

# Indian bonds seen most at risk Pak coup casts cloud over sub-continent debt

HONG KONG, Oct 13: The coup in Pakistan is likely to have only a limited impact on the Asian sovereign debt market with Indian bonds most at risk, bond analysts said today. The only major impact would be if they (the Pakistanis) made threatening noises over Kashmir again, said Scott Wilson, sovereign bond analyst at Warburg Dillon Read in Singapore, reports Reuters.

But Wilson noted that even during the recent Kashmiri crisis the Indian bond spreads only widened around 15 basis points.

"This morning at the Hong Kong open there was no reaction on the Indian debt market," said one Asian bond trader at a US investment bank.

But Indian bonds do tend to be fairly illiquid and any reaction may not come for some time.

"The market is likely to adopt a wait-and-see attitude. Tension will no doubt increase but whether this translates into anything, it's too early to tell," said Ivan Lee, head of fixed income research at Salomon Smith Barney in Hong Kong.

Indian finance firm ICICI's ICIC BO 7.55 per cent bond due 2007 is the market benchmark for the sub-continent, and it is trading at around 320 basis points over US Treasuries.

Pakistan itself has two floating-rate notes and two sovereign bonds worth a total of \$750 million dollars. By December 2000 some \$470 million dollars of this debt is due to mature.

The bonds are rated Caa-1 Moody's Investors Service and CC by Standard and Poor's Corp — both speculative grades. S&P also has Pakistan's foreign currency issuer ratings on 'Selective Default'.

A principal repayment on the Pakistan five-year \$150 million sovereign eurobond is due on December 22. A Pakistan finance ministry official told the news agency in August that interest payments falling due on the eurobond in September and November would be paid in full, but the repayment of principal on the bond due in December would be "extended."

Much of this eurobond though is held by the country's state-run banks and it has never really traded widely. "No one could get you any," said the trader at the US investment bank.

The key issues for the debt markets after the coup are what happens to the recent rescheduling of loans extended by the Paris club of Western creditors and by the International Monetary Fund.

The Paris Club conditionally rescheduled \$3.3 billion of Pakistan's bilateral debt repayments in February, and Pakistan finalised agreements with international banks this summer for renewal of \$877 million in commercial loans.

IMF lending to Pakistan was halted for several months in 1998 after the international community imposed sanctions following Pakistan's nuclear tests.

## Loans worth billions at risk

A report from New York says: Pakistan risked losing billions of dollars in much-needed foreign loans rescheduled earlier this year after a military coup yesterday threatened to alienate investors and Western governments, market analysts said.

The impoverished South Asian country finalised agreements with international banks earlier this summer for renewal of \$877 million in commercial loans struck a deal with Western governments to roll over \$3.3 billion in credits under the umbrella of the Paris Club.

But none of the agreements has been formally ratified and they could easily unravel in the absence of an elected government, analysts warned. Also in doubt is disbursement of a third installment of a \$1.5 billion loan from the International Monetary Fund that was under scrutiny even before the coup attempt.

"The rescheduling of \$877 million in commercial loans has not reached closure," said Ashok Bhatia, primary sovereign analyst for Pakistan at Standard & Poor's. "That is the reason the country's (foreign currency issuer) ratings remain as SD (selective default)."

"Now the situation is quite volatile... what we need to watch out for is whether or not today's events will affect the

IMF programme, which is a precondition for the Paris Club rescheduling (of loans)," said Bhatia.

Pakistan's government earlier this year negotiated new arrangements with foreign creditors in the midst of a financial crisis, triggered partly by economic sanctions from the United States and a drying up of capital flows to the country.

The US imposed sanctions after Pakistan followed neighbouring India with open nuclear tests in May 1998. The sanctions were partly lifted last December.

Facing depleting international reserves despite a freeze on all foreign currency deposits, Pakistan negotiated new terms on its overseas debt.

Its efforts were complicated by demands from the IMF and Western government creditors that the country renounce payments on a \$300 million Eurobond to conserve precious foreign exchange reserves.

Kristin Lindow, chief analyst for South Asia at Moody's Investors Service, said she believed the IMF had postponed releasing any new money as Pakistan has not complied with all the terms of the agreement.

In the secondary market, the Pakistan Eurobond due in 2000 was offered at \$53 with no buyers, traders said.

With just over \$1 billion in foreign currency reserves and facing a likely cut-off in any new money, Pakistan will face a mounting challenge in getting out of recession and meeting payments.

# Financial markets face uncertainty

KARACHI, Oct 13: Pakistani financial markets face another bout of uncertainty after the dismissal of Prime Minister Nawaz Sharif's government and analysts said investors would focus on the reaction of international donors, reports Reuters.

The equity market "is likely to fall 60 to 70 points yesterday because rates in the kurb market have already plunged," said Osama Bin Shoaib, dealer at First Capital ABN AMRO Equities.

There was no announcement about a possible closure of trading at the Karachi Stock Exchange (KSE) on Wednesday although Pakistan's central bank said banks would be closed for business.

State Radio announced earlier on Tuesday that Sharif's government had been dismissed and that army chief General Pervez Musharraf, sacked by Sharif earlier in the day, planned to address the nation on television and radio.

Shoaib said local investors would watch cautiously before making fresh investments, but the move had shut the door for foreign investment in the near future.

The news came after the trading hours at the Karachi Stock Exchange (KSE) had ended. The index closed 7.15 points or 0.57 per cent higher at 1,256.94 points.

A foreign exchange kurb dealer said the rupee would be under pressure on Wednesday because "the dollar has just disappeared from the market" after the news.

It was not clear if the kurb market would operate today (Wednesday).

The rupee was trading at 54.45 against the US dollar in

late trade against previous day's value of 54.39.

The Pakistani currency's value in the interbank market was 51.86/51.89 rupees to a dollar against 51.81/51.85 on Monday.

An investment banker said the most important thing on Wednesday would be the reaction of the multilateral donors. "If there is a negative statement from the donors, it is bound to cause panic," he said.

The International Monetary Fund (IMF) has withheld a tranche from a \$1.56 billion loan programme due since July, and sources said problems in implementing a reform programme had already delayed loans before Sharif's dismissal came.

## EU postpones its partnership deal with Islamabad

BRUSSELS, Oct 13: The European Union today postponed indefinitely the renewal of a 13-year-old partnership accord with Islamabad following a military coup in Pakistan, an EU spokesman said, reports AFP.

The European Union and Pakistan have been linked in a partnership accord signed in 1986, and to have been renewed on October 20.

The spokesman said a meeting between Pakistan and the EU troika had also been cancelled.

European Commission for External Relations Chris Patton said he "deplored" the military coup and hoped "that democracy will be restored as quickly as possible."

## Dow down on Pak jolt

NEW YORK, Oct 13: Investors' worries that corporate profits could fall, combined with news of a coup in Pakistan, drove the Dow Jones Industrial Average down 2.17 per cent yesterday, reports AFP.

The Dow lost 231.12 points to close at 10,417.06, which the Nasdaq dropped 43.54 points, or 1.49 per cent, to 2,872.41 — just one day after setting a new record.

US defense and high-tech firm Raytheon set the tone with its announcement that net earnings and revenues this year would be sharply lower than expected.

Raytheon shares plummeted 19 dollars to 23 dollars — a 45 per cent fall equivalent to the loss of 6.3 billion dollars in capital in a single day.

Investors' sentiments soured from there, partly on news that Pakistan's army had "dismissed" Prime Minister Nawaz Sharif's government.

# Coup in 'big borrower' worries IMF

WASHINGTON, Oct 13: The International Monetary Fund is worried about the coup in big borrower Pakistan and is watching the situation closely to see how it affects lending and economic plans, a spokesman said yesterday, reports Reuters.

Spokesman William Murray said the IMF would assess what the coup meant for Pakistan's latest IMF loan, a \$1.5 billion credit approved in 1997. Payments from the loan have already been delayed because of doubts about economic conditions and a dispute over the role of independent power producers.

"IMF management is concerned about the reports of a military coup in Pakistan," Murray said.

"We will be monitoring the situation closely and assessing its implications for Pakistan's economic programme and borrowing arrangement with the Fund."

The IMF loan to Pakistan stalled initially after US-led

sanctions to punish Pakistan for testing nuclear bombs. Payment resumed this January as the country struggled to find funds to pay its debts and to prevent an economic meltdown.

But the IMF and the World Bank remain worried about Pakistan's economic performance, especially about tax collection and the actions of the independent power producers and how much they charge for electricity.

Fund officials said last week that IMF management had met with Pakistani officials following last month's annual meetings of the IMF and World Bank. They "hoped to resolve soon the outstanding issues" blocking new payments from the credit, the fund said in a statement last week.

The IMF traditionally ties its lending to policies rather than to governments, although its actions are often heavily influenced by the views of its largest shareholders.



Brokers gather in front of the main entrance of the Karachi Stock Exchange (KSE) which was closed due to bank holiday yesterday. The KSE closed due to the holiday declared by the country's bank, a day after the army ousted Prime Minister Nawaz Sharif. — AFP photo

# WTO accused of undermining public health, environment

WASHINGTON, Oct 13: Consumer rights group Public Citizen lashed out at the World Trade Organisation on Wednesday accusing its leaders of undermining public health and the environment in a report activists hoped would fuel anti-WTO sentiment in the United States, reports Reuters.

Public Citizen and its founder, consumer advocate Ralph Nader, said the WTO had usurped the authority of local and national governments in five years of trade policy-making, while concentrating power and wealth in the hands of the world's largest corporations and financial institutions.

The group urged US President Bill Clinton and Vice Presi-

dent Al Gore, and other world leaders to rein in the WTO, or risk a backlash from the public against its "environmentally unsound" market-opening policies.

"Since its creation nearly five years ago, the World Trade Organisation has launched a quiet, slow-motion coup d'état against democracy, accountable policymaking and governance worldwide," Public Citizen said in a statement, summing up the group's 229-page report on the 134-member WTO, which sets global trading rules.

The report, titled "Whose Trade Organisation? Corporate Globalisation and the Erosion of Democracy," is part of a worldwide campaign by Public

Citizen and a coalition of other consumer rights, environmental and labour groups to rally the public against the WTO.

As part of that campaign, the groups plan to mobilise thousands of activists to disrupt the WTO's ministerial meeting in Seattle Nov 29 to Dec 3 and to protest the upcoming round of global trade talks, expected to last at least three years. Those talks aim to reduce tariffs and other barriers to international trade in goods and services.

Public Citizen also hoped its WTO report would put pressure on Gore, who is counting on support from labour and environmental groups in next year's presidential election.

## SGS moves to new office in Ctg

As part of its modernisation drive in Bangladesh, Societe Generale de Surveillance has shifted to its new office at CDA Residential Area in Agrabad, Chittagong, says a press release.

Earlier, SGS Bangladesh Limited made similar moves both at Khulna and Dhaka.

Local Managing Director Peter Hall in a comment said, "the relocation or shifting to a modern premises with the latest technology installed is yet another indication of SGS's commitment to Bangladesh."

While inaugurating the new office, the visiting Regional Manager for South Asia Iain Webster said that he had been impressed with the market in Bangladesh and economic growth here. He further said that SGS would like to continue to be Bangladesh's development partner.

It may be mentioned here that SGS established its offices in Bangladesh in 1962 and continues to serve the nation. The SGS Group of Companies is the world leader in inspection, testing and verification. It operates in more than 140 countries through its network of subsidiaries and laboratories. Founded in 1878, SGS initially specialised in controlling grain shipments. Today the Group is unique thanks to its worldwide geographical coverage and broad range of its services.

The policy of SGS is not engage in any manufacturing, trading and financial activities which might compromise its independence and neutrality. The Group has built its international reputation on a commitment to quality on the individual and collective responsibility of all the employees for the service of customers worldwide.

## ECB revises its reserve target down

FRANKFURT, Oct 13: The European Central Bank said today it revised its estimated reserve requirement for the current maintenance period down to 102.8 billion euros from the earlier announced 103.0 billion euros, reports Reuters.

The current maintenance period ends on October 23. For each period the ECB sets a minimum requirement for the amount of money commercial banks must hold with the central bank.



South Asian Regional Manager of SGS Iain Webster inaugurates the new SGS Bangladesh office at Chittagong on Monday. — SGS photo

# Oil surges on fall in US stocks

SINGAPORE, Oct 13: Oil prices surged higher in early Asian trading after news crude stocks in the United States fell much more than had been expected, reports Reuters.

Weekly statistics from the American Petroleum Institute showed US crude stocks dropped 7.1 million barrels last week, when a fall of 1.25 million barrels had been expected.

The data is followed closely because the United States is the world's biggest oil user, guzzling some 15 million barrels per day (bpd) — a fifth of global consumption.

New York Mercantile Exchange (NYMEX) November crude futures surged 66 cents per barrel or three per cent to \$22.96 per barrel compared with New York's overnight close.

At 0300 GMT, the November contract was last traded at \$22.91, up 61 cents.

The API data was released after the close of New York trading yesterday, when the November contract had jumped \$1.03.

The oil stock draw will cheer OPEC producers, who this week have been trying to bolster market sentiment following last week's \$3.64 or 15 per cent sell off.

The fall occurred partly as a result of worries OPEC's self-imposed supply restraint was relaxing.

OPEC took a further blow on Monday when the International Energy Agency said the world's oil stocks were falling more slowly than expected.

Kingpin producers Saudi Arabia and Iran tried to calm market nerves by saying compliance with the cuts was strong and the policy would stay firmly in place until the end of March and possibly longer.

Prices have rapidly been erasing last week's losses, already climbing more than two dollars.

Oil analysts said they expected prices to once again worked their way higher, supported by increased demand from the northern hemisphere for heating oil as the region heads into the colder fourth and first quarters of the calendar year.

Market bulls will target late September's 33-month high of \$25.12 per barrel to see if there is appetite to take the market to even greater heights.

The high was the culmination of an eight month rally that pushed prices to more than double in value.

## Exchange Rates

American Express Bank foreign exchange rates (indicative) against Taka to clients									
Currency	Selling TT & OD	Selling BC	Buying T Clean	Buying OD Sight	Export Bill	Export Transfer			
US Dollar	49.7300	49.7700	49.3200	49.1570	49.0850				
Pound Stg	82.7010	82.7675	81.5013	81.2319	81.1130				
Deutsche Mar	27.7988	27.8212	26.8042	26.6994	26.6603				
Swiss Franc	33.7725	33.7997	33.2524	33.1425	33.0940				
Japanese Yen	0.4701	0.4705	0.4615	0.4599	0.4593				
Dutch Guilder	24.6719	24.6918	23.7892	23.6992	23.6615				
Danish Krona	7.2662	7.2721	7.0995	7.0780	7.0656				
Australian \$	33.0953	33.1219	31.8114	31.7063	31.6596				
Belgian Franc	1.3478	1.3489	1.2996	1.2945	1.2926				
Canadian \$	34.0057	34.0331	33.0364	32.9272	32.8790				
French Franc	8.2686	8.2953	7.9921	7.9806	7.9491				
Hong Kong \$	6.4135	6.4186	6.3353	6.3143	6.3051				
Italian Lira	0.0281	0.0281	0.0271	0.0270	0.0269				
Norway Kroner	6.4837	6.4889	6.3782	6.3551	6.3458				
Singapore \$	29.3146	29.3386	28.9396	28.8692	28.8199				
Saudi Rial	13.2992	13.3099	13.1153	13.0719	13.0528				
UAE Dirham	13.5770	13.5880	13.3909	13.3466	13.3271				
Swedish Krona	6.1668	6.1718	6.0896	6.0694	6.0605				
Omani Riyal	13.6978	13.7089	13.5068	13.4621	13.4424				
Kuwaiti Dinar	169.9039	170.0376	167.3708	166.8507	166.6209				
Thai Baht	1.2556	1.2567	1.2428	1.2387	1.2369				
Euro	54.3698	54.4135	52.4245	52.2195	52.1480				

## Bill buying rates

TT Doc	30 Days	60 Days	90 Days	120 Days	180 Days
49.2112	48.9090	48.4980	48.0870	47.6760	46.8540

US Dollar London Interbank Offered Rate (LIBOR)									
Buying	Selling	Currency	1 Month	3 Months	6 Months	9 Months	12 Months		
49.0850	49.7300	USD	5.40625	6.17375	6.0825	6.12125	6.21		
90.4601	92.0644	GBP	5.39627	6.05328	6.13156	6.25	6.43594		
Cash/TC	Cash/TC		2.66625	3.30	3.395	3.49375	3.6225		

## Exchange rates of some Asian currencies against US dollars

Indian Rupee	Pak Rupee	Thai Baht	Malaysian Ringgit	Indonesian Rupiah	Korean Won
43.435/43.445	51.865/51.885	39.70/39.77	3.7995/3.8005	8110/8160	1204.8/1205.2

## Amex Notes on Wednesday's Market

The USD/BDT rates were unable to move beyond 49.49-40.50 range on Wednesday. The call rates ranged between 5.6 and 6 per cent.

Dollar stayed under pressure against the yen and euro in late Tokyo trade on Wednesday after a sell-off in US asset markets overnight. There was also a growing view that the Bank of Japan (BOJ) might not ease credit further from the current zero interest rate policy, which would be yen-supportive. The yen rose to one-week highs against a fragile dollar. Analysts said they were not expecting the BOJ to announce a decisive shift towards monetary easing, but there was a chance that it could expand its money market operations.

Meanwhile, euro held within a quarter cent of the 10-week peak around \$1.08 it set overnight as the dollar was hurt by Tuesday's 2.17 per cent drop in the US Dow Jones Industrial Average.

Sterling rose above \$1.6550 against the dollar but was soft against the euro. The pound was supported after Britain's largest mortgage lender, Halifax Plc, said house prices in London rose 20.6 per cent in the third quarter from a year earlier. Analysts said the report fuelled expectations for higher British interest rates.

Analysts said the coup in Pakistan was having only a limited impact on the foreign exchange market.

At around 0932 GMT, the exchange rates of major currencies against USD were GBP/USD 1.6555/6558, USD/CHF 1.4778/4788, USD/JPY 107.15/107.20, EUR/USD 1.0761/1.0763.

## Shipping Intelligence

Chittagong Port						
Berth position and performance of vessels as on 13.10.99						
Berth No.	Name of vessels	Cargo	L Port call	Local agent	Date of arrival	Leaving
J/1	Sheng Yang	GI (P.Iron)	Sing	RML	5/10	13/10
J/2	Rio express	GI	P.Said	Seaglor	24/9	15/10
J/3	Kuanyin	Wheat(P)	Sing	Limond	R/A	13/10
J/4	Panglima	GI (Btumen)	B.Abb	MSA	29/9	19/10
J/5	Clifton-II	GI(WT.CEM)	Sing	SSTL	6/10	15/10
J/6	Thor Star	Wheat(P)	S Daya	Angelic	26/09	17/10
J/7	Xiang Cheng	GI	Zing	Bdship	6/10	20/10
J/8	Banglar Gourok(Wheat)	GI	K.Dia	Lams	R/A	14/10
J/9	Banglar Moubat(Wheat)	GI	K.Dia	BSC	R/A	14/10
J/10	Trident	GI	P.Said	MSA	29/9	18/10
J/11	Dafa	Cont	Viza	BSC	12/10	15/10
J/12	Banglar Robi	Cont	Sing	BSC	22/10	15/10
J/13	Delos-1	Wheat(P)	K.Dia	Lams	4/10	17/10
CCT/1	Xpress resolve	Cont	Sing	RSL	11/10	14/10
CCT/2	Achiever	Cont	Sing	RSL	10/10	13/10
CCT/3	Banga Biraj	Cont	Saing	Bdship	11/10	15/10
RM/14	Banglar Kallol	Repair	Mumb	BSC	25/9	14/10
RM/15	Ever Cheer	Fert	sing	SSTL	19/9	14/10
CGJ	Ken Koku	C.Clink	Pak	Delmure	29/9	20/10
GSJ	Ocean PrideC	Clink (Diamond)	Lumet	Apex	30/9	16/10
TSJP	Banga Bjori	Repair	sing	Bdship	13/10	14/10
RM/4	Pradya Dwitya	F Oil	Sing	CTPL	12/10	13/10
RM/5	Bangla Jyoti	Repair	BSC	BSC	8/10	13/10
DDJ	Bold Alliance	Cement	Tanj	Uniship	6/10	25/10
DOJ	Al Marzan	Repair	Tuti	BSL	5/10	20/10
RM/8	Jet Tanker	CFO	Sing	Seacom	8/10	13/10
RM/9	Phaetnon	Repair	Durb	OWSL	10/06	18/10