

US appears unmoved by weak dollar

AFP, Washington

The dollar's latest slide has stimulated little reaction from US authorities, with analysts saying a weak greenback may benefit Washington at a time of preoccupation with Asia, especially China.

With the dollar having hit all-time lows against the euro and the British pound above two dollars, US officials have made few comments on currency.

Last week, US Treasury Secretary Henry Paulson reiterated his call for a strong dollar in brief remarks while urging China to let its currency appreciate faster against the greenback.

"I believe very strongly that a strong dollar is in our nation's interest," Paulson said in an interview with PBS television a week ago, without elaborating.

Some analysts say Washington is privately content to see a gradual weakening of the dollar, which could help ease the US trade deficit and boost the competitiveness of US exports.

US officials are "not especially worried about the weakening of the

US exchange rate given that it has yet to put unwanted upward pressure on Treasury bond yields," said John Lonski, chief economist at Moody's Investors Service.

Lonski said that low rates for US bonds mean there is strong demand for government debt and Washington is not forced to pay higher rates for borrowing.

"Given the deceleration of domestic spending, the US Treasury quietly approves of recent dollar exchange rate weakness," he said.

Market movements accelerated after the April 13 Group of Seven finance ministers' meeting, which issued a statement repealing a phrase that exchange rates "should reflect economic fundamentals" and that excessive fluctuation is "undesirable."

The G7 had faced some pressure from Europe to deal with the weak yen, which is being used for so-called carry trades using low-cost loans in Japan.

But Washington and Tokyo had resisted any specific language on the yen, and the result has been further weakness in the Japanese

currency. The dollar has also been impacted by the shift into European currencies and amid concerns about softening US economic conditions.

David Kotok, analyst at Cumberland Advisors, said Washington appears more focused on the Chinese yuan in the face of a massive US trade deficit with China, and to some degree on the yen.

Kotok said the US administration "seems to make its noise in the direction of the Far East," but is silent about the yen "because the administration knows the Japanese are weaning themselves from a zero-interest rate policy."

In the United States and Britain, key rates stand at 5.25 percent. The main interest rate is at 3.75 percent in the eurozone and 0.50 percent in Japan.

Analysts expect the Bank of England to increase British interest rates by a quarter-point to 5.50 percent in May and further still before the end of 2007. Eurozone rates are also believed headed higher but traders expect US rates to go lower this year.

Citigroup succeeds in Nikko bid

AFP, Tokyo

Citigroup said Friday that it had triumphed in its massive takeover offer for Nikko Cordial, securing a majority stake in the scandal-tainted Japanese securities firm for 7.7 billion dollars.

The US financial giant is betting that it can succeed where rivals such as Merrill Lynch have failed with a big expansion in Japan, which is finally emerging from an economic slump stretching back more than a decade.

The US banking heavyweight increased its bid to a total of 13.4 billion dollars last month in an effort to win over sceptical shareholders although some investors still declined to sell.

Citigroup raised its stake in Japan's third-largest brokerage firm to almost 61.1 percent from 4.9 percent previously through a tender offer of 1,700 yen per share that closed on Thursday, it said in a statement.

"We are very pleased to now fully pursue our alliance with Nikko Cordial.



PHOTO: NCC BANK

Managing Director of National Credit and Commerce (NCC) Bank Ltd Md Nurul Amin inaugurates an ATM (automated teller machine) booth at the bank's Gulshan branch in Dhaka recently. Senior officials of the bank were present.



PHOTO: EBL

Faquhrul Alam, regional head of Chittagong corporate office of Eastern Bank Ltd (EBL), inaugurates an ATM booth at the bank's Jubilee Road branch in the port city recently. Other senior officials of the bank were present.

Wolfowitz complains of shabby treatment

AFP, Washington

World Bank president Paul Wolfowitz has accused the development lender's board of treating him "shabbily and unfairly" as he battles to retain his job, according to a report Thursday.

The New York Times divulged a letter sent by the embattled Wolfowitz to the head of a World Bank probe Wednesday in which the former Pentagon number two appealed for more time to fend off charges of favoritism and cronyism.

Wolfowitz asked to appear before the board next week in the interest of "fairness to me" and "good governance," according to the Times, which relayed a description of the letter from people who had seen it.

It said many of the bank's 24 directors had been "taken aback by the tough tone of the letter," the

contents of which have not been formally released by the World Bank.

Wolfowitz, one of the architects of the US-led invasion of Iraq, is fighting for his job following revelations that he ordered a hefty pay package for his girlfriend when she was reassigned from the World Bank to a US government job.

ECUADOR EXPELS WB REPRESENTATIVE

Another report from Quito adds: President Rafael Correa expelled the World Bank's representative from Ecuador, accusing the institution of trying to extort money from him when he was economy minister in 2005, officials said Thursday.

The leftist president, in office since January, has charged that the global development lender suspended a 100-million-dollar loan for Ecuador in 2005 in retaliation for his reform of the country's oil sector.



PHOTO: GRAMEENPHONE

Dilruba Anguri, general secretary of Bangladesh Homeworkers Women Association, an NGO working for the home-based female workers, and Khandaker Omar Farhan, head of SME Direct Sales of Grameenphone Ltd, pose for photographs at a corporate agreement signing ceremony recently. As per the deal, the mobile phone operator will provide complete communication facilities under its 'Business Solutions' package for the association.

India is set to become Yahoo's hub for designing and handling of products and services in Asia and Latin America in line with its emphasis on the emerging markets.

Its plans coincide with competitor AOL's impending presence in the Indian market, the announcement for which is set to be made here tomorrow.

According to Mr David Filo, co-founder of Yahoo, with 1,000 employees present in the country, Yahoo will shift to a five storey 2,20,000 square feet research and development facility here tomorrow.

As part of its plans for expansion and to gear up for competition, Yahoo also announced the launch of two new products for the Indian market, namely, 'India Our City' and 'India Maps.'

Yahoo India Maps cover 170 cities, 4,785 towns and 220 villages across the country.

Weekly Currency Roundup

April 22-April 26, 2007

Local FX Market

The demand for US dollar was high throughout the week. Higher demand caused the USD to rise against the Bangladeshi taka this week.

Money Market

Overnight money market was stable. The call money rate was range bound throughout the week and most of the deals ranged between 6.75-7.50 percent.

International FX Market

US dollar was mostly in the defensive throughout the week against all majors but strengthen broadly on Thursday as dealers, frustrated at the euro's failure to reach a fresh new record high against the greenback, bought the US currency back across the board. Earlier, US dollar fell to a record low against a trade-weighted basket of major world currencies calculated by the Federal Reserve. Euro, reached fresh record highs against the US dollar & Japanese yen. Sterling continued to hover around the recent 26-year high. However, the yen clawed back some of its loss against the dollar this week. Investors are currently looking to US jobless claims data later on Thursday for clues on the health of US economy and Japan's nationwide core consumer price index for March, due on Friday.

US dollar

US dollar hit new record lows against euro this week. Mixed economic data did little to turn around expectations of a slowdown in the US economy and a cut in interest rates. Indeed, US dollar fell to a record low on Wednesday against a trade-weighted basket of major world currencies calculated by the Federal Reserve. That was the index's lowest level since the collapse of the Bretton Woods system of fixed exchange rates in 1973.

Sterling

Sterling rose against a broadly weakening dollar on Thursday, brining recent 26-year highs in sight, after data showing a resilient UK housing market despite rising borrowing and living costs. Earlier, mortgage lender nationwide said house prices rose 0.90 percent this month, compared with an upwardly revised 0.50 per cent in March and the highest rate since December. The data reinforced expectations of an interest rate hike to 5.50 percent next month, the fourth quarter-point increase since August as the Bank of England rakes measures to bring inflation back to target.

Euro

Euro was on a bluish trend throughout the week, fuelled by the buoyant euro zone. It rose to fresh two-year peaks versus the US dollar and came within five ticks of a record high against the US dollar on Wednesday. It also rose to new record high against the Japanese Yen at 162.54, its highest since the euro's introduction in 1999. A reading of German consumer sentiment surged close to a record high in April, while business confidence in France rose to its highest last month since 2001. They firmed expectations of further interest rate rises in the euro zone.

Yen

The yen was range-bound against USD but fell to a record low versus the euro again this week. An upgrade in Japan's sovereign rating prompted investors to buy back the currency against US dollar. Standard & Poor's raised its long-term sovereign rating on Japan to AA from AA-minus. There is a rush of data is due on Friday including consumer prices and the Bank of Japan will hold a policy meeting and issue its twice-yearly report on its outlook for the economy. Japan's nationwide core consumer price index for March, due on Friday, is expected to show a fall of 0.20 percent from a year earlier after a 0.1 percent drop in February.

-Standard Chartered Bank

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