

HK likely to follow US interest rate hike move

HONG KONG, Aug 11: Hong Kong banks are likely to follow any US interest rate hike, even though this could slow the territory's recovery from a prolonged recession, reports Reuters.

The US Federal Reserve is expected to raise key interest rates by a quarter percentage point at its next board meeting on August 24, after a surge in July jobs data. That was interpreted as a sign the US economy could be overheating.

"I think Hong Kong will have no choice but to follow a US rate hike because of the interest rate gap," said Frank Gong, senior economist and currency analyst at Bank of America.

Hong Kong's dollar is linked to the US dollar in a currency board system so Hong Kong interest rates tend to follow the trend of US interest rates.

If US rates rise but Hong Kong rates stay steady, it is more attractive for institutions to hold US dollars than Hong Kong dollars. That puts pressure on the local currency and pushes up interbank rates through the currency board.

Since the Fed raised rates by a quarter percentage point at the end of June, Hong Kong interbank rates have risen around a half to one percentage point, signalling increased borrowing costs for Hong Kong banks.

Some analysts said if a rate hike prompted institutions to switch holdings from Hong Kong dollars to US dollars, this was not necessarily bad.

"You can call it capital outflow, but I would rather see it as a healthy correction," said an economist at a Hong Kong bank.

"For the first six months of this year, we've had a phenomenal rise in asset markets and a correction was inevitable... people were saying Hong Kong was creating an asset bubble which would be very unhealthy in the long run."

But higher nominal interest rates would weigh on the real economy. Real interest rates — nominal rates less inflation — were already very high because price levels in the territory remained in a falling trend.

Prohibitively high real rates would slow economic recovery, though economists said a quarter percentage point hike would not have a drastic impact on Hong Kong as banks have cut rates seven times, by a total of 175 basis points, since mid-October 1998.

Hong Kong has been in the grip of the worst recession in a generation, with the economy shrinking 5.1 per cent during 1998 and still weak in 1999, contracting 3.4 per cent in the first quarter from a year earlier.

The Hong Kong government has said cautiously that the worst is over and they expect GDP to rise by 0.5 per cent for the year as a whole, barring unforeseen setbacks.

The next indicators, including GDP for the second quarter, are due on August 27, the day analysts say a Hong Kong rate hike could be in the offing if the Fed moves first on August 24.

Chan said bank earnings had improved but were still weak, and banks would have no choice but to raise lending rates to maintain profit margins.

Interbank rates for maturities under six months are above six per cent, and six-month and longer rates are above seven per cent. Major banks are quoting prime rates at 8.25 per cent and



The file photo dated 30 June 1999 showing a talkative US 'Furby' doll. Japanese airlines have decided to oblige customers carrying those dolls with them to remove the batteries from the 'Furby' before boarding.

Chinese exports rise to 12-month high Yuan devaluation pressure eases

BEIJING, Aug 11: China's exports recorded their strongest rise for more than a year in July, foreshadowing a stronger second half performance and easing pressure for a devaluation of the yuan, economists said today, reports Reuters.

The official China Economic Times said exports rose 7.5 per cent year-on-year to \$17.34 billion July while imports jumped 16.7 per cent to \$13.92 billion, producing a trade surplus of \$3.42 billion.

It was only the second monthly rise in exports this year — the other was a 4.2 per cent rise year-on-year in May — and followed a 1.3 per cent drop in June. Last year they grew a lame 0.5 per cent compared with a 20.9 per cent surge in 1997.

"The July export figure is better than people had expected," said Li Jian of the Academy of International Trade and Economic Cooperation, which is affiliated to the Foreign Trade Ministry.

It pointed to a recovery after more than a year of declining sales to crisis-hit Asian countries, he said.

Recovering Asian economies are having a positive impact on China's overseas sales," he said. "Exports in the second half of this year are expected to outperform those in the first half."

Exports fell 4.6 per cent in the first six months of this year compared with the first half of 1998 and the July number, the steepest rise since April last year, drew sighs of satisfaction.

An analyst at the China Zhonghui Foreign Exchange Consulting Company said the trade figures would help support China's yuan currency, the subject of recent devaluation speculation.

"Rising exports in July are definitely good news for the yuan," said the analyst, who declined to be identified.

"And the yuan is still cushioned by foreign exchange reserves, he added. China had \$147.05 billion in its reserves at the end of June.

The yuan is unlikely to be devalued unless Beijing, which has said there would be no reason to do so as long as China had a balance of payments surplus, saw clear economic benefits, the analyst said.

The yuan ended unchanged against the dollar at 8.2771 on Wednesday with dealers citing the July trade figures as the main reason for its stability.

"These figures were the best monthly data so far this year," a local bank dealer said. They helped the yuan stay at high levels.

It said China's exports fell 2.8 per cent year-on-year to \$100.2 billion in the first seven months, while imports grew 16.6 per cent to \$88.9 billion.

Faster growth seen in global demand Oil stays by 22-month high on IEA report

LONDON, Aug 11: Oil prices sped to new 22-month highs before slipping a little yesterday amid good demand for physical crude and projections of faster growth in the world's thirst for oil next year, reports Reuters.

Benchmark Brent blend crude oil was valued at \$20.49 a barrel by the London close, down one cent after hitting a peak of \$20.57 in a late rally, its strongest value since October 1997.

Oil has rocketed by a full \$1 a barrel in the space of a week amid fresh evidence of restraint by OPEC producers, strong US products markets and improving refinery profit margins.

The market posted a solid 40 cent gain on Monday after an explosion at a US oil refinery strengthened US refined products values.

On Tuesday the market drew more strength from International Energy Agency (IEA) estimates that world oil demand growth would quicken markedly next year after slow increases in the past two.

"The nascent economic recovery in Asia should continue to gather momentum and non-OPEC supply growth will be sluggish," the Paris-based IEA said in its monthly Oil Market Report.

Brokers said good physical demand for crudes in Europe, triggered by an upswing in re-

finery profit margins, also helped underpin the market.

The IEA said initial estimates for demand in 2000 showed growth of 1.8 million barrels a day (bpd) to 77 million, double the 900,000 bpd increase this year. Non-OPEC supplies would rise only modestly next year.

Some brokers said that despite Brent's strength, a slowing momentum of business and light trading volumes might amount to a technical warning that a correction could be due.

But overall sentiment remains firm following latest indication that the Organisation of Petroleum Exporting Countries is keeping a tight rein on production.

The IEA said OPEC's compliance with its production cuts was 91 per cent in July from 87 per cent in June. That reinforced the view that OPEC was keeping discipline after it decided to cut production sharply in April through to March next year.

The IEA said demand for OPEC crude would jump to 28.9 million bpd in 2000 compared with current output of just over 26 million bpd.

On Monday, Venezuelan Energy and Mines Minister Ali Rodriguez said he did not expect any change in OPEC's production policy when the group meets next month.

Exchange Rates

Table of exchange rates for various currencies including USD, JPY, CHF, SGD, CAD, SEK, AUD, MYR, HKD, SAR, AED, KRW, GBP, EUR. Columns include selling, buying, and various bank rates.

Market Commentary

On Wednesday, the local foreign exchange market was active and the demand for dollar was steady. The greenback traded in a range of BDT 49.6400 to BDT 49.6450. The call money market maintained its insipid tone and the call rate ranged between 5.00 and 5.50 per cent.

In the international markets, dollar became weaker against sterling as expectations that the British interest rates have reached a low were reinforced by stronger-than-expected UK jobs and average earnings data and the Bank of England inflation report.

At 1730 hours local time, dollar traded at 1.0668/71 against euro, 115.19/24 against yen and GBP at 1.6106/16 against dollar.

Shipping Intelligence

Shipping schedule table for Chittagong Port showing berth, vessel name, cargo, local agent, and date of leaving/arrival.

Table of vessels due at outer anchorage, including vessel name, date of arrival, local agent, and cargo loading details.

Table of vessels at Kutubdia and vessels at outer anchorage, including vessel name, date of arrival, local agent, and cargo.

Table of vessels not ready and vessels awaiting instruction, including vessel name, local agent, and date of arrival.

Table showing movement of vessels for 12.8.99, including outgoing, incoming, and shifting vessels.

BCIC International Tender Notice. Managing Director, Khulna Newsprint Mills Ltd., Town Khalishpur, Khulna invites sealed quotation under 2 (two) envelope system against International Tender Enquiry No. KNM/PD (F)-29/99 for AIR HEATER TUBES FOR BOILER on C&F (C) Mongla Liner term basis under Cash Foreign Exchange.

Government of the People's Republic of Bangladesh. Local Government Engineering Department. Noakhali Rural Infrastructure Development and Maintenance Project (RDP-22). Office of the Project Director LGED Bhaban, Agargaon.

Invitation of Proposal for Short-listing of NGOs. The Government of the People's Republic of Bangladesh has received a grant from the Swiss Agency for Development and Co-operation, hereinafter referred to as the SDC, towards the cost of Noakhali Rural Infrastructure Development and Maintenance Project (RDP-22) and intends to apply part of the funds to cover eligible payments under the contract for 'Complementary Poverty Reduction Measures' activities to be undertaken only at Hatiya Thana of Noakhali District.

Government of the People's Republic of Bangladesh. Office of the Executive Engineer, R&H Road Division, Patuakhal. Quotation notice of auction call in sealed tender in Bangladesh Form No 2911. 1. Quotation notice no of auction call: Patu RD 01/1999-2000 (new call). 2. Name of work: Auction call of government semi-pucca houses of different sizes/tin-shed houses made of wood/shop as and where they are basis on the government-acquired land on the southern side of the bridge for constructing Subidkhal Bridge adjacent to Subidkhal Bazar on the 14th KM of Chandkhal-Subidkhal-Kanoki-Bakerganj Road under Patuakhal Road Division during 1999-2000.

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Bangladesh Railway Engineering Department (East Zone) Tender Notice. Sealed tenders are invited for the following works from the enlisted 'C' Class Contractors of Bangladesh Railway/East Zone. 1. On CN Branch at KM. 4/1-2 Up Grading of Level Crossing Gate No. T/3(Spl.) in connection with widening of Zakir Hossain Road by Chittagong City Corporation.

British jobless rate falls to 19-year low. LONDON, Aug 11: Britain's unemployment rate plunged to a new 19-year low of 4.3 per cent in July, as the number of jobless claiming benefit tumbled by an unexpectedly large 32,900, official figures showed today, reports Reuters.

The above are shipping position and performance of vessels of Chittagong Port as per berthing sheet of CPA supplied by HRC Group, Dhaka.