

China dampens hopes of yuan revaluation ahead of G7 meet

AFP, Beijing

China has shown no sign of bowing to international flattery or pressure to amend its fixed yuan/dollar currency system and its invite to the top drawer G7 meeting of finance chiefs in London is unlikely to bring any change either, analysts say.

China will send two very senior officials to the Group of Seven meeting on Friday and Saturday but they may only engage in what is essentially small-talk, with any chance that Beijing would choose this venue to make a startling announcement of the imminent end of the fixed yuan being very remote at best.

"If the past is any guide, China will not adjust its exchange rate right after the G7 meeting," said Wang Zhao, an economist at the Development Research Institute, a top government think tank.

"It would show China surrendering to (international) opinion." For the image-conscious Chinese leadership, that would be a fate worse than death by a thousand tariffs.

There are also good fundamental reasons why Finance Minister Jin Renqing and central bank chief Zhou Xiaochuan probably carry few

surprises with them to the British capital.

Keeping the yuan in its place will help stabilize the dollar at a crucial time when US policy makers are seeking a measured slowdown of their economy, according to Andy Xie, a regional economist at Morgan Stanley in Hong Kong.

"A soft landing of the US economy is a necessary condition for China to achieve a soft landing, in my view," he said. "This is why I believe that China will keep the currency stable in 2005."

As if to drive the point home, a remarkably long list of Chinese officials, from Vice Premier Huang Ju on down, have stressed that the yuan, fixed at about 8.3 to the dollar since 1994, is not about to disappear.

"We do not have a specific timetable for the exchange rate regime but we have to take into account several elements," Huang told the World Economic Forum in Davos, Switzerland.

"We need to have a stable macroeconomic environment, well established market mechanisms and a healthy operational system. This is the first prerequisite."

"Leave this issue to the Chinese people and the Chinese govern-

ment," he said. "We will certainly figure out what is the most suitable approach for China's economic development."

To most observers, it all adds up to a signal that China will use its second invitation to the grouping of the world's leading industrial nations as an opportunity to discuss the yuan but little more.

"China won't move just because of the G7," said Frank Gong, chief China economist at JPMorgan.

Li Deshui, deputy governor of the central bank, used the same gathering to politely tell the world to mind its own business.

That has not deterred the markets, which have engaged in frantic speculation that new Chinese exchange rate policies are a near-term prospect, as they have done time and again over the past several years.

This time around, investors have looked at statistics coming out of China, including data showing massive fund inflows into Asia's second-largest economy towards the end of last year.

In the two last months of 2004, China's forex reserves jumped 67.5 billion dollars, widely seen as evidence that large amounts of specu-

lating to cash in on a rise in the yuan.

Hot money in sufficiently large amounts does make it harder for China to wage sensible monetary policies at home but the pressure is not so unbearable that Beijing will be forced to let go of the peg, according to analysts.

"It's a case of not letting the truth get in the way of a good story," said Callum Henderson, head of global foreign exchange strategy at Standard Chartered Bank, commenting on the market's behavior.

"The market has been getting itself lathered up for something to happen and when it doesn't, there will be a retracement," he said.

What forex traders around the globe may have learned from the recent string of public announcements is that China is getting adept at the essential central bank skill of being obscure.

"It's possible they could revalue this year but it is one hundred times more difficult to predict what China is going to do than to predict the (US) Federal Reserve," said Yonghao Pu, head of Asia regional research for UBS Wealth Management.



PHOTO: UNITREND

Officials of Monem Sugar Refinery Ltd (MSRL) and SUTECH Engineering Company Ltd exchange documents after signing a memorandum of understanding yesterday in Dhaka. Under the deal, MSRL will refine sugar with the technical assistance of SUTECH.

CURRENCY

Following is Wednesday's (February 2, 2005) forex trading statement by Standard Chartered Bank

Sell		Buy			
TT/OD	BC	Currency	TT Clean	OD Sight/Doc	OD Transfer
63.8000	63.8500	USD	62.5550	62.3713	62.2968
84.2670	84.3331	EUR	81.1026	80.8643	80.7679
121.1115	121.2065	GBP	117.2343	116.8900	116.7505
50.2106	50.2500	AUD	47.7044	47.5643	47.5076
0.6243	0.6248	JPY	0.5990	0.5972	0.5965
54.3858	54.4284	CHF	52.1422	51.9890	51.9270
9.6037	9.6112	SEK	8.5163	8.4913	8.4812
52.2223	52.2632	CAD	50.2288	50.0813	50.0216
8.1876	8.1940	HKD	8.0124	7.9888	7.9793
39.1603	39.1910	SGD	38.0459	37.9341	37.8888
17.5140	17.5277	AED	16.8958	16.8462	16.8261
17.1482	17.1617	SAR	16.5485	16.4999	16.4802
11.7329	11.7421	DKK	10.5388	10.5078	10.4953
219.1611	219.3329	KWD	206.5135	205.9069	205.6612

Exchange rates of some currencies against US dollar

Indian rupee	Pak rupee	Lankan rupee	Thai baht	Nor kroner	NZ dollar	Malaysian ringgit
43.63	59.37	99.5	38.560	6.3243	0.7624	3.80

Local Interbank FX Trading

Local interbank FX market was active on Wednesday. Dollar continued to get stronger against BDT due to higher demand for the greenback.

Local Money Market

Money market was active. Call money rate rose slightly and ranged between 10.00 and 12.00 percent compared with 8.00-9.00 percent previously.

International Market

The dollar drifted lower against the euro and the yen on Wednesday as investors waited for the Federal Reserve to deliver

an expected interest rate hike and give clues on the future outlook for the monetary tightening. The Fed is expected to raise rates by 25 bps in its sixth tightening since June when it announces its decision at 1915 GMT. Euro zone producer prices fell more than expected in December, drive down by declining energy costs. German unemployment rose in January to its highest recorded level since 1933 as government labour market reforms and seasonal effects added more than half a million people to the total.

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PHOTO: MERCANTILE INSURANCE CO

Chairman of Mercantile Insurance Company Ltd Abdul Haq and Chairman of the company's Executive Committee Kamal Uddin attend the Branch Head Conference-2005 held recently in Dhaka. Heads of different branches and other senior officials of the company are also seen in the picture.

Mitsubishi Electric net profit doubles

AFP, Tokyo

Mitsubishi Electric said Wednesday its net profit more than doubled in the nine months to December on growing sales of industrial and electronic devices despite slower production and capital spending in Japan.

Net profit rose 144 percent from a year earlier to 36.2 billion yen (350 million dollars), with pretax profit up 47 percent to 58.3 billion yen as sales grew two percent to 2.35 trillion yen.

"During the third quarter of fiscal 2005 ... there was a visible slowdown in the US and Chinese economies," the company said in a statement.

SHIPPING

Chittagong Port

Berthing position and performance of vessels as on 02/02/2005

Berth no	Name of vessels	Cargo	L. Port call	Local agent	Di of arrival	Leaving	Import disch.
J1	Hpaan	GI(Y.Ma)	Yang	MTA	28/1	2/2	497
J2	Power	Clink	Vish	Olm	30/1	6/2	417
J3	Hanjin Calcutta	Wheat(P)	Argen	Jnship	17/1	4/2	2478
J4	Al Muztuba	GI(Y.Maize)	Kaki	Cl	17/1	5/2	831
J5	Magway	GI(St.C)	Yang	Everett	30/1	3/2	2157
J6	Eleana	Sugar(P)	Santo	Jf	15/1	3/2	875
J7	Content-4	GI	Yang	Cl	31/1	7/2	302
J8	Pavonis	Pulse GI(Log/Y) Ma/Pul	Yang	Pml	31/1	8/2	1101
J9	SusanAnne	GI(Y.Ma)	Yang	Jnship	1/2	5/2	--
J10	Atol	Sugar(P)	Santo	USL	15/1	5/2	3398
J11	Kota Berjaya	Cont	Sing	Pil(Bd)	27/1	2/2	--
J12	Van Xuan	Cont	Tanj	PSSL	29/1	2/2	63
J13	Mellum	Cont	PKel	QCSL	29/1	4/2	249
CCT1	Banga Borat	Cont	PKel	Bdship	28/1	2/2	95

Vessels due at outer anchorage

Name of vessel	Date of arrival	L. Port call	Local agent	Type of cargo	Loading ports
Ariel	2/2	Indo	ASLL	Clink	Anwar
New Blessing	2/2	PKel	Everbest	Cont	Sing
Westchester	2/2	Sing	Rsship	Scraping	--
Oel Enterprise	2/2	Col	PSSL	Cont	Col
Lady Margaret	3/2	Sing	IBSA	Dr. Equip	--
Maritime Chiangmai	3/2	Tanj	BSL	Clink	Hcbl
Kyau Yadanar	5/2	Yang	MTA	GI(Y.Maize)	--
Shun Winner	3/2	Peradip	Apex	F.Gr.Slat	--
Karadeniz-S	6/2	Rozza	Total	Wheat(p)	--
Isola Turchese	3/2	Sing	Intraport	Scraping	Sing
Qc Honour	3/2	PKel	QCSL	Cont	Call/Hal
Achiever	3/2	Sin	RSL	Cont	Shah
Maris	4/2	Kant	Litmond	Clink	Sing
Qc Dignity	4/2	PKel	QCSL	Cont	Sing
Xpress Resolve	4/2	Cbo	Everbest	Cont	Col
Oel Freedom	5/2	PKel	PSSL	Cont	Sing
Banga Lanka	5/2	Sin	Bdship	Cont	Sing
Kyros	10/2	Sant	Total	Wheat(P)	--
Banga Borak	6/2	Pkl	Bdship	Cont	Sing/Pkl

Tanker due

Salamat-3	4/2	--	--	Nioshat	Bitumen(RM/3)
Siam Supha	5/2	Dumai	Aeka	Mei	Cpo(RM/4)
Mado	7/2	Haid	Mei	--	Ammonia K/A

Vessels at Kutubdia

Name of vessels	Cargo	Last Port call	Local agent	Date of arrival
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Outside Port Limit

Rig Ocean Sovereign	--	Sing	Beeline	18/11
Gulfrill-9	Pr. Equip	Sing	IBSA	27/11
Dea Captain	--	--	IBSA	R/A(28/1)
Wira Keras	Dr. Equip	Sing	IBSA	19/1

Vessels at outer anchorage

Vessels ready

Banga Biraj	Cont	Sing	Bdship	30/1
Kota Cahaya	Cont	Sing	Pil(Bd)	30/1
Banga Bonak	Cont	Col	Bdship	31/1
Seraya Baru	F.Oil	Sing	CTPL	1/2
Oel Esteem	Cont	PKel	PSSL	1/2
Dragonaria	Cpo	Lumut	KMZ	2/2
Banga Barta	Cont	Sing	Bdship	2/2
Yong Jiang	Urea/P.Iron	Sing	Litmond	31/1

Vessels not ready

Anodad Naree	Wheat(P)	Ukra	SSTL	27/1
Kalisto	Wheat(P)	Argen	Mutual	30/1

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

STOCK