

US stock investors hoping for better returns in '95

NEW YORK, Dec 24: Hope springs eternal, especially at this time of year.

At the close of 1994, a year of sound and fury that ended up signifying precious little, stock investors were crossing their fingers and hoping 1995 would produce better returns, reports AP.

They were encouraged that Santa Claus came as scheduled, this past week, giving the market its typical and hotly anticipated year-end rally. The Dow Jones average of 30 industrial stocks rose 18.51 points Friday to close at 3,833 up 26.24 for the week.

Stock pickers said the new year should produce some good opportunities for careful, selective investors. But many of these stocks won't be household, blue-chip names, they said.

Dow Jones industrial average components have gained a measly 2 per cent this year, and the Standard and Poor's 500 index is about flat.

The broader market eroded more. The Nasdaq composite, for example, has lost more than 4 per cent. The Russell 2,000 index of small-capitalization stocks has fallen more than five per cent.

By the end of November, two out of every three stocks were at least 10 per cent below their high price for the year, accord-

ing to research from First Albany Corp.

This year "has been a much more difficult year for investors than the stock market averages show," writes Bradlee Perry, senior partner of David L. Rabson and Co., a Cambridge, Mass. money management firm.

On the premise that what performed poorly this year should recover in the next, many analysts are looking for some smart comebacks in non-blue-chip issues.

"Stock market averages have not shown the extent of damage in the market place," said Brett Sneed, stock portfolio manager at Bull and Bear Group in New York. "Consequently, we look for the averages to do well, but we look for a much greater strength in secondary stocks."

Sneed's top picks for the new year include telecommunications and wireless communications, and computer software, equipment and networking. All of these should benefit from consumer and business appetites for new communications technology, domestically and overseas, he said.

Drug stocks should recover after a rocky year, now that the threat of a Clinton health care reform plan has receded, said Bob Walberg, market analyst at MMS International. Drug company "margins will improve" in 1995, "and relative to historical norms, drug stocks are cheap,"

Walberg said.

In 1994, robust corporate profits helped keep stock prices aloft, even in the face of sharply rising interest rates and a dismal-bond market.

Most analysts expect at least one more interest rate tightening by the Federal Reserve, and it could come as early as January. But many hope one or two more rate hikes, which would come after six this year, will not be severe enough to cut into 1995 earnings.

The expectation of higher interest rates is another reason to be in consumer stocks, which tend to be recession-resistant, said Hugh Johnson, First Albany's market strategist. His short-term picks include drugs and household products, and food and beverage stocks. But in general, he expects a difficult year for stocks.

The growth rate of earnings is going to slow along with the economy in 1995, and the market is not yet reflecting that," he said.

Larry Wachtel, Prudential Securities' market analyst, said he may be alone in standing pat with economically sensitive stocks this late in the bull market.

"We do not think that rising rates will bring on recession in 1995," Wachtel said, adding that the stocks of basic materials companies — Georgia Pacific, U.S. Steel and Phelps

Dodge — should continue to be able to raise prices and fatten margins into 1995.

Wachtel said rising rates will continue to hurt interest-sensitive stocks like banks and insurance companies. But utility issues, which generally decline when interest rates rise, will remain buoyant, benefitting from consolidation and increased competition in that industry, he said.

"All year, while it has been a difficult year, has been a stock picking year," Wachtel said. "You could have made money if you were sharp. And I think it will be the same for next year."

On Friday, the NYSE's composite index rose 0.24 to 250.95, up 0.41 for the week. The Standard & Poor's 500-stock index added 0.16 to 459.83 Friday, up 1.03 for the week.

The Nasdaq composite index climbed 2.85 to 742.19, bringing the weekly gain to 13.12. The American Stock Exchange's market value index gained 1.26 to 428.78, rising 2.55 for the week.

The Wilshire Associates Equity Index, which is the market value of New York Stock Exchange, American Stock Exchange and Nasdaq issues, ended the week at 4,523 trillion dollar up 23.12 billion dollars from the previous week.

Biswas for self-employment programme

President Abdur Rahman Biswas called for encouraging youths to undertake self-employment programmes for which bank loans are available on easy terms, reports UNB.

He was talking to a delegation of "Kalyan Sangstha" of Muladi thana in Barisal district which called on him at Bangabhaban in the city yesterday.

The delegation apprised the President of their activities which include imparting training in sewing, pisciculture and educating the youth and the adult.

The President appreciated their activities and advised them to work sincerely for removal of illiteracy availing the full advantage of the mass education programme launched by the government.

Dr Nurul Islam, Engineer Rezaul Karim, Mohammad Hanif, Shah Alam Akand, Mohammad Abdur Rahman and Farid Ahmed Khan were present among others.



Delta Life Insurance Co settled first death-claim cheque under group insurance of Bangladesh Krishibid Institution. In the picture Minister for Fisheries Abdullah al-Noman seen handing over the cheque. MD and Actuary of Delta Life Safat Ahmed Chowdhury and Krishibid Javed Iqbal are also seen.

Italy's jobless rate increases

ROME, Dec 24: Italy's unemployment rate has risen above 12 per cent for the first time since a new system for calculating the jobless total was introduced two years ago, the National Statistics Institute (ISTAT) said yesterday, reports Reuters.

Despite a strong economy, unemployment jumped to 12.1 per cent in the three months to October from 11.60 per cent in the preceding three months.

The number of people in work fell to 19.76 million from 20.18 million in October 1993, it said. The economy grew faster in 1994 than initially expected thanks mainly to a rapid growth in exports as the weakening Italian lira makes the country's goods relatively cheap abroad.

But economists say this growth in economic production which is likely to reach two per cent in 1994, is not being turned into new jobs because industrialists and businessmen are hesitating to invest in more labour because of the country's political uncertainties.

Prime Minister Silvio Berlusconi, who resigned on Thursday as his centrist coalition collapsed, took office seven months ago pledging to create one million extra jobs.

According to Istat, however, the number of people in work has not risen since January, 1994.

"With all this uncertainty, industrialists and businessmen are not looking beyond the short-term," said Pia Saraceno, Director of the Milan-based Institute for Social Research (IRS).

Peso sellers weaken currency further

MEXICO CITY, Dec 24: Peso sellers weakened the currency further for the fourth straight day Friday, today, but there were signs the anxieties that have gripped the Mexican financial markets eased a bit, reports AP.

The peso was trading at 4.70 to the US dollar Friday afternoon, cheaper than its 4.60 level Thursday, when the currency dove 16 per cent. Analysts said the slight drop Friday was an indication of some return to stability.

"The market is returning — behaving normal," said Francisco Blanco at Casa Bolsa Arka, an investment firm in the northern city of Monterrey. Things are getting quiet, but it needs a little time get back to normality.

"I think what we saw was speculation and panic selling," said Bob Walberg, an analyst with MMS International. "It's slackening a little bit. That reflects the reality of the situation. Some of the speculative excesses are beginning to run out of the market."

The Mexican stock market also was much less wobbly Friday. The market's main index was down 10.07 points to 2,309 early Friday afternoon. Analysts said investors were bargain hunting because of the peso's lower value, but that would be short-lived.

"People are going to remain gun-shy" as they try to determine the impact of the new government monetary policies, Walberg said.

The peso has lost almost one

third of its value against the dollar, this week in an economic crisis that has dulled some of Mexico's allure as the darling of overseas investment opportunities.

An insurrection in the southern state of Chiapas was partly to blame, but the sudden loss of value in Mexican assets was a sobering reminder that Mexico's economy still has underlying problems.

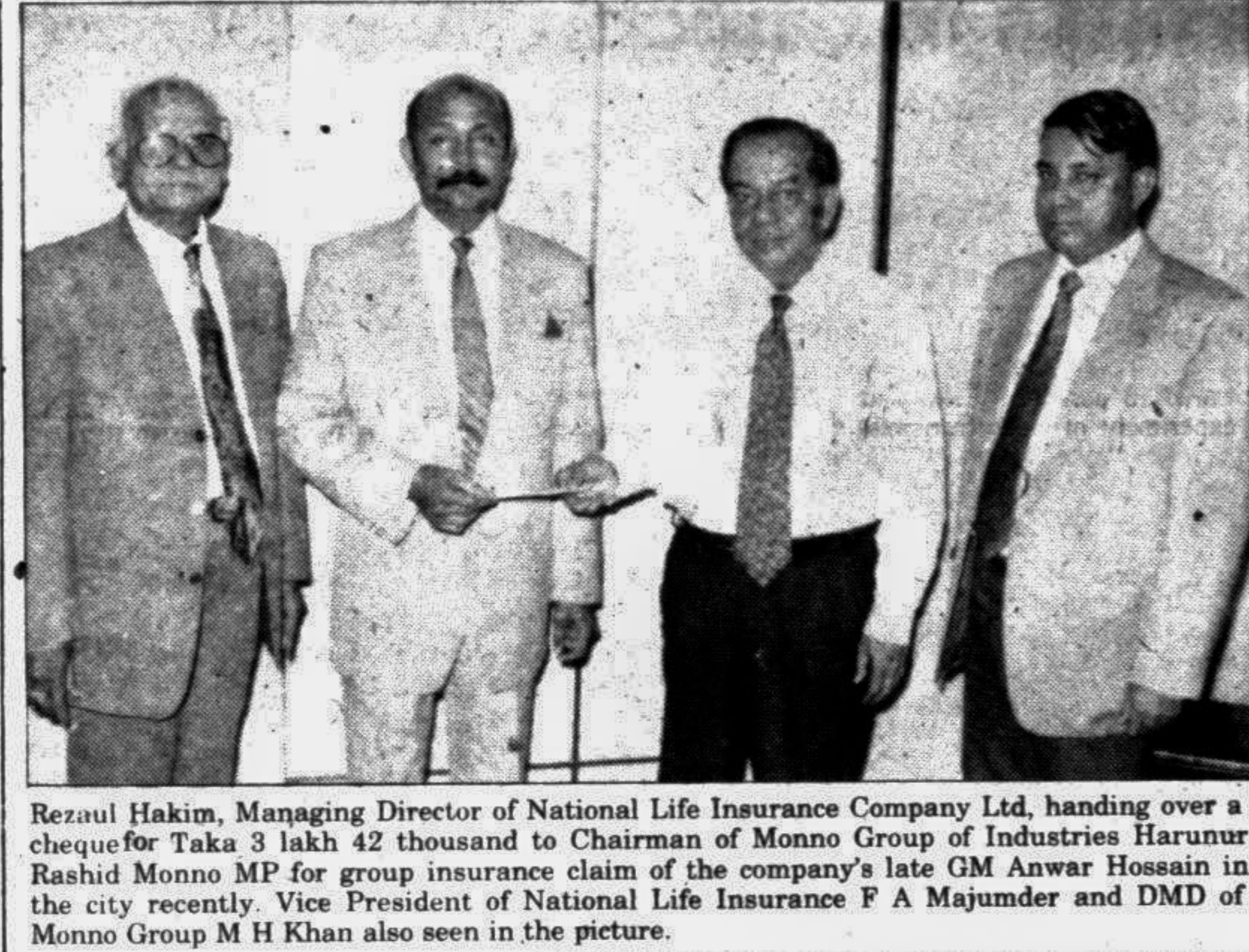
"Mexico won't be a very exciting place to invest over the next few years," said Geoffrey Dennis, an analyst at Bear, Stearns and Co. in New York. "American investors are really taking this on the chin."

Treasury Secretary Jaime Serra Puche met Thursday with Wall Street firms in New York and was told that the abrupt currency reversal and a failure to signal the crisis had hurt his government's credibility.

"In the short term, I'm uncertain about where the peso is going," said Suhars Ketar, a Latin American analyst at First Boston Corp. in New York. "I think people are going to be more cautious about emerging markets. I wouldn't be surprised if Asian markets even feel the pinch."

Emerging markets elsewhere in Latin America were the focus of just such worries unable to shake the fact that one of their leaders had stumbled just a year after launching the North American Free Trade Agreement with Canada and the United States.

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Rezaul Hakim, Managing Director of National Life Insurance Company Ltd, handing over a cheque for Taka 3 lakh 42 thousand to Chairman of Monno Group of Industries Harunur Rashid Monno MP for group insurance claim of the company's late GM Anwar Hossain in the city recently. Vice President of National Life Insurance F A Majumder and DMD of Monno Group M H Khan also seen in the picture.

India may lose chance to buy Nizam's jewels

NEW DELHI, Dec 24: The Indian government could lose the opportunity to buy a treasure chest of antique jewels valued at about 1.2 billion rupees (38 million dollars), a newspaper reported Saturday, says AP.

Export-led growth: Duty drawback to exporters

As part of its policy of export-led growth, Bangladesh has allowed payment of duty drawback to the exporters of goods which has the effect of making them more competitive in the world market.

The amount of drawback equals the customs duties and VAT paid on importation of such inputs as go into the manufacture of the export goods. Therefore duty drawback is not to be viewed as a cash incentive, but simply a mechanism by which exporters not enjoying the facility of customs bonded warehouses, are allowed, upon exportation, refund of duties paid by them on imported inputs. However, such refunds may be averaged out in cases of export of goods of identical nature and flat rates of drawback notified, which has the dual benefit of expediting refund payments (without requiring the formality of fresh surveys, etc) and also informing the exporters in advance of payment available to them upon export.

DEDO — a One-stop Office: Under earlier arrangements, exporters upon completion of export, claimed drawback from the National Board of Revenue who had the applications examined by the Directorate of Inspection. Payments were then made by the Collector of the Custom House through which the imports had originally been made. The whole procedure took time. On the recommendation of the World Bank, an independent directorate, called the Duty Exemption and Drawback Office (DEDO) was set up in September, 1989 under NBR. It is headed by a Director-General who is drawn from among the Collectors of Customs. The DEDO has all the authority of

directly to the exporters. Where Flat Rates of Drawback have already been notified, the repayment is fast. Cheques are paid directly into the exporters' bank accounts. DEDO is thus really a one-stop office for the exporters.

Legal Basis and Scope: The legal basis of drawback payment lies in the Value Added Tax Act, 1991 and the rules framed thereunder. Section 13 of the Act and Rules 29-34 deal with the basis and procedures of duty drawback. Only the exporters of goods are entitled to the 'duty drawback facilities.

Goods are eligible for duty drawback facilities when those goods are: (a) Exported directly outside the country, or (b) Supplied inside the country against national/ international tender invitations, against payment in foreign currency, or (c) Supplied against Inland Back to Back letters of credit to ultimate exporters (such as a garments manufacturer) having Customs approved bond, against payment in foreign currency, or (d) Supplied to foreign going vessels or aircraft against payment in foreign currency.

Categories of exports, enumerated at (b), (c) and (d) above, are treated as deemed exports.

Types of Duty Drawback: In Bangladesh, duty drawback against exported goods are allowed in two ways: (i) on a flat rate basis and (ii) at the actual rates basis. As has been said, when duty drawback dues are calculated and allowed at a pre-determined and notified rate, it is called flat rate. At present, there are notified flat rates on 720 items. Much less than that number of items are actually exported. However, the work

of flat rate notification and review of existing rates goes on all the time. The documentation for a drawback application has been kept to a minimum. Claims under flat rates are usually settled in a week and payment made to the exporters' bank account directly.

Where there is no flat rate on an export good, which may be a new item, the exporter is required to submit the export documents, proof of import as also an input consumption statement. For disposal of such claims, DEDO undertakes surveys to determine the input-output coefficient as the basis for calculation of drawback payment. However, if there is already an input-output coefficient, fresh determination may not be necessary. Drawback thus paid is called drawback at actual rates. If all the necessary documents are placed, DEDO usually settles such cases in about a month's time.

Disposal Rate and Directions of Export: During fiscal 1993-94 DEDO received 17528 claim applications. All the claims excepting about 1003 were settled by DEDO authorities by the end of the year. The total amount of drawback was 1004 million Taka. In FY 1994-95, up to November, drawback payments amounted to 494 million Taka. Notably, the items of exports receiving drawback are mostly non-traditional and the exporters are mainly in the private sector. The majority repayments has gone to the processed leather sector. Other items to which duty drawback payments were made are: fertilizer, jute goods, ceramics, fabrics and knitwear, electrical equipments and cables, mild steel and stainless steel products, paper and plastic products, leather products, etc. While the rate and volume of export

network) Help in this was received under a Technical Assistance Project financed by the USAID. DEDO has not yet received government sanction for recruiting its own in-house computer personnel. Yet, DEDO's computer room is not locked and the in-house personnel are now able to do flat rate calculations, prepare vouchers and churn out essential reports. A Management Information System (MIS) of sorts and some customized programmes have been created, which need to be further upgraded. With government funding, DEDO is about to recruit a contracting firm to help with this.

The new VAT rules initially created some problems in the smooth working of DEDO. Now these problems have been largely overcome and disposal is being made in the shortest possible time. The exporters' cooperation in submitting required documents at the time of submitting claim applications, is also quite positive.

Simplification of procedures and documentation for duty drawback claims resulting in quick disposal of claims, legal and administrative improvements and computerization of selected DEDO operations — all these are expected to have positive impact on the growth and volume of non-traditional exports from Bangladesh. (Mobarak A Molla is a member of the Customs and Excise cadre of the Bangladesh Civil Services. Before joining the service, Mr Molla was already known as an accomplished journalist of the country. He has worked in a number of responsible positions in the Department of Customs, Excise and VAT, and is now working as Director General, Duty Exemption and Drawback Office (DEDO), based at Dhaka.)

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