US Senate resolves deadlock on tax, trade bill

REUTERS, *Washington*

Senate leaders broke a three-week deadlock Thursday over several politically charged issues that had held up passage of a corporate tax bill needed to lift costly European tariffs on US exports.

Senate Republican leader Bill Frist of Tennessee said the bipartisan legislation and controversial amendments such as one addressing overtime pay rules will be debated after the spring recess ends April 19.

Prospects were now brighter for passage of the bill that would repeal a tax break deemed an illegal export subsidy by the World Trade Organization and enable the European Union to lift retaliatory tariffs on many US exports.

A 5 per cent tariff imposed March 1 was to rise each month by about $40 million.

To compensate them, US manufacturers would get breaks on their US income tax. The bill also contains $13 billion in energy tax breaks and cracks down on some tax dodges.

"With the sanctions having an impact every day and increasing every month, we must find a way to get this done," Frist said on the Senate floor.

Under the agreement worked out by Frist and Democratic leader Tom Daschle of South Dakota, Democrats would be allowed 30 amendments and Republicans 50, a Democratic aide said.

Chief among the Democratic amendments is one to bar the Bush administration from revising federal rules on overtime pay. Democrats say the move could hurt more than 8 million workers.

Republicans were to offer a few amendments aimed at wooing conservative voters this election year including a version of President George W Bush's "faith-based initiative" designed to make it easier for religious groups to participate in government-sponsored social welfare programmes.

Republicans, who have a slim majority, had failed twice in the past three weeks to cut off debate on the tax and trade legislation, in their attempt to deflect what they called Democrats' "political message" amendments.

Senate passage was expected to spur action in the House of Representatives, where Republicans had been stymied over whether their version gave enough compensatory benefits directly to US manufacturers.

The House version would grant an across-the-board 3 per cent income tax cut to all US companies, whether or not they manufacture and export goods.

PHOTO: CONCORD REAL ESTATE & BUILDING PRODUCTS

SK Lala and Shahriar Kamal, directors of Concord Group, inaugurate a new sales office of Concord Real Estate and Building Products Limited at Concord Regency located at Panthopath in Dhaka recently.

PHOTO: NCC BANK

National Credit and Commerce Bank Limited (NCC Bank) Managing Director M Aminuzzaman speaks at the inaugural session of a two-day training course on "MoneyGram: Conversion to Local Currency" organised by the bank recently in Dhaka. Among others, Ashish Trivedi, representative of MoneyGram International, was present.

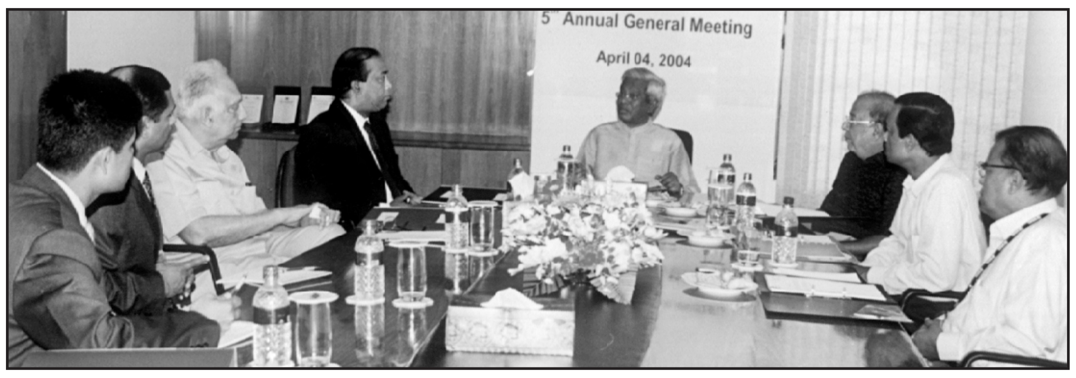

PHOTO: A POSITIVE ADVERTISING LTD

Brac Bank Limited Chairman Fazle Hasan Abed presides over the bank's 5th annual general meeting held recently in Dhaka. Among others, directors of the bank Faruq A Choudhury, Aminul Alam, Salehuddin Ahmed, Syed Humayun Kabir and Acting Managing Director Imran Rahman were present.

PHOTO: ISLAMI BANK BANGLADESH

Mominul Islam Patwary, chairman of Executive Committee of Islami Bank Bangladesh Limited, speaks at the inaugural session of the daylong quarterly conference of heads of zones, corporate branches and branches under Dhaka South and North zones of the bank yesterday in Dhaka.

Kuwait urges reforms to achieve single Gulf currency

REUTERS, *Kuwait*

Kuwait's central bank chief Wednesday told Gulf Arab counterparts they should speed up economic and financial reforms to meet their 2010 target for a single currency.

Sheikh Salem Abdul-Aziz al-Sabah told a meeting of central bankers of the Gulf Cooperation Council (GCC) that for a single currency to succeed they must be ready to cede power to a Gulf central bank.

That independent central authority must draw up and execute a unified monetary policy for the six GCC countries -- Saudi Arabia, Bahrain, Qatar, Kuwait, Oman and the United Arab Emirates.

He later told a news conference the idea of a single central bank was raised so the GCC "can get a head start to begin the necessary legislative and institutional studies."

Also, the delegates agreed in principle on some key criteria for standardising economic measures such as budget deficits, inflation, interest rates, banks' foreign reserves and the ratio of public debt to gross domestic product, he said.

BoJ retains policy as economy firms

REUTERS, *Tokyo*

The Bank of Japan kept its super-easy monetary policy in place Friday amid signs of a broadening economic recovery even as the kidnapping of three Japanese in Iraq cast a shadow over financial markets.

The BoJ's nine-member Policy Board voted unanimously to keep the target volume of current account deposits parked at the central bank at 30-35 trillion yen ($282-329 billion).

This was the level it set when the bank eased monetary policy in January to keep interest rates near zero. Current account deposits comprise bank reserves and reserves put up by other financial institutions such as brokerages.

The BoJ's March "tankan" corporate sentiment survey last Thursday showed corporate Japan more confident than at any time in about seven years. A diffusion index for large manufacturers came in at plus 12, up from a previous plus7.

The survey also showed an improved mood among non-manufacturers and small firms, which had been lagging exporters.

In recent days, the Nikkei stock average has surged to 32-month highs above 12,000 on expectations for better corporate profits. But stocks were hit and the yen weakened yesterday as traders worried that the kidnappings in Iraq could damage Prime Minister Junichiro Koizumi's administration.

A hitherto unknown Iraqi group, Saraya al-Mujahideen (Mujahideen Brigades), released a video of three Japanese hostages on Thursday and vowed to "burn them alive" if Japanese troops did not leave Iraq in three days.

The yen also struggled, trading at around 106.15 yen after falling to around 106.75 on worries about the impact of the kidnappings on the stability of the government.

Unlike in the United States, where speculation of an interest rate rise is increasing as economic conditions improve, analysts expect the BoJ to maintain its current easing policy for at least another year because of persistent price declines.

The BoJ itself has said it will continue its current framework of flooding the markets with liquidity until changes in consumer prices stabilise above zero.

Furthermore, the BoJ may have had little incentive to further ease policy as the rise of the yen, which hit a four-year high of 103.40 to the dollar last week, has had limited impact on the economy so far.

Weekly Currency Roundup

April 03-April 08, 2004

Local FX Market

US dollar was steady against Bangladeshi taka in this week. Matched demand-supply in the market held the greenback stable in thin market amidst of hartals.

Money Market

Bangladesh Bank borrowed BDT 6,024.00 million by the Treasury bill auction held on Sunday, compared with BDT 4,940.00 million in the previous week's bid. The weighted average yields of t-bill of different tenors were almost unchanged.

The call money rate moved in narrow range in this week. Call money rate ranged between 3.25 and 3.75 percent in the beginning of the week. At the end of the week the rate rose and ranged between 3.50 and 4.00 percent.

International FX Market

The dollar hit a one-week high against the euro and a one-month high on the Swiss franc in the beginning of the week after last week's surprisingly strong US jobs report fanned expectations that US interest rates might rise soon. The dollar had risen to a one-week high of $1.2080, before trimming gains to $1.2110. The yen also lost ground against the dollar to 104.71 yen, having set a four-year high of 103.38 last week on speculation that Japanese authorities might be scaling back their massive yen-selling intervention as the economy improved. Against the euro, yen rise to a 4-1/2 month high.

The dollar backed off the previous session's two-week highs on the yen in the middle of the week as an upgrade to Japan's foreign currency debt rating boosted the yen in thin, pre-holiday trade. But the US currency held firmer against the euro as recent signs of recovery in the US jobs market buoyed expectations for higher US interest rates before the end of the year. Dealers said the dollar was still being supported against the Euro by expectations that the interest rate differential between the US and Euro Zone would narrow in the month's ahead. However, analysts noted that a deteriorating situation in Iraq and potential disappointment from forthcoming first-quarter corporate earnings could derail the dollar's recovery.

The yen slipped on Thursday as Japanese investors shifted funds abroad for the new financial year, while the dollar steadied after easing to the week's lows versus European currencies as violence excalated in Iraq. Data from the Ministry of Finance out on Thursday showed Japanese investors bought $1.67 billion in foreign equities in the week ending April 2, backing up talk of their fresh asset allocation overseas into the new fiscal year. Yen was down half a percent against the dollar and Euro from late New York level. Dollar had fallen to this week's low at $1.2221, before trimming the losses. Against the safe-heaven Swiss franc, it also fell to 1.2714.

--Standard Chartered Bank

STOCK