World stocks close out 2019 with robust gains

AFP, *New York*

World stocks on Tuesday closed out a notably profitable year, with Wall Street recording its best annual performances since 2013, boosted by hopes for a US-China trade deal.

New York rallied into the close, turning positive for the day and leaving the broad-based S&P 500 and tech-heavy Nasdaq up 29 percent and 35 percent respectively for 2019, the best showings in six years.

Key European markets showed increases of 25 percent or more for the year, partly thanks to late surges on receding recession fears and easing China-US trade war tensions.

Brexit-hit London, however, trailed its peers with a 12 percent annual rise, less than half the percentage increase managed by Paris, Frankfurt and Milan.

Earlier on Tuesday as US markets were about to open, President Donald Trump tweeted that a partial trade deal with China would be signed in Washington on January 15, ending some of the uncertainty about efforts to cement the deal announced earlier this month.

Quincy Krosby of Prudential Financial told AFP the US-China detente could help decide the direction of the global economy next year.

"Much of the enthusiasm in the market is based on the idea that global growth is going to begin to accelerate, albeit slowly," she said. "The question will be, do we actually see positive growth, especially in China?" Demand in China is crucial to chances for renewed growth in global trade, while the China trade agreement could see US corporations begin investing again after a year when corporate capital spending stagnated worryingly, according to Krosby.

Asian stock markets closed mainly lower on Tuesday, with Hong Kong ending a half-day of trading almost 0.5 percent down, although the bourse rallied more than seven percent in December. Tokyo was shut for a public holiday.

"While market volumes are predictably light, investors continue to strike a year-end cautionary tone as December optimism is gradually giving way to 2020's uncertainty," Stephen Innes, chief Asia market strategist at AxiTrader, said in a client note.

Asian investors were also watching for significant policy announcements early in the New Year.

In a New Year's speech on Wednesday, North Korean leader Kim Jong Un struck a decisively militaristic tone, warning of a new strategic weapon and "shocking" action.

Analysts said all eyes were on nuclear-armed Pyongyang's threat of a "new way" after its end-of-year deadline for sanctions relief from the United States.

An address by China's President Xi Jinping will be followed closely by the markets as well.

Elsewhere Tuesday, oil prices slid despite reports Iran had seized a vessel suspected of smuggling fuel near the Strait of Hormuz -- a chokepoint for a third of the world's seaborne oil.

Over the year, the price of Brent North Sea crude jumped by almost one quarter and the New York benchmark contract WTI soared more than one third in value, helped by tighter supply.

The pound finished a volatile year with gains Tuesday against the dollar and euro.

REUTERS/FILE

A trader wears 2020 glasses to celebrate the New Year at the New York Stock Exchange on December 31.

Online portal for plumbing solutions opens

STAR BUSINESS DESK

An online platform was launched yesterday aiming to provide total plumbing solutions with skilled technicians and modern technological support.

The portal, plumber.com.bd, also markets kitchen furniture, sanitary items and tiles of different brands, according to a statement. KM Rahman, managing director of the platform; Raju Das, CEO; Stiphen Gomes, director for finance, and SM Hossen, director for operations, attended the launch at the Radisson hotel in Dhaka.

Pakistan inflation 12.63pc in Dec

REUTERS, *Karachi*

Pakistan's annual inflation rate dropped marginally in December to 12.63 percent compared with 12.67 percent in November, as some commodity prices eased, the Bureau of Statistics said on Wednesday.

Prices of food including tomatoes, wheat, chicken, cooking oil, sugar, motor fuel and liquefied hydrocarbons, which make up a third of the overall basket used to calculate inflation - were the main items that eased in price, the bureau said.

US holiday returns surge with booming e-commerce

REUTERS, *Los Angeles*

United Parcel Service Inc on Thursday expects to ship 1.9 million gifts and other items back to US retailers as e-commerce fuels an anticipated 26 percent year-over-year volume surge on "National Returns Day."

Jan. 2 is the busiest day for holiday returns in the United States. US shoppers return more packages than their peers around the globe, spurred by free shipping on orders and returns - costly perks that squeeze retailer profits.

About 10 percent of goods sold in the United States go back to retailers every year, resulting in roughly $369 billion in lost sales, according to a 2018 report from Appriss Retail and National Retail Federation.

Apparel is an outsized contributor. Returns in some categories approach 50 percent due to inconsistent sizing across brands, said Greg Buzek, founder and president of IHL Group, a research and advisory firm.

"That causes great expense for retailers," said Buzek, who estimated that annual global losses from retail returns are nearly $1 trillion – up from $600 billion in 2015.

A new crop of startups aims to take the bite out of returns.

Los Angeles-based Happy Returns promises to slash returns-related expenses up to 30 percent by reducing shipping costs and customer support calls.

It has 700 "return bars" in US retail stores and shopping malls, where customers drop off items and arrange refunds or exchanges. The company charges retailers a flat fee for every item it processes.

"You have to have some free (return) option. Nobody said it had to be the mail," said Happy Returns Chief Executive David Sobie.

Amazon.com Inc also encourages shoppers to return products to its own physical stores or Kohl's locations, where eligible items are packed and shipped for free.

While 30 percent of shoppers return items to stores, more than twice that many opt for shipping, according to UPS' 2019 Pulse of the Online Shopper report. UPS said it handled more than 1 million returns each day in December, but declined to give an annual total.

UPS and home furnishing retailer IKEA are among the investors in Optoro Inc, which helps retailers sort, resell and dispose of returned merchandise more efficiently.

NBR gets new chairman

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Muneem is the third person to get contractual appointment to head the NBR.

He joined Bangladesh Civil Service (Administration) on January 21, 1986. He attained a postgraduation degree in geology from the University of Dhaka.

Born in Sirajganj, Muneem has served as chairman of state-run Bangladesh Petroleum Corporation. Prior to that, he worked in various ministries in different capacities.

Banking stocks battered

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Banks will have to count losses to some degree as they will have to continue their existing fixed deposit receipts and deposit pension schemes while giving out loans at 9 percent, said a managing director of a private bank requesting anonymity due to the sensitivity of the matter.

"If the government actually keeps its fund in private banks it will tide us over."

The government has deposited Tk 200,002 crore in the banking sector, but the majority of the sum is with state-run banks, he added.

Yesterday, Brac Bank, National Bank, Dutch-Bangla Bank, City Bank, and South East Bank was among the top ten negative contributor to the index that rose 0.35 points to close at 4,453.29.

However, it was Grameenphone that caused the biggest dent to the index: it alone snatched 9.41 points from DSEX, the benchmark index of the Dhaka Stock Exchange, according to amarstock.com, a stock market data analyst.

Subsequently, market capitalisation of the telecommunication sector dropped 1.53 percent, banking 1.45 percent and life insurance 0.92 percent. The other sectors headed upwards, according to data from LankaBangla Securities.

As many as 63 percent stocks rose yesterday. Turnover, another important indicator of the DSE, dropped 7.11 percent to Tk 296.30 crore. Of the traded issues, 221 advanced, 86 declined and 46 closed unchanged on the premier bourse.

Khulna Power Company dominated the turnover chart with its transactions worth Tk 17.47 crore, followed by LafargeHolcim Bangladesh, Standard Ceramic, Beacon Pharmaceuticals and Standard Insurance.

Delta Spinners was the day's best performer with a 10 percent gain, whereas Appollo Ispat was the worst loser that shed 7.69 percent.

CSCX, the benchmark index of the Chittagong Stock Exchange, also advanced: it went up 7.23 points, or 0.08 percent, to finish the day at 8,195.14. Gainers beat losers as 139 advanced, 65 declined and 24 finished unchanged on the port city bourse.

The port city bourse traded shares and mutual fund units worth Tk 9.54 crore.

Chinese iron ore has stellar 2019

REUTERS, *Singapore*

China's iron ore futures were the best performing commodity in 2019, more than doubling in value while natural gas ranked as the biggest loser, dropping by more than a quarter.

Crude oil, Malaysian palm oil, precious metals, nickel and arabica coffee were among other gainers.

Supply disruptions played a role in fuelling gains, ranging from a dam collapse at Vale's iron ore mine in Brazil to crude oil export cuts by the Organization of the Petroleum Exporting Countries and lower palm oil production in Southeast Asia.

Analysts said slowing global economic growth and expectations of a prolonged Washington-Beijing trade war are likely to drive prices next year.

"The economy isn't that great. It has been slowing down, especially China and India," said Tony Nunan, senior advisor for the risk management team at Mitsubishi Corp in Tokyo. "A lot of people feel that this trade war is going to be protracted, last longer than we think. That means the economy may be in a slow period next year."

The White House's trade adviser said on Monday the US-China Phase 1 trade deal would likely be signed in the next week, but said confirmation would come from President Donald Trump or the US Trade Representative.

Back to square one

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As argued earlier, the main reason for high interest rates is large default risk premia. This can be reduced by more efficient loan foreclosure procedures, including the small claim procedures, summary procedures for uncontested debt, alternative dispute resolution mechanisms that allow banks to limit the losses stemming from default of the borrower and plugging legal loopholes in the enforcement of insolvency procedures.

Risk premia can also be lowered by enabling choice of the appropriate lending technology. The latter is a combination of primary information source, screening and underwriting policies, loan contract structure, and monitoring mechanisms.

Another pressure on commercial and industrial lending rates currently is large government borrowing at high rates. Together with taka liquidity drained by foreign exchange market interventions, shallow domestic debt markets and limited access to global debt finance, this limits the availability of loanable funds for the private sector. Remediation requires a prudent fiscal and debt management framework, greater exchange rate flexibility, reforming administered interest rates and capital market development.

The author is an economist.

Kamal puzzled by stock investors' behaviour

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The government had to discard its earlier plan to implement the single-digit rates in phases to ensure that all sectors get benefits at the same time.

About the 6 percent interest rate on deposits, he said: "People can earn something against their deposits in Bangladesh whereas one has to pay banks if he/she wants to deposit money in any foreign country."

Meanwhile, the cabinet committee yesterday approved a plan to import 24.6 lakh tonnes of petroleum products for Tk 11,578 crore.

Of them, 7 lakh tonnes of crude oil each will come from Saudi Arabia and Abu Dhabi for Tk 6,578 crore under a state-to-state arrangement in 2020.

Some 8.8 lakh tonnes of diesel, 1.1 lakh tonnes of jet A-1 oil, 40,000 tonnes of furnace oil and 30,000 tonnes of octane will be procured through international tenders at a cost of Tk 5,000 crore to meet the demand of the first six months of the year.

Lloyds Banking Group reports disruption to online services

REUTERS, *London*

Britain's Lloyds Banking Group suffered an outage on Wednesday that left customers of its Lloyds, Halifax and Bank of Scotland operations unable to access their accounts online. Disruption to online services is a periodic problem for Britain's banks, and last month regulators told lenders that they needed to boost their ability to resolve problems swiftly.

Customers of Lloyds Banking Group said on social media that they were unable to use the bank's mobile apps or websites to access their accounts on the first day of 2020, a public holiday in Britain when bank branches are shut.

"We know our customers are having issues with internet and/or mobile banking. We're sorry about this and we're working to have it back to normal soon," the group said in a statement.

Remittance soars to record $18b

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"If the trend continues, remittance will hit a benchmark of $20 billion come the end of the fiscal year," said Kazi Sayedur Rahman, an executive director of the Bangladesh Bank.

The government's move to provide a 2 percent cash subsidy for remitters from fiscal 2019-20 was the main reason for the spike, he said.

Besides, the favourable exchange rate of taka against the dollar and a strong stance taken by the central bank to fight illegal money transfers also had a positive impact on the record amount sent home by expatriate Bangladeshis last year, according to Rahman.

On January 1, the inter-bank exchange rate stood at Tk 84.90, up 2.66 percent from a year earlier, according to data from the central bank.

He went on to express a hope that the deficit in current account of the balance of payment (BoP) will narrow more this fiscal year because of the upward trend of remittance.

Between July and October, the deficit in current account stood at $1.30 billion, down 36.88 year-on-year.

Md Arfan Ali, managing director of Bank Asia, echoed the same.

The massive expansion of mobile financial services and agent banking have also helped encourage the remitters to send their hard-earned money through the formal channel, he said.

Through the channel, the near and dear ones of remitters can receive the funds within the shortest amount of time, Ali added.

Mustafizur Rahman, distinguished fellow of the Centre for Policy Dialogue, is less sanguine about the uptick in remittance this year.

"Admittedly, remittance is our best-performing economic indicator. It has absorbed a tremendous amount of the pressure on BoP and foreign exchange. But, it is also costing us money."

Some Tk 3,500 crore has been kept aside to provide cash incentive to remitters in this fiscal year's budget.

"So the more remittance inflows there are, the more cash we have to spend, which, in turn, will put pressure on the exchequer."

Subsequently, Rahman advised the government to come up with ways to boost remittance without relying so much on cash incentives.

"The inflows are good and it is also helping in reducing pressure on BoP, but it is not successfully able to offset the losses from the slump in exports," said Ahsan H Mansur, executive director of Policy Research Institute.

He is doubtful that the trend of inflows will continue for long as the country's manpower exports have declined in the last two years.

"Some were even sent back forcefully."

So, the only way to ensure that the current trend of remittance sustains is by sending more workers abroad, he added.

Remittance, which has been one of the main drivers of the country's tremendous economic growth over the past decade, sank to a six-year low of $13.53 billion in 2017.

But it bounced back emphatically in 2018: it logged in $15.53 billion, which was the previous record.

COMMERCIAL BANK OF CEYLON

Kapila Liyanage, chief operating officer of the Commercial Bank of Ceylon PLC, and Maj (retd) AKM Mahbubul Hoque, CEO of BRB Hospitals, exchange documents after signing a deal at the bank's corporate office in Dhaka recently. The bank's cardholders will get discounts and equal instalment facility at zero interest at the hospital.

Debonair Group to turn plastics into jackets

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In contrast, cotton accounted for around 35 percent of the trade. Its CAGR was a negative 0.5 percent.

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA), the sector's apex trade body, emphasised the need for raising the use of manmade fibres in garment production to boost its exports.

The new facility will be established on 45 bighas of land in Bhaluka at a cost of Tk 240 crore and production will start from October this year, said Mohammed Ayub Khan, managing director of Debonair Group.

The company will no longer need to depend on imports, mainly from China, worth some $55 million annually, he told The Daily Star over the phone.

"We will collect discarded plastic bottles of edible oil and water from different corners of the country to make flakes and then to make yarn and fabrics and finally the paddings and quilts."

The company currently exports jackets and padding worth $140 million a year. Its major buyers are H&M, Colombia, VF Corporation, Benetton Group and C&A.

Product traceability has made consumers around the world more conscious of what they purchase: they have come to prioritise environmental concerns and ways to address them according to industry insiders.

The preference for polyester, synthetic and viscose fibres arise from their durability and the ease in taking care of clothes made from them.

Local manufacturers have apparently been unable to take note of the advantages, since manmade fibres have accounted for just 20 percent of apparel exports for a long time.

They have continued increasing production of yarn and garment products from cotton every year.

Some 74.14 percent of apparel exported in fiscal 2018-19 was made from cotton fibres, up from 68.67 percent in fiscal 2008-09, said a BGMEA study unveiled last week.

Since the demand for cotton garment items is going down, exporters are getting lower prices from buyers.

Moreover, cotton accounted for 93.57 percent of the 2.05 million tonnes of fibre imported by Bangladesh in 2018, according to the study.

Another impediment is the high investment required for setting up synthetic fibre production facilities.

Of the 430 spinning mills in Bangladesh, only 27 churn out synthetic and acrylic yarn.