

British pound breaks through \$2 mark

AP, London

The British pound broke through the \$2 mark on Tuesday for the first time in nearly 15 years after new data showed an unexpected surge in inflation, prompting speculation of interest rate increases.

The pound rose to \$2.0002 after the inflation report was released, its highest level since "Black Wednesday" in September 1992, when Britain crashed out of the European Exchange Rate Mechanism.

Despite dropping back to \$1.9985 up from \$1.9900 late Monday in New York analysts said the currency was on its way up after breaching the psychological \$2 mark and the release of U.S. housing and inflation data later Tuesday could see another spike above that level.

"So far the move has proved to be unsustainable, but with U.S. economic data due later in the session, further dollar downside may be seen in due course," said David Jones, chief market analyst with CMC Markets.

Buyers with his firm had placed orders as high as \$2.0005, he said.

"We believe that sterling could well remain above \$2 for an

extended period," said Howard Archer, chief economist at Global Insight.

The government's Office for National Statistics revealed Tuesday that consumer price inflation accelerated to 3.1 percent in March, up from 2.8 percent in February.

The headline rate of retail price inflation, which includes mortgage interest payments, rose to 4.8 percent from 4.6 percent.

The rising CPI rate, well above the Bank of England's target of 2 percent, adds pressure for a further rise in official interest rates, which are currently at 5.25 percent.

The bank has raised the base rate by three-quarters of a point since August and economists had been predicting one more rise in the coming months to close off the current cycle of increases but the data has prompted speculation about more than one hike.

Investec Securities chief economist Philip Shaw said the inflation figures made an interest rate increase "a certainty, along with the possibility of another rate rise beyond that."

However, he added that the bank was unlikely to have a "knee-jerk" reaction and raise rates at their May

meeting, which is just two weeks away.

Jonathan Said, senior economist at the Centre for Economics and Business Research, said the data "opens the possibility of rates rising beyond 5.5 percent after May towards the 6 percent level."

The soaring inflation figures have also triggered the requirement that Bank of England Governor Mervyn King write a letter of explanation to Treasury Chief Gordon Brown for the first time. King is required to write an open letter to Brown if the inflation rate runs more than 1 percent above or 2 percent below the target.

The pound reached its highest levels since before Britain was forced to leave the system that pegged the pound to the currencies of other EU members after currency speculators drove it out of its allowed range.

Then-Prime Minister John Major raised interest rates twice on Sept. 16, 1992, and authorized the spending of billions of pounds in a doomed attempt to stop the currency from crashing out of the exchange rate mechanism, on a day the current Treasury Chief Gordon Brown described as "Black Wednesday."

Tesco posts record '06 profits

AFP, London

British supermarket giant Tesco, the country's biggest retailer, said on Tuesday that net profits soared by a fifth in 2006 to a record 1.892 billion pounds (2.777 billion euros, 3.767 billion dollars).

Net profits leapt by 20.5 percent to reach the record level, which compared with a figure of 1.570 billion pounds in 2005, the group said in its annual earnings release.

Tesco, which has 3,000 super-market branches worldwide including 1,800 in Britain, said that revenue rose by 8.1 percent to 42,641 billion pounds, driven by strong sales in Asia, eastern Europe and its home market.

Pre-tax profits leapt by 13.2 percent last year to 2.545 billion pounds, which was at the top end of market expectations.

Alongside the results, Tesco said it would create 25,000 new jobs around the world this year.

The group will also return "at least" 3.0 billion pounds to shareholders in 2007, compared with the 1.5 billion pounds announced previously.

"Tesco is investing for the future and delivering today," said Tesco chief executive Terry Leahy in comments accompanying the release.



PHOTO: PUBLI BANK

Dipak Kumar Chakraborty, general manager of Pubali Bank Ltd (PBL), and Yongbok Jo, deputy managing director of Industrial Development Leasing Company (IDLC) of Bangladesh Ltd, exchange documents after signing a Tk 10 crore term loan agreement in Dhaka recently. Helal Ahmed Chowdhury, managing director of PBL, and Anis A Khan, managing director and CEO of IDLC, are also seen among other officials.

INDO-ASEAN FTA
Delhi to speed up duty cuts

PTI, New Delhi

India has decided to put the process of bringing down duties on edible oil on the fast track to reach an early agreement with the Association of South East Asian Nations (Asean) for a free trade agreement (FTA).

"Earlier India had offered to start reducing tariffs on edible oil from 2012 but now it has agreed to begin this process immediately after the FTA enters into force," Joint Secretary in Department of Commerce PK Dash said.

He said every year the duties will be brought down by 2-3 percent.

This will see duties on crude

palm oil coming down to 50 percent from 80 percent and refined palm oil to 60 percent from 90 percent. The reduction will now be achieved by 2018 instead of 2022 as was originally proposed.

India had earlier wanted to put palm oil in negative list but as this commodity accounts for bulk of exports by Malaysia and Indonesia, there was resistance.

On tea and coffee, the duties will be reduced to 50 percent from 100 percent. On pepper too they will come down to 50 percent from 70 percent during the period. These items are of special interest to Vietnam.

Japan, Asean resume trade talks

AFP, Tokyo

Japan and the Association of Southeast Asian Nations (Asean) on Tuesday started a seventh round of talks aimed at sealing a comprehensive free trade deal this year, officials said.

Officials from the foreign, finance and agriculture ministries of Japan and the 10 Asean nations are joining the two-day talks, which will discuss the specifics of an economic partnership agreement, Japan's foreign ministry said.

"The trade deal with the Asean is

important in that it ensures liberalisation of internal trade of industrial parts exported from Japan to Asean countries," said an official at Japan's trade ministry.

"The talks are now at the final stage before a basic agreement," he said.

Asean countries are important production hubs for Japanese manufacturers such as automakers and electronics manufacturers.

Japan, the world's second largest economy, has been seeking a growing number of bilateral free-trade deals amid the deadlocked global liberalisation talks.

CURRENCY

Following is Tuesday's (April 17, 2007) forex trading statement by Standard Chartered Bank

Major currency exchange rates			Exchange rate of some currencies	
	BC Sell	TT Buy	Per USD	BDT per Currency
US dollar	69.10	68.10	Indian rupee	41.73
Euro	94.96	90.69	Pak rupee	60.70
Pound	139.03	133.85	Lankan rupee	109.59
Australian dollar	58.93	55.32	Thai baht	32.15
Japanese yen	0.59	0.57	Malaysian ringgit	3.44
Swiss franc	57.89	54.99		
Swedish kroner	10.62	9.59		
Canadian dollar	62.12	59.53		
Hong Kong dollar	8.86	8.70		
Singapore dollar	46.70	44.85		
UAE dirham	18.97	18.40		
Saudi riyal	16.57	18.02		
Danish kroner	13.14	11.84		
Kuwaiti dinar	235.60	233.92		

Local Market

FX: Local inter-bank FX market was active on Tuesday. The demand for USD was stable, and the volume of cross currency transaction was steady. The USD rose slightly against the Bangladeshi Taka.

Money Market

Money market was active on Tuesday. Call money rate remained almost unchanged and ranged between 7.00 and 7.50 compared to 7.00-7.25 percent the previous day.

International Market

The sterling finally crossed the psychological \$2 barrier to hit a 15-year peak against the dollar on Tuesday as UK inflation topped 3 percent. Data showed consumer prices had accelerated to 3.1 percent in March, its highest since comparable records began in 1997. This has cemented expectations for a May interest rate hike to 5.5 percent and the possibility of more hike in the future. Strength also ran through Germany's ZEW index, which showed sentiment among German investors on the outlook for Europe's largest economy improved by more than expected in April. The robust German investor sentiment gave the euro support against the dollar. Analysts have said that sterling and the euro could benefit further if the US data, due later, comes in softer than expectations. The euro was steady against the dollar, after hitting the two-year high on Monday. The euro was down 0.3 percent against the yen after hitting a record high of 162.42 on Monday. The dollar was down 0.3 percent against the yen.

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PHOTO: AKTEL

Prof M Shamsul Haque, vice chancellor of Northern University, Bangladesh, and Ahmad Bin Ismail, managing director of AKTEL, pose for photographs at an agreement signing ceremony recently. Under the deal, the private university has become a corporate client of the mobile phone operator.



A Rangs-Toshiba showroom was opened recently at Zinzira in Keraniganj, Dhaka. Senior General Manager of Rangs Industries Ltd Nurul Quader Chowdhury inaugurated the showroom while other senior officials were present.

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