

# Indian, Pak markets soar on Kashmir deal

BOMBAY, July 12: Financial markets in India and Pakistan shot higher today as militants began withdrawing to the Pakistani side of the military Line of Control, reports Reuter.

Indian share and bond prices soared in early trade, while the rupee brought up the rear with a short, early burst of strength.

The benchmark Bombay index vaulted over three per cent to move above 4,500 for the first time since August 7, 1997, and by noon it was 155.82 points up at 4,518.69.

The bullish sentiment unleashed by a winding down of the conflict in Kashmir has brought the market within range of the all time high of 4,643.31 struck on September 12, 1994.

"The economy is looking in better shape than it has been in the last few years. We are seeing the bottoming out of commodity prices and a lot of economy sensitive stocks are doing much better," Dileep Madgavkar, chief investment officer at prudential ICICI Asset Management told Reuters television.

The market has had strong resistance at the 4,600 levels, which it has touched twice or thrice before. One could see this being overcome in the short run, he said, but he also warned the market looked ripe for a correction.

In Karachi, relief that the Kashmir powderkeg had been defused helped the index add over 3.24 per cent, or 35.21.39 points, to stand at 1,120.27 by late morning. Islamic groups and Kashmiri militants in Pakistan were organising demonstrations to protest against the Kashmir withdrawal pact, just hours before Prime Minister Nawaz Sharif was due to make a state broadcast justifying it.

Salman Ahmed, a dealer at Finex Securities said investors in Karachi were anxiously awaiting Sharif's speech. Indian government bond prices also posted strong gains in the fears of a financially costly confrontation dwindled.

The Indian rupee sprinted to 43.17/22 per dollar at the open, but stopped dead in its tracks. By midday it had stepped back to 43.24/25, less than 0.1 rupee

firmer than Friday's close, and a long way of pre-crisis levels of 42.80.

The rupee, which is only convertible on the current account, is expected to resume a weaker trend due a nagging trade deficit, dealers said.

The end of fighting has led to optimism in the markets. But the impact has only been on market sentiment. This does not mean a substantial shift in the flows just yet. The market's concern will now shift to politics, said Ravi Pai, vice president, foreign exchange, HDFC Bank.

As Kashmir moves off the markets' radar screens India's general election looms large. The Election Commission announced on Sunday voting will take place in five phases between September 4 and October 1.

Investors must assess how much Prime Minister Atal Bihari Vajpayee's Hindu nationalist Bharatiya Janata Party will benefit from the diplomatic and military successes since the Kashmir crisis erupted in mid-May.

India has been locked in a phase of weak coalition governments which has slowed the process of economic liberalisation begun at the start of the 1990s.

Analysts believe if a stronger government emerges from the next election many of the policy logjams will be broken.

In Pakistan, investors need to assess how Sharif's government fares in the wake of the withdrawal from Kashmir.

A Reuter report from Karachi adds: Pakistani stocks rallied today, rising over three per cent as a surge of optimism greeted an agreement between India and Pakistan to end their confrontation in Kashmir.

"Obviously, the future direction of the market hinges upon how smooth the withdrawal is," said Shuja Alvi, research head at brokerage firm UBS Securities. "If it goes well, the index will also climb steadily."

## Australia, China sign agri research deals

BEIJING, July 12: Australian foreign minister Alexander Downer met his Chinese counterpart Tang Jiaxuan in Beijing today and signed an agreement to research agricultural problems in wheat, wool and brassica vegetables, says Reuters.

The three research projects would receive substantial funding from the Australian Centre for International Agricultural Research (ACIAR), Downer said at the signing ceremony.

Downer did not give the value of the three deals but the Australian embassy in Beijing said the ACIAR spends about 17 per cent of its research budget in China, or A\$ 6.0 million (\$4.0 million) in 1998-1999.

The projects were aimed at raising the output and quality of wheat in China's southwestern province of Sichuan, improving yarn-spinning in both China and India, and upgrading pest management in brassica vegetables such as cabbage, the embassy said in a statement.

The ACIAR operates 26 projects in China and will soon add seven more, including the three agreed on Monday, Downer said.

Downer began a five-day official visit to China on Sunday with Beijing and Canberra embroiled in a diplomatic row with Papua New Guinea, which recognised China's diplomatic rival Taiwan last week.

He urged the clients, business community and others to avail themselves of all sorts of facilities from the branch for the development of trade, industry and agriculture.

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