

## Asia embraces new financial landscape after yuan move

AFP, Hong Kong

Asia embraced a new financial landscape on Friday after China finally abandoned its decade-old peg to the dollar, with regional governments and analysts widely applauding Beijing for the move.

Asian currencies were uniformly tipped to appreciate in the long-term following China's announcement on Thursday that it had abandoned the yuan peg for a managed float against an undisclosed trade-weighted basket of currencies.

The region's economic growth rates were also expected to get a boost, according to analysts who further predicted China's move would inevitably be the start of a long process of the yuan regime

becoming more flexible.

The most immediate impact came in Malaysia, which announced virtually straight after China Thursday that it had scrapped the ringgit's seven-year-old peg to the dollar in favour of a managed float.

"Do not underestimate the significance of a new currency policy for China," JPMorgan equities strategist Adrian Mowat said.

"An appreciating renminbi would accelerate the current trend of appreciating Asian currencies while boosting the region's refloating economies.

"Strong currencies should attract capital and discourage the export of savings, adding to demand for Asian assets."

The yuan, or renminbi, was revalued at 8.11 to the US dollar compared to 8.28, a 2.1 percent revaluation.

It will be allowed to trade 0.3 percent either side of a daily fixed rate and trade in a managed float against a basket of trade-weighted currencies.

On its first day of trading, the yuan closed slightly easier at 8.1111 to the dollar, its low for the day and off a high of 8.1100, the Foreign Exchange Trading Center said.

Thursday's move came after sustained pressure from the United States and other Western nations worried about China's perceived trading advantage with an artificially weak currency unfairly boosting the nation's exports.

Japan, the largest economy in

Asia and China's biggest trading partner, was one of the first to urge still greater yuan flexibility, while welcoming the first step.

"A shift to a basket-trading system of the Chinese yuan is positive for the Chinese and global economies," Minister for Economic and Fiscal Policy Heizo Takenaka told a press conference.

"While the movement of the Chinese yuan is expected to be limited in the near-term after the introduction of the new trading system, it will affect corporate as well as the export activity of Japan in the mid-to-long-term."

Japan's Chief Cabinet Secretary, Hiroyuki Hosoda, said Tokyo "would welcome it if the yuan becomes more flexible" and Takenaka expressed similar sentiments.



PHOTO: AKTEL

Md Nasir Bin Baharom, managing director of private mobile phone operator AKTEL, and Md Obaidullah, MD of state-owned cellphone operator Teletalk Bangladesh Ltd, shake hands after signing an interconnectivity deal Thursday in Dhaka. Other senior officials from both the sides are also seen.



PHOTO: HSBC

Mamoon M Shah (sixth from right), manager (Personal Financial Services) of the Hongkong and Shanghai Banking Corporation (HSBC) Ltd in Bangladesh, pose for photographs with the winners of the 'Car Vendor Campaign' at an award giving ceremony recently in Dhaka.

## Oil prices rise

AFP, New York

Oil prices rose on Friday, supported by a revaluation of the yuan currency the previous day, seen as encouraging Chinese demand for energy from the world's second-biggest consumer of crude.

New York's main contract, light sweet crude for delivery in September, added 47 cents to 57.60 dollars per barrel in electronic deals on Friday.

In London, the price of Brent North Sea crude oil for delivery in September increased 64 cents to 56.36 dollars per barrel.

According to Sudden analyst Sam Tilley, oil prices on Thursday "recovered some losses from the previous few days after China announced it would revalue its currency".

"A revaluation of the yuan could possibly increase demand for crude in China as imports would effectively be cheaper, but in the longer term the revaluation could slow China's growth."

Late on Thursday the Chinese central bank had announced that the yuan was now pegged to a basket of unnamed currencies and would be allowed to "float" within a 0.3-percent range from its new value of 8.11 yuan to the dollar.

That value effectively represents about a 2.0-percent appreciation of the yuan which for a decade was pegged to the dollar at around 8.28.

Analysts said that the revaluation makes it moderately cheaper for Chinese buyers to purchase oil imports because they are denominated in US dollars.

## Weekly Currency Roundup

July 16-July 21, 2005

### Local FX Market

Demand for US dollar remained high in the market.

### Money Market

In the Treasury bill auction held on Sunday, bid for BDT 8,692.00 million was accepted, compared with BDT 9,792.00 million in the previous week's bid. Weighted average yield of t-bills was almost unchanged from previous week.

Call money rate was flat this week. Call money rate ranged between 4.00 and 5.00 throughout the week.

### International FX Market

The dollar fell versus the euro on Monday as investors grew nervous ahead of US capital flows data, which will show whether the world's largest economy is attracting enough foreign capital to cover its trade deficit. US Treasury International Capital (TIC) flow data for April showed a net \$47.4 billion was invested from abroad in US securities, far short of the month's \$57 billion trade deficit. The dollar steadied against the yen at half a yen below recent 14-month highs. Sterling fell half a percent to 3-1/2 month lows against the euro after weak house price data from British property Web site Rightmove strengthened expectations of a Bank of England rate cut in August, ahead of minutes of the Bank of England Monetary Policy Committee July policy meeting and June retail sales later this week. The US policy-setting Federal Open Market Committee is also due to release the minutes of its June meeting on Thursday.

The dollar hit a 14-month high against the yen on Wednesday as expectations grew that Federal Reserve chief Alan Greenspan would signal steady rises in US interest rates in testimony later in the day. Sterling fell a full US cent after minutes from the Bank of England's meeting showed 4 out of 9 policy-setting members voted for an interest rate cut, up from 2 in the previous month, cementing expectation for an August rate cut. Euro also rose to a 2-1/2 month high against the yen.

The dollar fell against several major currencies on Thursday after Federal Reserve chairman Alan Greenspan reiterated that the US economic outlook was healthy but sounded less optimistic than some investors had expected. The dollar traded 0.15 percent down on the day against the euro, half a percent down against yen and 0.1 percent weaker versus Swiss francs. The dollar was also nearly half a percent weaker against the British pound, which had fallen earlier this week after minutes from the Bank of England's latest policy meeting appeared to signal that a rate cut was on the cards soon. Greenspan is to appear before the Senate at 1400 GMT but is due to deliver the same speech, and analysts do not expect any fresh remarks from the subsequent question-and-answer session.

-Standard Chartered Bank



PHOTO: SONARGAON TEXTILES

AKM Azizur Rahman, chairman and managing director of Sonargaon Textiles Ltd, presides over the company's 19th annual general meeting (AGM) recently in Barisal. Directors and other senior officials were also present at the AGM, which declared a 10 percent cash dividend for the year 2004.

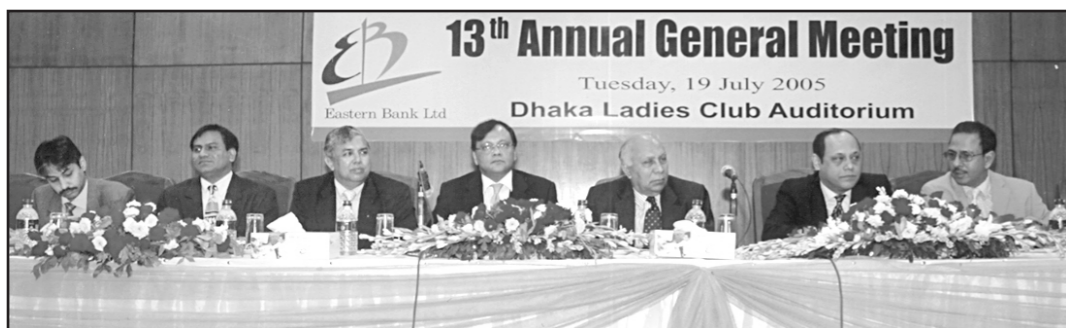


PHOTO: EASTERN BANK

The 13th annual general meeting (AGM) of Eastern Bank Ltd was held Tuesday in Dhaka. Chairman of the bank M Ghaziul Haque, board members and other senior officials were present at the AGM.

## HSBC awards 'Car Vendor Campaign' winners

The Hongkong and Shanghai Banking Corporation (HSBC) Ltd in Bangladesh has recently organised a prize distribution ceremony in Dhaka for reconditioned car vendors under its 'Car Vendor Campaign'.

Mamoon M Shah, manager (Personal Financial Services) of HSBC Bangladesh, handed over the prizes to the top three winners. Md Monirul Alam of Sal Sabeel Trading was awarded as the best performer, followed by Md Nurul Alam of HNS Automobiles as the first runner up and Md Habib Ullah Dawn of Auto Museum Ltd as the second runner up, says a press release.

The promotional campaign from April 2005 to June 2005 generated a substantial number of car loan references from the top 27 car dealers operating in Dhaka and Chittagong, the release added.

## Ringgit revaluation a boon for economy: Analysts

AFP, Kuala Lumpur

Malaysia's decision to revalue its currency was applauded Friday as a boon for the economy, while exporters who stand to lose from the scrapping of the ringgit's peg said the fallout will be limited.

Malaysia's central Bank Negara announced late Thursday that it was moving to a managed float based on a basket of currencies, acting just minutes after China adjusted its forex regime for the first time in a decade.

Economists said the swift decision ended the uncertainty which has dogged Malaysian business as speculation intensified over recent months that the peg introduced during the 1997-98 financial crisis was to be dropped.

And there were sighs of relief when the ringgit appreciated only

gradually in cautious trade Friday, moving in a range of 3.7800-50, only slightly down from the 3.80 level where it has stood for seven years.

"The biggest concern that I had prior to the opening of the session was that it would go gap down. But this morning it has been very well behaved," said Standard Chartered Bank's global research economist Joseph Tan.

"I think it's a big relief for exporters because prior to this they were basically unsure where the currency was going to be and it was making business conditions very difficult," said the Singapore-based analyst.

The business community said the revaluation was an important step in the liberalisation process and would make Malaysia a more attractive destination for investors.

## STOCK