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# The Daily Star BUSINESS

DHAKA, SUNDAY, JULY 18, 1999

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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 yielded 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.

Excluding motor vehicles and parts, June manufacturing output was flat after a 0.2 per cent rise in May.

Electrical utilities responding to greater demand for air-conditioning increased output

by 0.4 per cent following a 1.7 per cent plunge in May. Mining companies also boosted output by 0.4 per cent in June after a matching 0.4 per cent May rise.

Ken Mayland, an economist with KeyCorp in Cleveland, said prospects were good that the economy will benefit from a quickened pace of industrial activity in the second half, helping balance the disproportionate stimulus from high levels of consumer spending.

"This is not just a flash in the pan," Mayland said in reference to the healthy 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 Hiroyuki Knuma, 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 airport 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 Nitel Group at Sonargaon Hotel Friday. Sitting (from left) on the dais are M Mosharraf 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, Nitel Group Chairman, Selima Ahmad, Director of Nitel 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 holidays in Europe," 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.

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 economics, 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 consumer-driven prop would likely come undone after a series of interest-rate increases hammers the market. The risk would be a market-driven economic recession.

Earnings lovers will be feasting on a smorgasbord of fat profits, with the second-quarter

### 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 Nitel 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, Selima Ahmad and Humayun K Khandaker, Directors of Nitel Group, and M Mosharraf Hossain, Managing Director of Rapport Bangladesh Limited.

### E&C, Grameen Fund launches jt 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 oriented software solutions firms.

Its core 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 lows 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, Sohail Sharif, president of Engineers and Computers, A A Qureshi, MD of Grameen Fund, Khaled Shams, DMD of Grameen Bank, Emdadul Haque, GM of Grameen Fund, Col. Shariful Islam, (ret'd) and Abdullah Al-Mahmood, Advisers of Engineers and Computers, pose for photographer 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 Veyret, 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 Chhatak, 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-opening 2,000 points since the start of the year.

Stocks have nearly doubled since Federal Reserve Chairman Alan Greenspan — the predicted in December 1996 that the Dow at 6,000 was positively out of sight. He questioned what he called investors' "irrational exuberance."

Now, the Dow is cruising to 12,000 and the next magic target could be 15,000.

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

"New market milestones tend to bring out the pessimists, who insist stock prices are a bubble."

Although stocks are ripe for a correction, analysts see only a low-probability that the market is heading for a knockout-type secular bear market, which would bring it down 20 per cent or more.

Generally, analysts say that if stocks do correct, it would be within the framework of a cyclical correction in an ongoing bull market.

Salsman said it is the bubble-ists 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.

"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 economics, where growth is expanding and inflation is low, it is smart to maintain a steady monetary policy.

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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 consumer-driven prop would likely come undone after a series of interest-rate increases hammers the market. The risk would be a market-driven economic recession.

Earnings lovers will be feasting on a smorgasbord of fat profits, with the second-quarter

forecast up 11.4 per cent from a year earlier.

The earnings story looks even brighter through the end of the year, with analysts predicting gains of 21 per cent each for the third and fourth quarters.

Wall Streeters are often reminded of that nightmare called "Tulipmania" — the mother of all bubbles that savaged investors in Holland in the 1630s.

Fulipmania went like this. The price of tulips rocketed 6,000 per cent from late 1634 to early 1637. Demand for tulips was so huge that the bell-shaped flowers were traded on the stock exchanges in Amsterdam, London and Paris.

"Tulip-notaries" were in charge of the booming business and futures contracts were created for delivery of bulbs at agreed-upon prices.

Investors made a killing and the boom created a wealth effect in Holland, driving up the price of land and horse carriages.

The mania came undone as prices plunged 90 per cent in less than a year — after the biggest fool had paid the highest

price. Suddenly, people realised that they were not investing but rather betting on tulip prices.

John Geraghty, at North American Equity Services, a consulting firm, said the current stock market does not fit the definition of a classic speculative bubble.

"A true bubble would be formed if investors took the lemming effect and believed the same story," he said.

During the 1630s in Holland, people loaded up on tulips not because they had to buy them but because they believed that prices were continually going to rise.

"In today's stock market, there's a whole spectrum of people who are buying a wide range of mutual funds and they are buying not because it is discretionary investing but rather because it is compulsory investment for their 401 (K) retirement plans," he said.

"People have to put their pension money somewhere and the stock-market is the only game in town."

Geraghty said the market's

strong fundamentals, including rising corporate earnings, have justified the high valuations of stocks.

But the classic fundamentals are really not that important for investors.

Money will be flowing into that particular pot, no matter what the pot does," Geraghty said. "Even if stocks were to come down, the same amount of money would find its way into the market via those weekly 401 (K) contributions."

But if the experts are wrong, and this turns out to be a market bubble, then watch out.

"Manias can be the profitable phase of bull markets as long as you are astute enough to pick the top," says Ed Yardeni, chief economist for Deutsche Bae Alex Brown.

"If you overstay your welcome, then you are likely to discover that the enriching illiquidity — which drove prices to the moon during the buying frenzy — can instantly morph into impoverishing illiquidity during the selling panic as prices tumble back down to planet Earth," he said.