

Rate cuts have eased global recession threat: IMF

WASHINGTON, Dec 22: Interest rate cuts in the United States and other industrial countries have eased the threat that the Asian financial crisis will trigger a global recession, the International Monetary Fund said in an updated economic outlook, reports AP.

But the 182-nation lending agency still found plenty of things that could go wrong in the new year ranging from a sudden plunge in US stock prices or the value of the dollar to the failure of Japanese authorities to aggressively battle their own country's worst recession in 50 years.

Accordingly, the IMF trimmed its forecast for world growth in 1999 to just 2.2 per cent, down by 0.3 percentage point from a report issued just two months ago.

The 2.2 per cent performance would match the expected output for this year and would be the slowest world growth rate since a 1.8 per cent increase in 1991, when the United States was emerging from its last recession.

The crisis that began in Thailand in 1997 has spread to a number of other Asian countries, pushing them into deep recessions and in August lev-

eled the Russian economy.

Russia's announcement that it was defaulting on billions of dollars in foreign loans sent shockwaves through financial markets from New York to Buenos Aires and raised the specter that the 40 per cent of the globe now in recession would soon be joined by many other nations.

In response, the Federal Reserve Board led the way in cutting interest rates three times over a seven-week period beginning September 29. That led to a rebound in financial markets and more optimism about economic prospects.

"The worst of this crisis probably is now behind us," said IMF economist Flemming Larsen. "But we are not completely out of the woods."

Larsen said that while those Fed rate cuts were appropriate to restore confidence to financial markets, the IMF did not believe the central bank should provide further rate relief when it meets Tuesday out of concern that more monetary easing could trigger inflationary pressures in the United States.

While the danger of a worldwide recession does seem to have diminished, the supply of funds to most emerging mar-

ket economies is still sharply reduced and conditions in financial markets remain fragile," the IMF report said.

For the United States, the IMF's updated forecast predicted growth of 3.6 per cent this year, slightly better than the 3.5 per cent forecast in October. But the IMF predicted a sharp slowdown in 1999 with growth of just 1.8 per cent, 0.2 percentage point lower than the October forecast.

The IMF predicted that the Japanese economy would shrink by 2.8 per cent this year and another 0.5 per cent in 1999. The 1999 forecast is a full percentage point below its October assessment and IMF officials said it would have been even lower if not for recent Japanese government steps to combat the economic recessions in the crisis countries worse and failed to halt the spread of market turmoil.

Asked about the criticism, IMF chief economist Michael Mussa noted that financial markets and currencies in Thailand, Indonesia and South Korea have rebounded in recent weeks, an outcome he said showed the IMF formula is working.

In addition to the threat posed by Japan's recession, the IMF also expressed worries that developing countries will have increasing trouble attracting the foreign capital they need as investors look for less risky opportunities elsewhere.

Also listed as threats were the possibility that the US stock market, which has climbed to new highs after its

August swoon, could be caught in another down draft. That could prompt American consumers to pull back on their spending. Or the dollar, which has been weakening, could suddenly dip if foreigners become worried about the increase in the US trade deficit.

The IMF has assembled more than \$100 billion in emergency loans for Thailand, Indonesia, South Korea, Russia and Brazil. But the agency has come under attack from critics who charge that its brand of belt-tightening has made the economic recessions in the crisis countries worse and failed to halt the spread of market turmoil.

Despite Clinton's impeachment by the US House of Representatives at the weekend, analysts do not believe he will resign even with his upcoming trial in the Senate over his behaviour in a sex-and lies scandal.

The dollar was also supported by the overwhelming belief among investors that the US Federal Reserve policy-setting committee will not lower interest rates at Tuesday's meeting.

Dealers said.

The yen ended Asian trading at 116.95 against the dollar, down from New York's close of 116.00 and Singapore's 115.45 close a day earlier.

The Japanese currency was slightly higher against the greenback in early trading but lost ground after a crash of the Japanese bond market triggered selling of shares and the yen.

Most Asian currencies fall against dollar

SINGAPORE, Dec 22: Most Asian currencies fell today against the US dollar in line with the yen, which was hit by tumbling Japanese government bond prices, dealers said, reports AFP.

Regional units also weakened as the greenback turned bullish following a strong Wall Street finish overnight with markets shrugging off fears of US President Bill Clinton quitting.

Chong said fundamentally, the yen should go down further.

"It will now probably track the bond market for the rest of the year," she added. "Into the new year, the bias will be more yen weakness."

The South Korean won fell to close at 1,204 against the dollar from Monday's close of 1,193 after the Korean unit's rapid appreciation caused worry in Seoul.

South Korea's ruling camp

planned to intervene in the foreign exchange market to prevent further fall of the won, a top ruling party policy-maker said today.

The South Korean unit

sharply strengthened against the US dollar on hopes of an upgrade of Seoul's sovereign ratings.

The won-dollar exchange

rate is falling so fast as to become a burden on our economy," Kim Won-Kil of the ruling National Congress for New Politics was quoted as saying by Yonhap news agency.

Exchange Rates

American Express Bank Ltd foreign exchange rates against the Taka to clients.						
Currency	Selling TT & OD	Buying H Clean	Selling EC	Buying OD Sight Export Bill	Buying TT & OD	
USD	48.7050	48.7450	48.3100	48.1570	48.0850	
GBP	82.2384	82.3059	81.0400	80.7834	80.6626	
DEM	29.2400	29.2640	28.8229	28.7316	28.6886	
SFR	36.0031	36.0327	35.4231	35.3109	35.2581	
JPY	0.4218	0.4221	0.4144	0.4131	0.4125	
NLG	26.0051	26.0265	25.5149	25.4341	25.3961	
DKK	7.7231	7.7294	7.5374	7.5135	7.5023	
AUD	30.4601	30.4851	29.2227	29.1302	29.0866	
BIF	1.4216	1.4228	1.4052	1.007	1.3986	
CAD	31.7400	31.7660	30.8690	30.7712	30.7252	
FRF	8.8258	8.8330	8.5664	8.5392	8.5265	
HKD	6.3009	6.3061	6.2249	6.2052	6.1959	
ITL	0.0313	0.0316	0.0275	0.0274	0.0274	
NK	6.3828	6.3880	6.2759	6.2560	6.2467	
SGD	29.8767	29.9012	28.9074	28.8158	28.7727	
SAR	13.0192	13.0299	12.8399	12.7992	12.7801	
AED	13.2972	13.3081	13.1167	13.0751	13.0556	
SEK	6.0888	6.0938	6.0116	5.9926	5.9836	
QAR	13.4229	13.4339	13.2320	13.1901	13.1704	
KWD	167.1701	167.3074	155.1132	154.6219	154.3908	
THB	1.3467	1.3479	1.3310	1.3268	1.3248	
ECU	58.0320	58.0797	56.0734	55.8958	55.8123	

Bill Buying Rates:

TT Doc	30 Days	60 Days	90 Days	120 Days	180 Days
48.2112	47.9074	47.5048	47.1023	46.6667	45.8945

US dollar London Interbank Offered Rate (LIBOR) as of December 22, 1998

Buying	Selling	Currency	1 Month	3 Month	6 Months	9 Months	12 Months
Cash	48.0850	48.7050	USD	56B	522	506	503
TC	48.0850	48.7050	GBP	630	6375	603	581

Exchange rates of some Asian currency against US dollars

Indian Rupee	Pak Rupee	Thai Baht	Malaysian Ringgit	Indonesian Rupiah	Korean Won
42.52/	50.60/	36.30/	3.7997/	7720/	1200/
42.50/	50.50/	36.40/	3.8003/	7820/	1204/

Amex notes on Tuesday's market

USD/BDT market was moderately active on Tuesday. Most of the USD/BDT transaction was done at 48.6500-48.6515 level in the interbank market.

Call money market was steady and came down a bit.

Average call rates ranged between 6.50% and 7.00%.

In the international market on Monday, the US dollar was stronger against the Japanese yen by late Tokyo trade on concerns that the sharp rise in Japanese government bond yields would have a negative impact on the economy. Sentiment in the market towards the rise in the yen bonds yields has reversed. The benchmark Nikkei stock average closed down 2.64 per cent at 13,779.45.

The yen made a week start in Europe on Tuesday and slipped to a one week low of 117.40 against the dollar overnight after the Bank of Japan said the Ministry of Finance's Trust Fund Bureau would halt its outright Japanese government bond purchases from January.

At 8.57 GMT in the international market, the USD traded at 1.6706/6711 DEM, 116.89/116.94 JPY, 5.6025/6035 FRF, 1.3586/3596 CHF, and GBP at 1.6792/6802 USD.

Asian stock markets close mixed

HONG KONG, Dec 22: Asian stock markets closed generally mixed Tuesday, with the key index tumbling in Tokyo but surging in Taipei.

Tokyo's benchmark 225-issue Nikkei Stock Average dropped 373.50 points, or 2.64 per cent, to close at 13,779.45 — its lowest close since Oct 30. On Monday, the average closed down 41.34 points, or 0.29 per cent.

Share prices fell as declines in the bond market were seen hurting one of the few profitable operations at Japan's aging banks: their bond trading business.

Share prices in Taiwan closed sharply higher, boosted by a market stabilization fund set up by the government to prop up the flagging bourse.

Traders said retail investors took their lead from the stabilization fund and moved into market in search of blue-chip stocks.

The Taiwan market's key Weighted Stock Price Index closed 224.40 points, or 3.4 per cent, to 6,782.68.

Elsewhere:

HONG KONG: Share prices closed generally lower Tuesday as investors took profits following three consecutive sessions of gains. The blue-chip Hang Seng Index fell 73.45 points, or 0.7 per cent, closing at 10,322.56.

WELLINGTON: New Zealand share prices closed higher for the sixth straight session. The benchmark NZSE-40 Capital Index rose 23.39 points, or 1.1 per cent, to 2,085.39.

MANILA: Philippine share

prices closed mixed, with Wall Street's overnight gain reviving interest in blue chips, though not enough to boost demand for second-liners. The 30-share Philippine Stock Exchange Index rose 20.51 points, or 1.1 per cent.

The Philippine Stock Exchange

closed 2.52/2.53 points, or 53.72/53.73.

JAKARTA: Share prices closed mixed in quiet trading. The Composite Index rose 1.62 points, or 0.4 per cent, to 406,465.

SINGAPORE: Share prices closed mixed as a sharp rise in bank shares pushed up the benchmark index, while electronics stocks opted out of the rally. The Straits Times Index rose 14.67 points, or 1.1 per cent, to 1,412.40.

BANGKOK: Thai share prices closed higher, pushed up by retail buying in financial stocks whose prices have fallen recently, dealers said. The Stock Exchange of Thailand (SET) Index rose 6.17 points, or 1.8 per cent, to 343.34.

Vessels due at outer anchorage

Name of vessels	Date of arrival	L Port call	Local agent	Date of leaving
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