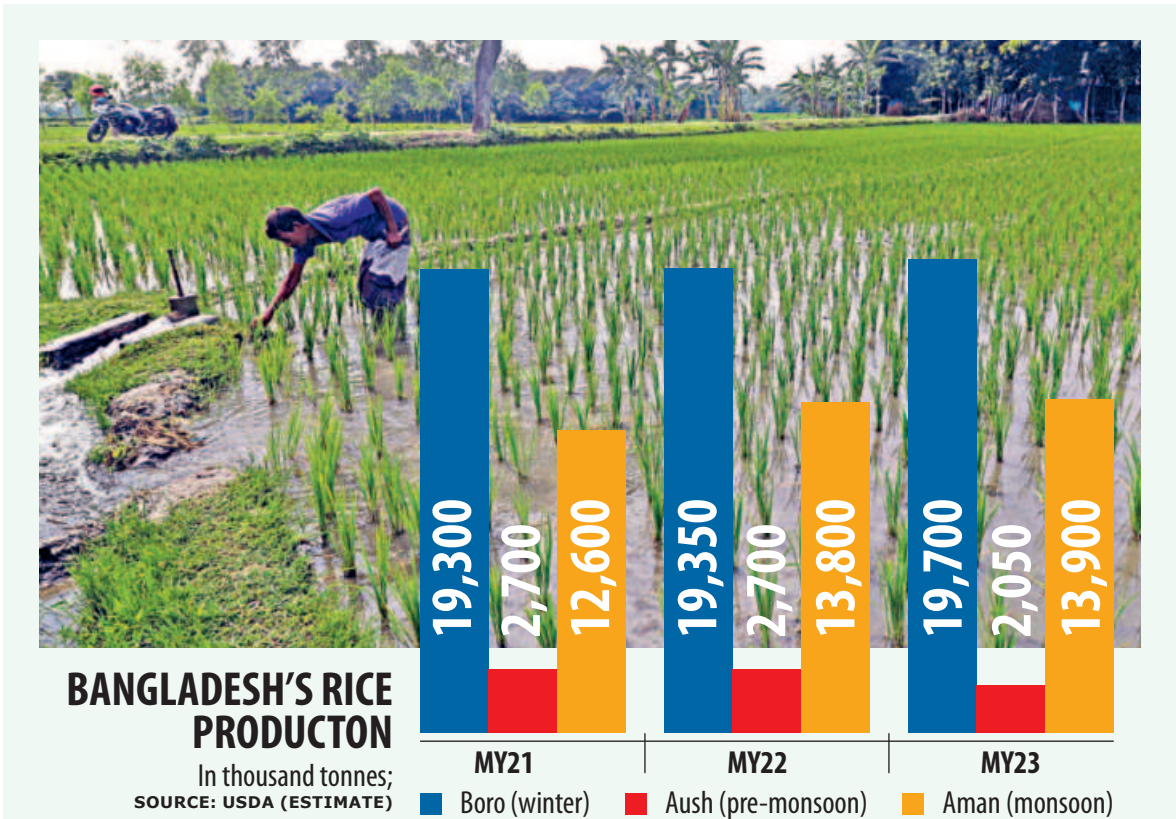
Others, however, are hoping that Wednesday's comments may imply the end of market-bruising monetary tightening is finally in sight, amid evidence parts of the economy are slowing after the Fed raised rates by a total of 225 basis points.

"The Fed comments incrementally validate that we are a little bit comfortable with risk," said Pete Duffy, chief investment officer at Penn Capital.

Fed funds futures, which reflect investor expectations of central bank policy rates, priced in a more dovish outlook shortly after Powell's comments. Chances that the Fed would deliver a 50-basis point hike in September – rather than a third 75 basis point increase – shot to 65 per cent, from just under 51 per cent on Tuesday.

Stocks extended their rally, with gains in tech and growth shares powering the Nasdaq to a 4.1 per cent

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Rice production to decline

USDA forecasts on Bangladesh

SOHEL PARVEZ

Bangladesh may bag lower rice output this season, which begins with Boro paddy in winter, as heavy rainfall and flash floods in June have damaged the Aush crops to be harvested next month, according to a recent forecast by the US Department of Agriculture (USDA).

The agency raised its estimate regarding the Boro rice harvested in the April-May period to 1.97 crore tonnes, up 2 per cent from the previous harvest.

However, the floods in June in northern and north-eastern regions of the country will offset the gains in overall Boro rice cultivation, which provides more than half of the annual rice output.

Meanwhile, Aush rice production may dip 24 per cent year-on-year to 20.5 lakh tonnes

in the upcoming harvest, as per USDA estimates.

The agency forecasts that the area used for Aush rice cultivation may fall by 22 per cent, or 2.20 lakh hectares, to 9 lakh hectares due to the severe flooding.

In mid-June, heavy rainfall in the northern and north-eastern regions and their adjacent Indian states of Assam and Meghalaya caused severe flooding in the Sylhet and Sunamganj districts, the USDA said.

The inundation damaged more than 56,000 hectares of Aush plantations, the organization added, citing a local media report.

The USDA released its forecast at a time when farmers in many parts of the country are facing difficulty in preparing their lands to transplant Aman paddy seedlings for a lack of rainfall. The cultivation of Aman paddy,

the second biggest rice crop, is heavily reliant on monsoon rains.

Bangladesh registered 6,825 millimetres (mm) of rainfall between July 1 and July 25, down 68 per cent from the normal average of 31,347mm for that month, according to the Bangladesh Meteorological Department.

The USDA predicted that the production of Aman rice, which will be harvested in November and December, would increase by 1 per cent to 1.39 crore tonnes this year on the assumption of favourable weather conditions, sufficient seed and fertiliser supply, and continued support from the Department of Agricultural Extension (DAE).

The USDA also forecasted that overall rice yields may decline 1 per cent to 3.56 crore tonnes in marketing year 2022-23, which begins from May.

Time to lift lending interest cap

Say speakers at a discussion

STAR BUSINESS REPORT

The 9 per cent regulatory cap on interest rates should be lifted in a bid to achieve the credit growth target of the Bangladesh Bank, said a number of officials of several banks.

Their comments came at an event styled "An interactive Macro Economic discussion on Global Markets, South Asia and Bangladesh" at the Lakeshore Hotel on Wednesday. City Bank Capital, an investment bank, organised the programme.

"Our bond market is bank-driven.

Insurance, pension and provident funds should come to the market," said Ershad Hossain, managing director of City Bank Capital.

He said banks were now more interested in investing in bonds rather than lending to the manufacturing sector since the bond market yield is better.

There is a regulatory ceiling of 9 per cent on banks' lending, whereas the bond yield ranges from 6 per cent to 8 per cent or even above.

"Moreover, lending carries default risks and lenders are obliged to keep provisions against a loan. So, they will disburse fewer

loans and invest more in bonds," said Hossain.

"The time has come to lift the lending interest cap."

A number of bankers echoed Hossain on the issue.

Parul Das, chief financial officer of One Bank, said listing is the only way for investors to make an exit from perpetual bonds.

"So, the listing process should be easy and the cost should be lower."

At present, issuers have to spend Tk 1 crore or more to list a perpetual bond.

"As a result, issuers don't feel encouraged to list them," said Das.

What to expect when top boss is incompetent?

MAHTAB UDDIN AHMED

It is small wonder what happens when a politically-backed chief executive officer of a government construction company gets rewarded for his political affiliation by getting appointed as the top executive in a multinational company (MNC) of a technical and digital nature.

Coming from a completely different background, he grossly lacks the essential skills and competency required for the business, not to mention the unique culture of the organisation. To make matters worse, he replaced a veteran who earned respect with a decade of hard work, not only in his own country but also in the region and the globe as well.



As for the employees, it is like a nightmare unfolding because most of them are trained professionals with MNC backgrounds and expertise, and also habituated to working with a visionary, strategic and people-centric leader for a decade. So, it leaves one to wonder how on earth a leader who has pitiable knowledge and expertise made the head of a relatively technical multibillion dollar

business.

No matter how odd it sounds, unfortunately, it is very common in developing and emerging economies with a record of political corruption and exploitation.

Now, the question is: What do you do when you find yourself working under an incompetent boss?

Your common sense and professional training tell you to adjust with the boss's style and not the other way around. But it is easier said than done, for the magnitude of the consequences not only falls on the individual employees but is bound to impact also the business in due course of time.

If it is seen from the perspective of the newly appointed CEO, he feels comfortable focusing on the areas in which he is good at or comfortable with. The probable areas he may be comfortable with would be human resource, governance, administration, back-office operations etc. – in other words, anything but not the core of the business.

It is my strong belief that the damage caused by such authoritarian incompetent leaders can take place in a considerably short time, say a year, but the recovery may take years and beyond

It turns out that often such a leader acts authoritarian, ego-centric and positional. They create fear and use threats as a means to get their way with junior leaders. As a result, the company soon finds itself in a culture of domination, threat, fear and enslavement, a community of yes-man following a leader blindfolded.

In such a situation, the seasoned MNC employees may feel very vulnerable and at complete odds for some time before they succumb to the circumstances to survive.

Signs of bad leadership may result in: (i) No respect for the rules and cultural practices of the company, as they blatantly disregard or manipulate it to serve their own purpose; (ii) Misuse of governance and recruitment process by appointing similar incompetent leaders/blind followers in key positions and aligning them with the existing group of weak leaders/blind followers in the organisation; and (iii) The boss's ego becomes paramount, almost to the extent that anything that opposes it is kicked out of the way. The situation can be as ludicrous as a seasoned executive being replaced on a wrong pretext by a sexual offender.

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People sift through used clothes at a Goodwill outlet in Hackensack, New Jersey on Wednesday. Goodwill and other markets that sell pre-owned items have seen a rise in customers due to high inflation.

PHOTO: AFP

Russia fines WhatsApp, Snapchat

REUTERS, Moscow

A Russian court on Thursday fined Meta Platforms Inc's WhatsApp messenger and Snapchat owner Snap Inc for an alleged refusal to store the data of Russian users domestically, news agencies reported.

Moscow has clashed with Big Tech over content, censorship, data and local representation in disputes that have escalated since Russia sent forces into Ukraine on February 24.

Moscow's Tagansky District Court fined WhatsApp 18 million roubles (\$301,255) and Snap 1 million roubles, news agencies reported. WhatsApp was fined for the same offence last August.

Meta and Snap did not immediately respond to requests for comment.

Russia restricted access to Meta's flagship platforms Facebook and Instagram, as well as fellow

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