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DSE thrives on AIMS First Mutual Fund floatation

Money to be put in cos with strong fundamentals

By M Shamsur Rahman

After hitting a record low of 462.58 points on May 3, 1999, the Dhaka Stock Exchange (DSE) is now showing sign of improvement as its benchmark All Share Price Index reached 505.22 points yesterday in an improved trading.

The DSE index had marked a 20.12 point rise from 485.10 points in the last eight consecutive trading days and its volume also soared to Tk 9.14 crore yesterday from Tk 4.11 crore on February 2, 2000.

Market operators attribute this continuous surge to the floatation of the country's first private mutual fund. The lion's share of the Tk five crore fund is expected to be invested in a selected number of companies with strong fundamentals.

On Monday last, AIMS First Mutual Fund distributed its prospectus to different brokerage houses containing analyses of different companies by comparing the present price of the stocks with their actual book value.

At one point, the analysis said that the market itself was priced at Tk 14 below the average book value. "The market is priced at only 0.86x of the book value," the prospectus said.

The analysis also recommended a number of lucrative stocks, focusing on their current low prices and giving an expected date of investment return.

"It is now clear to the brokers and investors in which companies AIMS is mostly keen to invest its funds. So, the investors and brokers are showing their venturing willingness on anticipation of future price surges of these company shares," a top market operator said.

A section of the prospectus said that the price earning ratio (PER) of a particular company is 4.36, which means that an investor is likely to get his return in about four years' time if he decides to invest at the present market price, he said.

It also gave a comparison of

other stocks which where the PER was high. "So everyone naturally thinks that the price of this stock will be profitable. This will allow an investor to make quick gains by selling these stocks at higher prices in the future, since the possibility of including this very company in the portfolio of the mutual fund is likely to shoot prices," the operator said.

"We would not venture in bank stocks now, since several other prospective sectors are there which can yield significantly higher returns than banks and as most of the listed banks are not in a position to declare cash dividends in the foreseeable future due to their capital adequacy problems," the analysis said.

So, the people are not keen to buy bank stocks, another leading DSE broker said.

Besides, there are other factors which may cause the upsurge in the market, a DSE councillor said, adding that an election was due in the DSE

which may change the leadership. Then there's the scheduled visit of the US president this month.

"But whatever may be the reason, the market is likely to slide a bit due to profit-taking," he said.

As prices of many stocks have already soared, some of the investors will try to encash their profit and the market may witness a little fall, he said.

Talking to The Daily Star, AIMS Managing Director Yawer Sayeed said that people were already buying "the AIMS-recommended blue chip stocks".

"This may create a bit of problem for us as we might be forced to buy shares at higher prices, but the good thing is that people are shifting to good stocks," Sayeed said.

He said that price was not still worrying them as the overall market was low.

"Beside, a festival is due in the next few days and people will definitely hunker for cash before that," he said.