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The Daily Star BUSINESS

DHAKA, SUNDAY, JULY 18, 1999

Federal Reserve report says US industrial rebound right on track

WASHINGTON, July 17: A US industrial rebound from a slump last year caused by global financial woes remained on track in June with no sign of worrisome production bottlenecks, a Federal Reserve report yesterday showed, says Reuters.

Output by US factories, mines and utilities gained 0.2 per cent last month, the same as in May for a fifth straight monthly increase.

During the second quarter, production surged at a 3.9 per cent annual rate, triple the first quarter's 1.3 per cent advance for the strongest three months since the last quarter of 1997.

Despite steadily rising output, businesses ran at a slightly lower 80.3 per cent of their maximum capacity in June, down from 80.4 in May. That was well below the 85 per cent level that might trigger concern about inflation risks and left

ample room to safely boost production further.

Most analysts said the data added to other favourable indicators that meant the Fed would not need to raise interest rates again soon, even though businesses were poised for more production gains from anticipated inventory restocking at home and better sales abroad in Asia and elsewhere.

The overall picture is one of stability and growth," said economist Gordon Richards of the National Association of Manufacturers. "This has been the Fed's objective, so it is (our) hope that interest rates will be left unchanged in coming months."

Financial markets, heartened by earlier reports showing no increase in consumer prices in May or June, saw the output data as one more sign of steady expansion with no evidence of

an incipient inflation flare-up on the horizon.

Prices for bellwether 30-year US Treasury bonds were up 13/32 of a point at mid-day, a gain of \$4.0625 per \$1,000 of face value, as they edged down to 5.89 per cent from 5.92 per cent on Thursday.

Share prices on the New York stock Exchange were down about 30 points halfway through the trading session.

Manufacturing industries increased production by 0.1 per cent in June after a 0.3 per cent rise in May, entirely because of stronger output of new cars and trucks to meet in the face of robust sales.

This is not just a flash in the pan," Mayland said in reference to the hearty 3.9 per cent rate of second-quarter production growth that was the strongest since a 6.6 per cent surge in the final three months of 1997.

"Because of inventory rebuilding and swelling foreign demands, I expect a second-half boomlet in industrial production," he added.



A model hands out underwear shaped as roses to passersby in Mongkok district of Kowloon on Saturday. The giveaway was a promotion for a well-known lingerie maker which opened its first outlet in Kowloon. — AFP photo

UNDP, Grameen Motsho sign cooperation deal

A cooperation agreement between United Nations Development Programme (UNDP) and Grameen Motsho Foundation (GMF) was signed Thursday to execute the Community Livestock and Dairy Development Project under the community empowerment programme of UNDP.

Andre Klep, Deputy Resident Representative of UNDP and A Z M Nasiruddin, Managing Director of GMF signed the accord on behalf of their respective organisations, says a press release.

On completion of the project at a cost of 3.04 million dollars, about 7750 landless poor families of 19 thanas of eight northern districts will come out of the curse of poverty, it said.

This is for the first time that the UNDP will implement such a project with an NGO in Bangladesh.

The project will ensure UNDP micro-capital grants for productive, profitable livestock investments by establishing village level milk processing and marketing.

In this process, an ecologically sustainable crops-livestock-fish farming system will be introduced which will include 300 bio-digesters for the poor farmers.

Professor Muhammad Yunus, Managing Director of Grameen Bank, and Hiroki Kuma, FAO Representative in Bangladesh, and other senior officials were present.

Air cargo surges in Asia, Pacific

GENEVA, July 17: The Asia-Pacific region saw a 4.5 per cent increase in air cargo carried during March, a new sign of economic recovery underway, the global airports body ACI said yesterday, reports Reuters.

Overall around the world, passenger traffic reported by 570 members of ACI, the Airports Council International, during the first three months of 1999 was up by five per cent over the same period last year and cargo by two per cent.

"Taking cargo as an economic indicator, it is clear that the March figures indicate a recovery is under way in Asia/Pacific," said Paul Behnke, ACI's Director of Economics and Security.

He said that compared with the first quarter of 1998, all major gateways showed increases in cargo handled. Singapore and Seoul were in the lead with increase of 8.5 and 9.9 per cent.

Cargo handled in North America during March was up by 7.5 per cent for a total of just under 2.6 million tonnes. Passengers in the region were up four per cent to just over 118 million.

Europe saw a passenger increase of eight per cent, to just under 70 million during the month, but cargo was up by only 0.8 per cent.

While Africa saw a passenger jump of 18.9 per cent to just under six million, cargo dropped by 2.1 per cent. Middle East air travel handled 4.9 million passengers, and increase of 13.3 per cent, but cargo was down 4.6 per cent.

ACI's other area, Latin America and the Caribbean, did less well with an increase of only 0.1 in passengers. It also dropped 9.2 per cent in cargo.

Top four passenger airports for the first three months of 1999 were Atlanta, with 18.3 million people, Chicago O'Hare with 15.7 million, Los Angeles with 14.6 million and London's Heathrow with nearly 13.9 million.

Top four for cargo from January to the end of March were Memphis with 584,799 tonnes moved, Los Angeles with 440,731 tonnes, New York's Kennedy with 431,789 and Tokyo's Narita with 416,971.



Ri Sang II, Ambassador of the Democratic People's Republic of Korea in Bangladesh, addresses as chief guest the launching ceremony of the commercial production of Niloy Cement Plant-2 of Nitol Group at Sonargaon Hotel Friday. Sitting (from left) on the dais are M Mosharrif Hossain, Managing Director of Rapport Bangladesh Limited, Syed Nurul Amin, Deputy Managing Director of City Bank Ltd, Pak Hi Hun, Director of Korea Rangrado General Trading Corporation, Abdul Matlub Ahmad, Nitol Group Chairman, Selina Ahmad, Director of Nitol Group, and Zahid Hossain, Member of the Board of Investment.

— Rapport photo

Moore hopes for quick end to WTO leadership row

WELLINGTON, July 17: New Zealand's contender to lead the World Trade Organisation, Mike Moore, said today he could say nothing to break a deadlock over the job and hoped the wrangle would soon be over, reports Reuters.

"The WTO council must make this decision," Moore told Reuters, declining to comment on a proposal he share the top job with his rival, Thai Deputy Prime Minister Supachai Panitchpakdi.

The council has got to work this through and I don't think anything I can say could be helpful at this moment," he said.

Bangladesh and Australia have promoted a scheme under which Moore and Supachai would each serve a three-year term as director-general.

New Zealand media have quoted sources close to Moore as saying he wants the first term so he can preside during most of the next round of WTO

talks, due to start in Seattle in November.

Thailand on Friday said it was ready to accept the second half of a shared term for its candidate, while Supachai told Radio Thailand that he was prepared to be flexible — to take either first or second term as long as they were equally treated.

The plan was due to be discussed at an informal meeting of the WTO's ruling General Council on Thursday but was taken off the agenda as the issue required intense consultations and many delegations were still seeking instructions from their capitals.

But at the same time, many envoys said they still felt the issue would eventually be settled in time for the first of them to take over as WTO director-general on September 1.

"I think everyone is hopeful this will be done shortly. They certainly want this done shortly before the August hol-

iday," Moore said.

Moore, backed by the United States, has been locked in a long battle with Supachai over who will lead the world trade body.

Meanwhile an AP report from Geneva says Thailand has said it is willing to share World Trade Organisation leadership by splitting the six-year term with New Zealand.

The concession Friday could end a bitter leadership struggle that has undermined the organisation's authority as a trade policeman during the high-profile transatlantic disputes over bananas and hormone treated beef.

Thai Foreign Minister Surin Pitsuwan said at a news conference that Thailand would be happy for its candidate, Deputy Prime Minister Supachai Panitchpakdi, to wait three years for the job as director-general, provided he had a completely free hand after that.

It will concentrate on DB2, Oracle, MS SQL and Multimedia Technology Development in multiple operating systems.

2nd Niloy Cement plant goes into operation

Star Business Report

The second unit of Niloy Cement Company has gone into commercial production.

Speaking as chief guest on the occasion, the Ambassador of the Democratic People's Republic of Korea in Bangladesh, Ri Sang II, observed that the relationship between Bangladesh and North Korea would grow more and more in the years ahead.

He said that the second plant was financed by public funds as the company went from private to public. It was a challenge for us to make the 2nd plant within a very short time.

The ceremony was chaired by Abdul Matlub Ahmad, chairman of Nitol Group.

Niloy Cement Industries have been producing 6000 bags of cement with a 1 lakh tons of annual production capacity.

The ceremony was addressed by Pak Hi Hun, team leader of Korea Rangrado General Trading Corporation in Bangladesh, which worked for Niloy Cement Plant-2, Md Zahid Hossain, Member of the Board of Investment, Syed Nurul Amin, Deputy Managing Director of City Bank Ltd, Selina Ahmad and Huayman K Khandaker, Directors of Nitol Group, and Mosharrif Hossain, Managing Director of Rapport Bangladesh Limited.

E&C, Grameen Fund launches joint venture project

Star Business Report

The Engineers and Computers (E&C) has signed an agreement for a joint venture project with Grameen Fund to open Grameen Software Ltd.

The company is expected to go into operation from the middle of October this year, says a press release.

The deal was inked on Tuesday to open one of the largest export-oriented software solutions firms.

Its software business area will be software export.

Grameen Software Ltd. will be equipped with high end midrange systems IBM AS/400 and HP 9000.

It will concentrate on DB2, Oracle, MS SQL and Multimedia Technology Development in multiple operating systems.

Weekly Currency Roundup

July 11-July 15, 1999

Local Market

Last week, the demand for dollar in the local forex market was a little sluggish due to lower import payments. There was ample supply of dollar in the market due to inflow of funds to the NGOs from donors.

The demand for the greenback rose a little on Thursday due to import-related payments. It was traded in a narrow range against dollar throughout the week. In the interbank market, dollar fluctuated in a range of BDT 48,6525 to BDT 48,6500. Cash US dollar traded in a higher range of BDT 50,10 and BDT 50,40 during the week.

The call money market was dull throughout the week. On Monday, the demand for call money escalated a bit due to treasury bill payments. In general, there was substantial liquidity in the market during the week. The call money rate traded in a narrow range during the week and the call rate fluctuated between 6.25 to 7.5 per cent.

International Market

In the International markets, dollar became stronger against European currencies and remained range-bound against yen. Euro fell to its lifetime low against dollar on fresh comments expressing little concern about its weakness.

Later in the week, euro bounced back against greenback but remained susceptible to downward pressure. In a wary market, euro gained much of its half cent losses after the German "Wise Man," Horst Siebert, said that his earlier comment that the euro could fall to \$0.90 was not a serious forecast.

Earlier in the week, the market's bullish sentiment about dollar was also reflected in a rise to an eight-year high of 1,5806 Swiss franc. In the later part of the week, the fact that Argentina may default on its debt payment remained a worry for dollar.

Pound Sterling was aided by a fall in British unemployment rate to a 19-year low in June. On Thursday, yen became stronger against the US currency. Market players commented that they saw the Bank of Japan checking dealing rates, but were unclear if there was any actual intervention.

— Standard Chartered Bank



(From left) Altaf Hossain, DGM of Grameen Fund, Sohel Sharif, president of Engineers and Computers, A A Qureshi, MD of Grameen Fund, Khaled Shams, DMD of Grameen Fund, Col. Shariful Islam, (retd) and Abdullah Al-Mahmood, Advisers of Engineers and Computers, pose for a photograph after the signing of a joint venture agreement between the two companies on Tuesday.

Engineers & Computers photo

FedEx launches Euro Morning Express service

Federal Express has announced the launch of the FedEx Euro Morning Express service and become the first air express company to guarantee next-morning delivery of documents and packages from the UAE to eight European countries at no extra cost, says a press statement.

FedEx has reduced transit times to Europe by 24 hours and can now guarantee next-day delivery to over 100 European destinations. Delivery before 10:30 am is guaranteed for major European cities and towns.

The new service started on July 5 and is available six days a week from Dubai, Sharjah and Ajman.

Countries covered by the FedEx Euro Morning Express service are the UK, Germany, France, Belgium, Italy, the Netherlands, Spain and Switzerland.

This is in response to growing business ties between the Middle East and Europe, and to the steady increase in customer requests for enhanced FedEx services to these locations," said Hamdi Osman, FedEx Vice President, Middle East and Indian Subcontinent.

Customer have until 11 am to call for a pickup for a next-day delivery to Europe, or can drop off their documents and packages at the FedEx Service Centre at Terminal 2 of the Dubai International Airport by 12:30 pm. Shipments should not exceed 32 kg or \$ 28 in value.

Lafarge Cement corporate office opens in city

Lafarge Surma Cement Limited, a joint venture company between Lafarge of France, and Islam Group has inaugurated its new corporate office at Gulshan in the presence of Renee Vreyer, French Ambassador, as the chief guest.

Michel Folliet, Lafarge Country Director, and Manzurul Islam, Islam Group Chairman, were also present on the occasion.

Lafarge Surma Cement is currently undertaking the largest private sector investment in Bangladesh, setting up in Chittagong, a 1.2 million tons per year integrated cement plant for a total cost estimated at US \$240 million.

Is Dow's magic cruising a speculative market bubble?

NEW YORK, July 17: As stocks muscle their way into record ground, Wall Street is again asking the question: Is this a speculative bubble? says Reuters.

The experts' reply: What bubble? This is a rational market.

Investors continued to be lured to the stock market, pushing the Dow Jones Industrial average to the year's 28th record high on Monday. The index of 30 blue-chip stocks has risen an eye-popping 2,000 points since the start of the year.

Salsman said it is the bubble who are irrational because they have no idea how bubbles form, are sustained or implode.

That's why bubble talk ... consists of emotional stories, vague formulations and sensational warnings," he said.

If investors were buying stocks regardless of the companies' performances, he said, then people would have a legitimate reason to worry about a bubble.

"The market is entirely rational," says Richard Salsman, senior economist for HC Wainwright & Co, a consulting firm.

"For it would mean the market is lacking the capacity to discriminate effectively, to re-

ward winners and punish losers," he said.

But stocks continue to climb, the voices of negativity and doom are also rising.

The Nervous Nellies say stocks just can't keep shooting for the moon without first coming back to Earth. After all, the market has climbed for more than 4 1/2 years without any meaningful correction and the average price-earnings ratio is at a record 30.

Still, some experts say don't worry. Things are still looking up for the greatest bull market in history.

Corporate earnings are expected to post their first double-digit gains since 1997.

There's no global crisis on the horizon that could shake the market. In fact, Asian nations, especially Japan, appear to be on the comeback trail.

Also, the US stock market has performed well in coping with the roadblocks that have been thrown in its path, such as the Federal Reserve's interest-rate increase last month of a quarter percentage point — which had a surprisingly elec-

trifying effect on stocks.

The market rallied on the small interest-rate rise because it suggested the Fed had realised that in the New Era economy, where growth is expanding and inflation is low, it is smart to maintain a steady monetary policy.

What about Greenspan's stock market assessment?

The big difference between Greenspan and Nostradamus is that the 16th century French crystal ball gazer hit the bull's eye more often than the Fed chief with all of his economic models.

And, don't worry about the Fed's monetary policy being the cause of a nasty bear market.

Today's tremendously over-stretched stock prices have created a huge US wealth effect and this