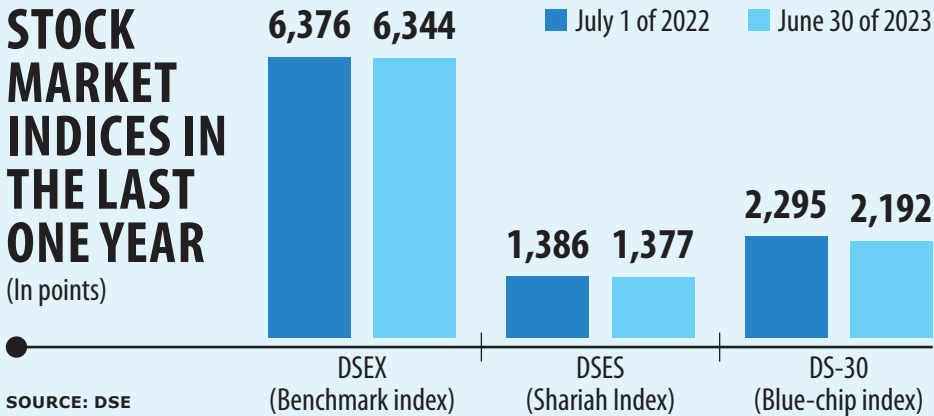


## WHY INDICES MOVED SLOWLY

- Imposed floor price made the market illiquid
- Most trade was junk stock-centric
- Lack of confidence among investors
- Lower participation from foreign, institutional investors

### STOCK MARKET INDICES IN THE LAST ONE YEAR (In points)



SOURCE: DSE

### OTHER INDICATORS

| Key indicators                         | Fiscal year   | Fiscal year   |
|----------------------------------------|---------------|---------------|
|                                        | 2021-22       | 2022-23       |
| Turnover (daily average)               | Tk 1328 cr    | Tk 792 cr     |
| Turnover of SME market (daily average) | Tk 4 cr       | Tk 9 cr       |
| Market capitalisation                  | Tk 517,782 cr | Tk 772,078 cr |
| PE ratio                               | 14.44         | 14.34         |

## STOCK MARKET DURING LAST FISCAL YEAR

# Indices moving nowhere for floor price

AHSAN HABIB

The main index of the stock market in Bangladesh remained relatively unchanged over the past fiscal year as most scrips were stuck at their floor price, according to market analysts.

The DSEX, the benchmark index of the Dhaka Stock Exchange (DSE), fell by a total of 16 points, or 0.52 per cent, from July 1 of 2022 to June 30 this year.

This shows that even though the index registered multiple ups and downs to range from 6,600 and 5,980 points throughout the year, most of its time was spent hanging around the 6,200 mark.

A top official of a leading merchant bank, preferring anonymity, said the floor price mechanism kept stocks from rising as it dented investor confidence by artificially preventing share values from falling past a certain point.

At the end of July 2022, the Bangladesh Securities and Exchange Commission set floor prices for every stock to halt the freefall of market indices amid global economic uncertainties.

The floor price of each share was decided by averaging their closing price on July 28 that year with the preceding four trading days.

But later in December, the stock market regulator lifted the mechanism for 169 companies in order to bring vibrancy to the market. Then in March 2023, floor prices were again reintroduced for all stocks.

The official also said some general



investors do not realise how floor prices are hampering the market even though the mechanism has turned it into a “regulated stock market” rather than a “free” one.

On the other hand, foreign, institutional and corporate investors understood that this stock market is not ideal for investment as it is illiquid, the official added.

Mohammad Jakir Hussain, a stock investor, said he failed to make any profit after floor prices were imposed as no one wants to buy any of his shares.

This is because most investors believe that having floor prices in place means that stock values are being artificially maintained, even in the case of well-

performing stocks.

Hussain also said that people like him invest in the stock market despite the risks involved in hopes of securing high profits.

“But the stock market has given me nothing,” Hussain said while pointing out that he could have at least earned some interest by depositing his funds in a bank instead.

“Moreover, I cannot even sell the shares and withdraw the funds if urgently needed, which is not expected from a stock market,” added Hussain, who works for a private pharmaceutical company.

Daily average turnover of the DSE plunged 40 per cent to Tk 792 crore over the last fiscal while it was Tk 1,328 crore

the year prior.

And although the turnover dropped, it does not reflect the actual market scenario as most trading was conducted in the block market, according to a top stockbroker.

The block market is a platform where a large number of stocks are traded in single transactions at negotiated prices without affecting the index.

Meanwhile, a huge amount of trade took place among low performing or junk stocks mainly based on rumours, the stockbroker said.

However, most blue-chip and well-performing stocks are still stuck at their floor price.

So, even though a few investors traded good stocks, they are not able to sell the shares and their investments are stuck, the stockbroker added.

During the fiscal year, secondary trading of treasury bonds was launched in the stock exchanges so that general investors can also invest in the securities.

But the platform is yet to attract investors and so, market capitalisation soared with the inclusion of treasury bonds while trading in the alternative trading board remains pale.

Market capitalisation of the DSE ballooned 49 per cent to Tk 772,078 crore in fiscal year 2022-23.

Total turnover of the alternative trading board has stood at Tk 63 crore since its inception in January earlier this year.

## Exim Bank moves to bring remittance from UK faster

STAR BUSINESS REPORT

Export Import (Exim) Bank of Bangladesh Limited has secured permission from the central bank to extend an overdrawn facility equivalent to five lakh pounds to Exim Exchange Company (UK) Ltd.

The exchange house, which opened more than a decade ago, is a fully-owned subsidiary of the private bank.

The investment (overdrawn) facility will facilitate the execution of inward remittance on time, said the bank in a filing on the Dhaka Stock Exchange website yesterday.

An overdraft occurs when there is not enough money in an account to cover a transaction or withdrawal, but the bank allows the transaction anyway.

“This will ultimately benefit the recipients of remittance since they will receive funds quicker than in the past,” said Md Monirul Islam, company secretary of Exim Bank.

## EU, Japan to deepen chip cooperation

REUTERS, Tokyo

The European Union (EU) will deepen cooperation with Japan on semiconductors, industry chief Thierry Breton said on Monday, as countries move to strengthen control over a technology vital for the defence, electronic and automotive sectors.

The EU and Japan will work together to monitor the chip supply chain and facilitate the exchange of researchers and engineers, Breton said. The EU will also be supportive of Japanese semiconductor companies considering operating within the bloc.

“We believe that it’s extremely important to secure the supply chain of semiconductors,” Breton told Reuters in Tokyo, where he is discussing cooperation on chips and artificial intelligence with the government and companies.

Japan is offering subsidies to revitalise its chip industry, which retains an edge in materials and equipment but has lost overall global market share, while a Japanese government-backed fund last week agreed to buy photoresist maker JSR Corp for \$6.4 billion to drive consolidation in the industry.

Japan is also backing chip foundry venture Rapidus, whose executives are scheduled to meet Breton on Tuesday.

“I think it’s really an important initiative and going in the right direction,” he said of the foundry venture.

Plans by Rapidus to produce cutting edge chips rely on support from Belgium-based research company imec and IBM.

The deepening cooperation between the EU and Japan comes as the bloc has pledged to reduce its dependence on China, which aims to increase its capabilities in high-end technology such as chips.

“We made it very clear we just want to de-risk,” Breton said.

Breton also met with Japan’s Minister for Digital Affairs Taro Kono, Minister of Internal Affairs and Communications Takeaki Matsumoto and State Minister for Economy Trade and Industry Fusae Ota, for the first EU-Japan Digital Partnership ministerial talks.

They agreed to cooperate on undersea cable connectivity, semiconductors and cyber security, and in other areas of the digital economy, they said in a joint statement.

At a subsequent news conference Breton said much of the discussion was about AI. He said a further round of talks would be in Brussels in the first half of next year.

## Indian refiners start paying in yuan for Russian oil

REUTERS, New Delhi

Indian refiners have begun paying for some oil imports from Russia in Chinese yuan, sources with direct knowledge of the matter said, as Western sanctions force Moscow and its customers to find alternatives to the dollar for settling payments.

Western punishments over Russia’s invasion of Ukraine have shifted global trade flows for its top export, with India emerging as the largest buyer of seaborne Russian oil even as it casts about for how to pay for it amid shifting sanctions.

The US dollar has long been the main global oil currency, including for purchases by India, but now the yuan is playing an increasingly important role in Russia’s financial system because Moscow has been frozen out of the dollar and euro financial networks by international sanctions.

China has also shifted to the yuan for most of its energy imports from Russia, which overtook Saudi Arabia to become China’s top crude supplier in the first quarter this year.

“Some refiners are paying in other currencies like yuan if banks are not willing to settle trade in dollars,” said an Indian government source.

Indian Oil Corp, the country’s biggest buyer of Russian crude oil, in June became the first state refiner to pay for some Russian purchases in yuan, three sources familiar with the matter said.

At least two of India’s three private refiners are also paying for some Russian imports in yuan, two other sources said.

READ MORE ON B2

## Oil rallies as Saudi Arabia and Russia cut exports

REUTERS, London

Oil rose on Monday after top exporters Saudi Arabia and Russia announced supply cuts for August, overshadowing concern over a global economic slowdown and the potential for further increases to US interest rates.

Saudi Arabia on Monday said it would extend its voluntary cut of one million barrels per day (bpd) for another month to include August, the state news agency said.

Russia, meanwhile, will reduce its oil exports by 500,000 bpd in August, Deputy Prime Minister Alexander Novak said on Monday, further tightening global supplies.

Brent crude futures were up \$1.04 at \$76.45 a barrel by 0942 GMT after gaining 0.8 per cent on Friday. US West Texas Intermediate crude rose 97 cents to \$71.61, having gained 1.1 per cent in the previous session.

“Investors are turning upbeat as the second half of the year kicks off; they



Oil pump jacks are seen outside Almeteyevsk in the Republic of Tatarstan, Russia on June 4.

PHOTO: REUTERS

expect tighter oil balance and buoyant equities also suggest that recession will be avoided, albeit probably narrowly,” said PVM analyst Tamas Varga.

Prices had fallen earlier in the session after eurozone manufacturing activity contracted faster than initially expected in June, with persistent policy tightening by the European Central Bank squeezing finances.

Fears of a further economic slowdown denting fuel demand had grown on Friday as US inflation continued to outpace the central bank’s 2 per cent target and stoked expectations it would raise interest rates again.

Higher interest rates could strengthen the dollar, making commodities such as oil more expensive for buyers holding other currencies.

Factory activity growth in China, the world’s largest crude importer, also slowed in June as sentiment and recruitment cooled in sluggish market conditions, the Caixin/S&P Global private sector survey showed.