

China reiterates no timetable on yuan revaluation

AFP, Beijing

China's central bank Friday denied it is set to announce a revaluation of its currency after two US senators said US Federal Reserve chief Alan Greenspan and senior administration officials believe Beijing will make changes to the yuan soon.

"With regard to the yuan's revaluation, we never make predictions and there is no timetable," a spokesman for the People's Bank of China said, reiterating a standard position.

After a meeting Treasury Secretary John Snow and Greenspan, US Senators Charles Schumer and Lindsey Graham said Thursday they had agreed to shelve a tariff bill set for a vote in July after being convinced a revaluation is coming.

The Senators had been assured that the revaluation "could well occur in a very short while, in the next few months", said Schumer.

He said the top officials had given an undertaking to him and Graham, a Republican, that China should shortly "be on the path to revaluing its currency".

Accordingly, the pair decided to drop their proposal that would have imposed a 27.5 percent tariff on all Chinese exports to the United States unless Beijing quickly took steps to reform its currency regime. A vote had been set for July 27.

China, which keeps its currency effectively pegged at 8.28 yuan to the dollar, has come under sharp criticism from trade partners,

especially the United States, for maintaining an exchange rate that is seen as giving its exporters an unfair advantage.

Although Beijing has promised to bring about greater flexibility to its currency regime it has never given a timetable and insists it will not give in to pressure on the issue.

At the same time, however, analysts say that Beijing must have made strong overtures to Washington, assuring the Bush administration that an adjustment is only being held up by the politics of timing.

The World Bank and most international analysts believe that China has completed technical preparations for an adjustment to the yuan that likely could include it

being pegging to a basket of currencies rather than just the dollar.

"That China's leadership is committed to revaluation squares with my view," said Tim Condon, chief Asia economist at ING Barings.

"Since May, China has been ready to make to move and Premier Wen Jiabao just got cold feet," Condon added.

A fresh burst of speculation on a revaluation erupted in early May ahead of the labour day holiday, with international banks betting that the change was imminent only to find themselves disappointed.

News of the US senators decision impacted morning forex trade, with dealers saying it was enough to get the revaluation trade going again.



PHOTO: RANKS

Rumees Akhter Hossain, director and executive vice president of Ranks Petroleum Ltd, a concern of Rangs Group, inaugurates a showroom of Shell Lubricants in Rangpur Monday. Md Musa Ali Khan, manager (Sales and Marketing), was also present at the inauguration.



PHOTO: RAHIMAFROOZ

Customers visit an Agora outlet in Dhaka during a 'Value Week' programme of the chain superstore. Under the promotion, customers purchasing any item will get an extra amount of that item free. The offer is applicable for different kitchen items including fruits, fish, meat and rice and will continue until July 8 in four Agora outlets in the capital.



PHOTO: GREEN DELTA INS

The 19th annual general meeting (AGM) of Green Delta Insurance Company Ltd was held Thursday in Dhaka. Chairman of the company AQM Nurul Absar presided over the AGM, which declared a 30 percent bonus share and a 10 percent cash dividend for the year 2004.



PHOTO: DHAKA BANK

Officials of Dhaka Bank Ltd pose for photographs with the participants of a four-day training course on 'Business Communication & English Language' recently in Dhaka. Deputy Managing Director of the bank Mohammad Abu Musa inaugurated the training session.

Lanka's growth picks up in Q1 despite tsunami

REUTERS, Colombo

Sri Lanka's economy grew 4.8 percent in the year through the first quarter, the central bank said Thursday, expanding faster than in the fourth quarter of 2004 despite the impact of December's tsunami.

The central bank reported in March that the economy grew 4.4 percent in the year through the fourth quarter of 2004.

Sri Lanka's tourism sector was hard hit by the tsunami, with many hotels along the island's southern coast either destroyed or damaged, but the rise in gross domestic product was slightly above analyst expectations.

The Central Bank of Sri Lanka did not provide comparable figures for the fourth quarter of 2004. But it said growth in the year through the first-quarter weakened from growth of 6.4 percent in the year through the first quarter of 2004.

The hotels and restaurants sector contracted 39.6 percent, while fishing fell 77.5 percent due to tsunami, it said.

US Senate passes Cafta trade deal

AFP, Washington

The US Senate approved a controversial free trade pact with Central America and the Dominican Republic by a close 54-45 vote, with a battle likely at its next stage in the House of Representatives.

The Dominican Republic-Central American Free Trade Agreement is likely to go before the full House after the July 4 recess.

The key test in the Senate came after the House Ways and Means Committee voted 24-11 earlier in the day, largely along party lines, legislation to implement the trade pact with the Dominican Republic, Nicaragua, El Salvador, Honduras, Costa Rica and Guatemala.

The pact would eventually eliminate most tariffs on the roughly 30

billion dollars in goods traded annually between the United States and the participating nations.

President George W. Bush, expressing appreciation for "bipartisan support" over the bill, said the Cafta-dr agreement was "good" for American workers, farmers and small businesses.

"When passed it will eliminate trade barriers immediately on 80 percent of US-made goods and the rest within a few years, which will help increase sales abroad and job creation at home.

"The agreement is also a strong boost for young democracies in our own hemisphere, whose success is important for America's national security and for reducing illegal immigration," President Bush said.

US to cut duties on goods from tsunami-hit states

REUTERS, Washington

The United States will cut import duties on \$500 million worth of goods from Asian countries hit by last year's tsunami, but raise them on over \$1 billion worth of imports from other developing nations, US trade officials said Thursday.

The Bush administration made the changes as part of its annual review of the Generalized System of Preferences (GSP) program, which allows eligible developing countries to export certain goods to the United States without paying duties.

"It is our hope that by promoting increased trade with the United States, we can help these nations recover from the tsunami ... and

generate broad-based economic growth," US Trade Representative Rob Portman said in a statement.

The review will also allow Iraq to export certain fresh or whole packed dates to the United States without duties.

Washington will eliminate tariffs on about \$500 million worth of products from Thailand and Indonesia, two of the countries hit by one of history's worst natural disasters.

Certain tsunami-affected countries of the South Asian Association for Regional Cooperation will be permitted to count inputs from any SAARC country toward meeting the GSP program's rules of origin, the US trade office said.

Weekly Currency Roundup

June 25-June 30, 2005

Local FX Market

US dollar was mostly steady against Bangladeshi taka. Demand for US dollar remained high.

Money Market

In the treasury bill auction held on Sunday, bid for BDT 10,129.00 million was accepted, compared with BDT 4,175.00 million in the previous week's bid. Weighted average yield of t-bills remained almost unchanged.

Call money rate was range-bound this week. Call money rate ranged between 4.00 and 9.00 per cent throughout the week.

International FX Market

In the beginning of the week, the euro regained its poise as investors snapped up the oversold single currency and gained comfort from an improvement in German business confidence. The yen fell sharply against the euro and edged nearer to an eight-month low versus the dollar as oil prices soared and after Beijing insisted it would not be browbeaten into revaluing its yuan currency peg. German business confidence rose as expected in June for the first month in five as firms grew more optimistic about both current activity and the future.

The dollar hit its highest level since October versus the yen and rose against the euro in the middle of the week, before a Federal Reserve meeting that is likely to strengthen the dollar's interest rate advantage over its rivals. Expectations that the US central bank will raise rates by a quarter percentage point to 3.25 per cent on Thursday at the end of its two-day meeting have bolstered the yield appeal of the dollar against the euro and yen. With the market already pricing in a rise in the cost of borrowing, attention will be on the post-meeting statement for clues on the future path of interest rates. Though some dealers said the Fed was unlikely to alter its position to keep raising rates at a measured pace.

By the end of the week, the dollar steadied below this week's nine-month highs against the yen and 13-month highs against the Swiss franc as dealers adjusted positions ahead of an expected US interest rate rise. In the Fed's policy statement around 1815 GMT, the central bank is almost unanimously forecast to increase its funds rate by a quarter-percentage point to 3.25 per cent and is likely to signal more credit tightening ahead, raised expectations interest rates in the Europe might be heading down.

- Standard Chartered Bank

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