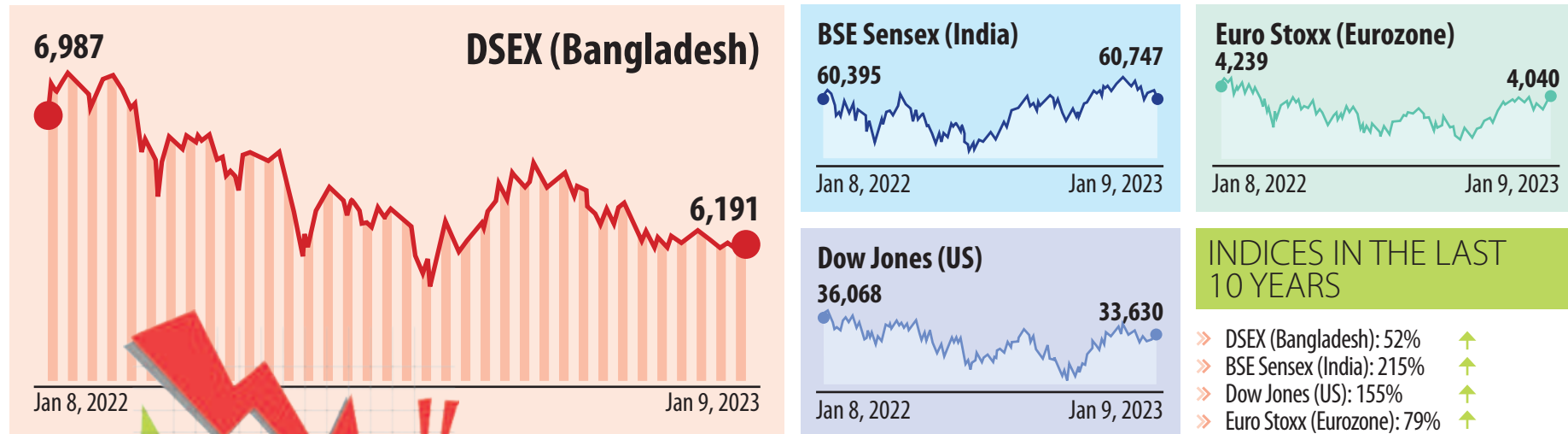


Star BUSINESS



WHY IS THE MARKET DULL?

- Floor price dented natural course of index movement
- General investors mainly choose stocks based on rumour
- Foreign investors selling their stocks off
- Institutional investors bringing down their investment
- Investors suffering from confidence crisis

How Bangladesh's stock market remains an outlier

Most global markets bounce back but DSE still bleeds

AHSAN HABIB

Most of the global stock indices plunged last March when the war between Russia and Ukraine escalated but they took only two months before bouncing back despite the conflict-induced turmoil worldwide.

The stock markets in Bangladesh too fell after the war erupted but they show no sign of any rebound although more than 10 months have passed since the Russian invasion of Ukraine began.

Analysts blame the confidence crisis among investors triggered by the steps of the Bangladesh Securities and Exchange Commission (BSEC) as the regulator moved to keep the market at a higher level artificially although the price of most stocks was falling.

The DSEX, the benchmark index of the Dhaka Stock Exchange, plunged 5.79 per cent between January and March as the war pushed the crude oil price above \$120 per barrel, dealing a blow to oil-importing nations such as Bangladesh.

During the same quarter, India's BSE Sensex plummeted 12.50 per cent, Hong Kong's Hang Seng eroded 22.4 per cent, the United States Dow Jones Industrial Average index shed 9.52 per cent, and Eurozone's Euro Stoxx 50 gave up 17 per cent.

Though the war persists, the

crude oil price has dropped to \$73.77 per barrel. Still, the global stock indices are on an upward trend.

The BSE Sensex climbed 13.3 per cent between March of 2022 and January this year. The Hang Seng Index surged 13.98 per cent, the Dow Jones advanced 3 per cent, and the Stoxx 50 rocketed 14.60 per cent.

But Bangladesh was an exception as the DSEX fell 4 per cent during the same period.

"The movement of Bangladesh's stock market index does not match that of the global market as it is a distorted market," said Yawer Sayeed, managing director of AIMS Bangladesh, the first asset management company in the private sector in the country.

He argued that the price mechanism of the stocks is now artificial because of the floor price whereas stock markets are treated as free globally.

At the end of July, the BSEC set the floor price for every stock to halt the free fall of the indices amidst global economic uncertainty. The floor price was the average of the closing prices on July 28 and the preceding four days.

The regulator lifted the floor price for 169 companies in December. But it has put in place the circuit breaker in a way that prices can't fall more than 1 per cent based on the

previous day's closing price in a single day.

"Even analysts can't predict the market trend for the next day as most of the technical analysis is not working here," Sayeed said.

The asset manager says an investor pool that will invest for long term has not evolved in the market. "Rather most of the people are investing for short-term profits and they depend on rumours."

The government's policy support is also conducive

Bangladesh did not see any sustainable bull run in the last one decade because of structural problems whereas most global indices have doubled or tripled during the period, said Ershad Hossain, managing director of City Capital, one of the leading merchant banks in the country.

In the last one decade, the DSEX expanded 52 per cent while the Sensex rocketed 215 per cent, the Dow Jones surged 155 per cent, and the Euro Stoxx advanced 79 per cent.

He suggested the regulator work on the issues and not intervene in the price mechanism.

"Otherwise, the market loses its natural course."

Some of the leading indicators, including oil and commodity prices, are returning to the pre-war levels, so the indices in the major markets are also rising, said Md Saifuddin, managing director of IDLC Securities.

"Bangladesh's economic condition is in a better position compared to what was expected at the beginning of the war. Hopefully, the stock index would rise soon."

A stock market analyst who deals with foreign investors says Bangladesh's economy bled like other economies, so a decline in the market was expected. But the regulator stopped the fall by bringing back the floor price.

"But the real price movement was not clear due to the new price mechanism," he said, adding that the introduction of the floor price was conceptually a wrong decision.

He said foreign investors are not coming to the market, rather they are pulling out their funds. "That's why we are going through a bearish trend."

Net foreign investments stood at Tk 582 crore in negative in August, which was Tk 139 crore in negative in July and Tk 272 crore in negative in June, DSE data showed.



for trading, not investment-friendly, he said.

"Margin loan facilities have fuelled day trading instead of long-term investment. So, the market's movement rarely matches the global indices."

Sayeed said all focus is on making the index bullish. "There is no attention on bringing in a qualitative improvement to the market. The regulator should work on it."

In fact, the stock market in

"Whenever the index in Bangladesh rose, a correction followed immediately. So, there has been no major sustainable bull run," Hossain said.

In Bangladesh, the prevalence of institutional investors is low and the contribution of mutual funds is insignificant. The number of well-performing companies is small.

"People are rushing towards speculation-based securities," Hossain said.

BB team was negligent in detecting BIFC irregularities

Its own committee finds

STAR BUSINESS REPORT

The central bank's inspection team did not perform properly to detect the irregularities at Bangladesh Industrial Finance Company (BIFC), a fact-finding committee found.

The committee cited the failure of the Bangladesh Bank team in its report submitted to the High Court recently.

The BB formed the committee in February 2021 in line with an order of the higher court aimed at finding out the anomalies at the non-bank financial institution (NBFI).

The financial institution fell into trouble when it was unearthed in 2020 that its liability was Tk 1,835 crore against assets of Tk 927 crore. As a result, it became uncertain whether the NBFI could return funds to its depositors upon maturity.

It happened mainly as Tk 847 crore was lent out but was not recovered. Of the sum, Tk 517 crore was given out to BIFC's sponsor Major (ret'd) Abdul Mannan's companies and his relatives, according to the report.

READ MORE ON B3

BGMEA leaders want tenure extension

STAR BUSINESS REPORT

Leaders of Sammilito Parishad, a panel of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), want an extension of the tenure of the current board rather than a fresh election for electing the next leadership.

The tenure of the current board of the BGMEA under the leadership of Faruque Hassan will come to an end in March as the board took charge in April 2021.

The incumbent board of the BGMEA was supposed to form the new election commission 90 days before the next election is due to be held.

However, it was not done.

Rather the board in a meeting held at the BGMEA office on Sunday decided to extend the tenure of the current board for the next six months.

READ MORE ON B3

| STOCKS | |
|----------|-----------|
| DSEX ▼ | CASPI ▼ |
| 0.01% | 0.02% |
| 6,191.54 | 18,301.74 |

| COMMODITIES | |
|-------------|--------------|
| Gold ▲ | Oil ▲ |
| \$1,874.13 | \$75.43 |
| (per ounce) | (per barrel) |

| ASIAN MARKETS | | | |
|---------------|-----------|-----------|----------|
| MUMBAI | TOKYO | SINGAPORE | SHANGHAI |
| ▲ 1.41% | ▲ 0.59% | ▲ 0.88% | ▲ 0.58% |
| 60,747.31 | 25,973.85 | 3,305.67 | 3,176.08 |

Bangladesh expands cargo carrying capacity by sea

SOHEL PARVEZ

Bangladesh's entrepreneurs, encouraged by prospects, tax and VAT benefits, expanded their capacity in oceangoing shipping sector, with the total number of vessels rising to 91, the highest so far, at the end of 2022 from 80 ships a year ago.

With the increase, oceangoing ships now have a carrying capacity of nearly 30 lakh tonnes, said industry insiders yesterday.

Tax exemption on income earned by oceangoing vessels carrying the Bangladeshi flag until 2030 and value added tax (VAT) exemption on the import of vessels of up to 25 years old attracted investment in the sector over the last couple of years.

"This sector has really done well. We have become competitive after reduction of taxes by the National Board of Revenue (NBR)," said Azam J Chowdhury, chairman of Bangladesh Ocean Going Ship Owners' Association (BOGSOA).

He said the oceangoing shipping sector would continue to do well as there was a global shortage of vessels capable of carrying cargo, containers and liquids.

Private and public firms had around 80 oceangoing ships nearly a decade ago.

The owners started selling off most of them in the face of declining freight rates, higher operating costs and removal of the VAT exemption on the imports and manufacturing of ships from fiscal year 2014-15.

Private investors showed renewed interest in buying

READ MORE ON B3

BY THE NUMBERS

- Number of oceangoing ships was around 80 a decade ago
- The number has declined to around 35 in 2015
- Investment began to rise after NBR exempted VAT on import in 2018
- Number of oceangoing vessels rose to 91 at the end 2022
- TAX BENEFIT: NBR provides tax exemption on income until 2030
- CAPACITY: Carrying capacity of 91 vessels is around 30 lakh tonnes

Forex reserves fall below \$33b

STAR BUSINESS REPORT

Bangladesh's foreign exchange reserves slipped below \$33 billion after the central bank cleared international import bills.

The Bangladesh Bank paid \$1.12 billion to clear payments for its imports from the member countries of the Asian Clearing Union (ACU), an arrangement to settle payments for intra-regional transactions among member countries, including Bangladesh.

Following the payment, forex reserves stand at \$32.52 billion, said a senior official of the central bank yesterday.

The reserves have been falling steadily since the Russia-Ukraine war erupted as it sent the prices of commodities higher. As a result, Bangladesh has to pay more to buy essentials from external sources but export earnings and remittance

READ MORE ON B3