

# Star BUSINESS

E-mail: business@theluckystar.net

**Oil prices fall back below \$60**  
AP, London

Oil prices fell below \$60 a barrel in thin trading Friday as the market discounted hints that Opec would cut production to boost prices.

"The market is not expecting any production cuts at the moment," said Tetsu Emori, an analyst with Mitsui Bussan Futures in Tokyo. "The market sentiment is not really confident. Some oil producing countries have already cut production but the market hasn't really reacted."

Light, sweet crude for November delivery dropped 25 cents to \$59.78 a barrel in electronic trading on the New York Mercantile Exchange by midday in Europe.

On London's ICE Futures exchange, November Brent crude was down 15 cents at \$59.85 a barrel.

Heating oil futures fell 0.75 cent to \$1.6845 a gallon while unleaded gasoline was down 1.15 cents to \$1.5135 a gallon. Natural gas futures gained 6.2 cents to \$6.360 per 1,000 cubic feet.

Prices had risen Thursday following reports that the 11-member Organization of Petroleum Exporting Countries was planning to trim its daily production by 1 million barrels.

Traders said they doubted whether all Opec members would go ahead with any informal agreement intended to stem a 24 percent decline in prices since mid-July.

**Nissan-Renault, GM call off alliance talks**

ANN/ THE DAILY YOMIURI

The Nissan-Renault alliance and General Motors Corp. announced Thursday (Oct 5) they would terminate talks on a possible alliance, which began in mid-July.

"The parties did not agree on either the total amount of aggregate synergies or the distribution of those benefits," Nissan Motor Co. said in its statement.

GM Chairman and Chief Executive Officer Richard Wagoner said at a press conference that potential benefits of the three-way alliance would have favoured Nissan-Renault.

"The value was heavily skewed toward Nissan," Wagoner said, saying he believed the talks had failed due mainly to a conflict over the distribution of benefits to be gained from the tie-up.

Wagoner agreed with Carlos Ghosn, president of both Nissan and Renault SA, during a phone conversation Wednesday morning to call off the talks, just 10 days before the Oct 15 deadline.

According to a joint press release, GM proposed the Nissan-Renault bloc compensate the carmaker if it makes a "significant investment" in GM, saying such a move would prevent GM from entering other alliances, while Nissan-Renault said compensating GM would be "contrary to the spirit of any successful alliance".

Wagoner said GM's board of directors had agreed that "the structure of the proposed alliance would not be in the best interests of GM and its shareholders".

With the prospect gone for a tie-up with GM, the Nissan-Renault bloc is likely to begin seeking an alliance with Ford Motor Co.

**Dollar mixed**

AFP, Tokyo

The dollar gained on the yen but slipped back against the euro in Asian trade Friday after a widely expected eurozone interest rate hike and ahead of key US jobs numbers, dealers said.

They said that the euro was easier after European Central Bank president Jean-Claude Trichet failed to use the expression "strong vigilance" on inflation after the central bank raised rates Thursday to a five-year high.

Such wording in the past has been taken to indicate the ECB would likely hike interest rates again soon, helping support the currency.

The dollar rose to 117.98 yen in Tokyo morning trade from 117.63 late Thursday in New York.

The euro fell to 1.2685 dollars after 1.2691 while rising to 149.63 yen from 149.31.

## 100 sick RMG units likely to get Tk 89cr govt aid

JASIM UDDIN KHAN

Some 100 sick garment factories are likely to receive Tk 89 crore assistance from the government.

The Prime Minister's Office in a letter on September 29 asked the finance ministry to take initiatives for disbursing the aid for rehabilitation of the apparel units.

The PMO also instructed the finance ministry to exempt the bank loan interest of the units and help them reschedule their loans. A similar PMO directive was sent to the commerce ministry as well.

When contacted, a high official of the Monitoring Wing of the Finance Ministry said it is a tough job for the ministry to allocate the fund to the sick factories, as the

government did not earmark the fund in the budget.

Despite the limitations, the ministry is working hard to follow the PMO directive, he added.

Meanwhile, a former director of BGMEA (Bangladesh Garment Manufacturers and Exporters Association) alleged the selection of the sick units was done on political considerations.

"At least 75 out of 100 sick units selected for the aid are owned by people who are close to the ruling BNP," said the former director, who sought anonymity.

BGMEA President SM Fazlul Hoque however denied the allegation, saying there had been no bias during the selection process.

Industry sources said there are

around 1,900 sick RMG units, which are plagued with Tk 574 crore bad loans. The interest of the loans now stands at Tk 521 crore.

The sick units owe Tk 394 crore in interest and Tk 351 crore in principal amount of loans to eight public commercial and specialised banks. The units also owe Tk 126 crore in interest and Tk 183 crore in principal amount of loans to 21 private banks.

A high-powered committee on resumption of the sick export-oriented garment units headed by a joint secretary was formed on February 28, 2005. The committee in its report suggested resumption of the sick factories in phases.

**HSBC says no plans to quit Britain**

REUTERS, London

HSBC Holdings has no plans to move its headquarters from Britain for tax reasons, it said on Friday.

The Guardian reported that a senior official at HSBC, whose operations span over 70 countries, had said Britain may no longer be an attractive place to be based for tax purposes.

"It is not true that we might be leaving Britain for tax reasons," an HSBC spokesman said, adding the bank's next review of the location of its headquarters and other major offices was not due for about 18 months.

"One of the benefits of London in the past has been a relatively good tax regime. The UK needs to be aware of that being one of its competitive advantages," he said, adding the regulatory environment was also an important factor.

"It would be possible to go somewhere where there is zero corporation tax which would save us in the region of 400 million pounds a year. But those places tend not to have regulators as complex and aware as the FSA (Financial Services Authority).

"As much as banks moan about regulation from time to time, having your HQ based with a good and globally renowned regulator builds customer credibility. If we were to lose that then we would have a problem," the spokesman said.

**ADB plans \$3b for Vietnam**

AFP, Hanoi

The Asian Development Bank (ADB) said Friday it plans to provide Vietnam with three billion dollars in assistance from next year to 2009 if the communist country maintains its economic reform course.

ADB country director Ayumi Konishi said concerns remain in some areas, including anti-corruption efforts and the pace of equitizing state-run enterprises and reforming the financial sector.

"Our ambitious assistance plan really reflects our expectations and our hope that the government will address all these concerns in a satisfactory manner," Konishi told a Hanoi media briefing.

**Marico launches 4 beauty soaps**

Marico Bangladesh Ltd has launched four types of beauty soaps under the brand name of 'Aromatic Gold'.

The soaps -- Purifying Turmeric with Milk Cream, Protective Neem with Milk Cream, Softening Rose with Milk Cream and Refreshing Lemon -- are on the market at Tk 14 each, says a press release.

Country Head of Marico Bangladesh Debasish Neogi and senior officials and distributors of the company, among others, were present at the launching ceremony on Tuesday in Dhaka.

## Fuel, commodity prices may come down

Says Citigroup country officer

*The Daily Star has talked to Mamun Rashid, Citigroup country officer for Bangladesh, to get his views on the international currency and commodities markets. Excerpts:*

**DS:** What is the outlook for major currency exchange rate and interest rate?

**MR:** The euro rebounded against the dollar and the yen recently, rising off recent lows after hawkish comments from a European central banker and disappointing Japanese data that fuelled selling in the yen.

ECB (European Central Bank) officials are giving strong signals that markets are correct in expecting another interest rate increase next month (0.25 percent from current 3.25 percent).

EUR/USD's move back above 1.27 level has been considered significant as analysts expect euro to target 1.35 level in the long term. In the short term however, they expect the rates can go down to 1.24 level. Recent various data is showing that US economy is slowing and this may give Fed enough reason to discontinue the rate tightening cycle.

The Fed held rates steady at 5.25 percent in September. Analysts expect that unless any near future significant data would show any sign of higher inflation, Fed would not raise interest rate further and if the data continue to support the notion that the economy is slowing down, they would consider reducing interest rate gradually.

All these considerations have made analysts to expect USD to become bullish in the short term against major currencies, but bearish in the long term.

**DS:** What is the fuel price outlook for the next 3-4 months and where would the price go?

**MR:** Despite various geo-political

threats, oil is expected to come down in the near future. Various technical analyses suggest that we are going to see a correction of crude price in the \$40 level.

They argue that the supply/demand dynamics of crude oil makes the view on oil price bearish. On the current supply side picture, the August IEA (International Energy Association) monthly report shows a surplus of 0.9 million bbl/day in July.

Citigroup's Oil & Equity research team's supply and demand model suggests that inventories of crude globally represent some 53-54 days of forward supply in 3Q, 2006.

This is up about 1 percent on a year ago. So, it is important to emphasise that there is currently no oil supply shortage. Further evidence of the speculative demand in the oil market may be seen in the sharp rise in open interest positions in the oil futures. One potential source of concern about a major price disruption from the Middle East as a result of the current impasse between the US and Iran on the latter's refusal to disband its nuclear energy programme.

While it is challenging to have a strong geo-political call, especially on the Middle East, the worsening instability of Iraq, the ending of the Lebanese conflict and others indicating diminished US public appetite for interventionist policy all suggest a reduced possibility of a strike against Iran.

On the demand side, analysts expect a slow down of the US economy. If the US economy slows at a faster pace than consensus expectations, the demand for oil would be reduced. Oil bulls normally highlight the insatiable demand for energy from China as more than offsetting the effects of US slow down which

would require an unsustainable acceleration in Chinese demand.

However, analysts discount this argument on two grounds. First, in absolute terms Chinese demand is still nowhere near as large as the US, so a marked slowdown in the latter would require an unsustainable acceleration in Chinese demand.

MR: Views on commodities like crude de-gummed soybean oil, crude palm oil, rice, sugar and steel?

MR: Views on commodities like crude de-gummed soybean oil, crude palm oil, steel, sugar and rice are by and large similar of the view of crude oil. The prices of these commodities have gone up mainly because of Chinese demand. However, as the US economy is expected to slow down and it is unlikely that the Chinese demand would accelerate enough to cover that demand, the commodity prices is expected to go down in the near future. As the prices of these commodities have increased significantly in the last two years, the global inventory has also been built enormously. This excess supply is expected to reduce prices as demand is going to be curtailed. However, in the very short term we may see some upward seasonal fluctuation in some of these commodities.

## US adds 51,000 jobs in Sept

AFP, Washington

US employers added 51,000 jobs in September, the weakest payroll growth in a year, in a further sign of cooling economic growth, the Labor Department said Friday.

The unemployment rate meanwhile, based on a separate survey, fell to 4.6 percent last month from 4.7 percent in August.

The growth in payrolls, seen as one of the best indicators of economic momentum, was far weaker than the 120,000 new jobs expected by Wall Street analysts. It was also the lowest growth since October 2005.

## Indian PM seeks financial market reform for higher growth

AFP, Mumbai

Prime Minister Manmohan Singh warned Friday that India's financial markets must become more competitive and efficient to boost investment and help meet the government's growth targets.

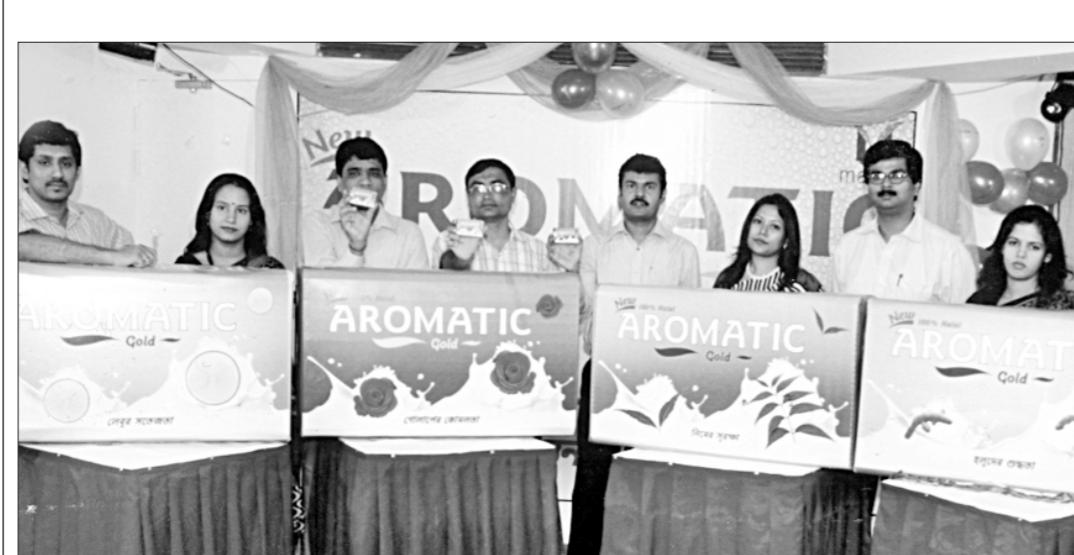
"If we are to achieve our growth ambitions of 8-10 percent, we need investments of a high order," Singh said at the opening of new corporate headquarters of market regulator the Securities and Exchange Board of India (SEBI).

"This is possible only by making our financial markets more efficient, competitive and global," Singh added.

The premier, credited with masterminding India's economic liberalisation process in 1991, said debt market reforms had lagged behind.

Foreign participation in the securities markets is freer but limited to 1.5 billion dollars in corporate bonds and two billion dollars in federal bonds.

India's finance minister stressed for measures to improve investor confidence.



Officials of Marico Bangladesh Ltd show off new Aromatic Gold brand soaps at a function in Dhaka on Tuesday.

## Spore's future financial hub takes shape

ANN/ THE STRAITS TIMES

The massive financial and business centre to be built at Marina Bay took definitive shape on Thursday.

With the launch of phase one, costing about S\$2 billion (US\$1.26 billion), Singaporeans can now take a glimpse at how one of the nation's biggest commercial projects will look.

And it now has an official name: the Marina Bay Financial Centre (MBFC).

By 2010, it will help double the level of premium office space here, as part of the drive to keep Singapore at the cutting edge as a financial centre.

Home-owners also have the chance to be a part of it. Highly-coveted waterfront apartments will be built, in a move likely to add fuel to the already red-hot luxury market.

District.

The property market was just starting to recover back in May 2004, when the Government decided to release the site, said Mr Mah.

"It was a calculated risk, but one which was backed by our confidence that Singapore would recover strongly and so too the property market."

A consortium comprising Cheung Kong (Holdings), Hongkong Land and Keppel Land eventually won the tender for the 99-year leasehold site in July last year.

Now, the property market here is on an upswing, with stellar growth in the premium office sector, defying earlier fears.