

Dollar falls back on weak US housing data

AFP, London

The dollar weakened Friday after data that was released on existing home sales in the United States undershot market expectations, fueling fears about the extent of an economic slowdown there.

In late European trade, the euro rose to 1.3450 dollars, from 1.3428 dollars late on Thursday in New York.

The dollar advanced to 121.72 yen, from 121.37 late on Thursday.

On Wednesday the US currency had reached 121.88 yen -- the highest level since February 13.

Figures released Friday showed that US sales of existing homes fell by 2.6 percent to an annual rate of 5.99 million in April, compared with forecasts for a more moderate fall to 6.115 million units from the March level of 6.120 million.

The figures contrasted with strong new home sales data released on Thursday and would likely renew worries that the slowing US real estate sector may hurt the wider economy.

"With sales down during the month, the months' supply of homes on the market jumped to 8.4 months, the highest level since August 1992," noted Drew Matus at Lehman Brothers.

"This suggests the housing market correction will continue, as expected, through at least the remainder of the year," he added.

The immediate impact on the dollar was fairly limited, however, as traders might be waiting for better market liquidity next week to establish fresh positions, analysts said.

"In the wake of overnight volatility and ahead of the long weekend, with many traders already taking today off, dealers are looking to square up quickly into the London close and before US midday hoping for better trading conditions next week," said Rhonda Staskow at Thomson's IFR Markets.

The dollar also came under pressure against the euro on interest rate differentials, as euro zone bonds have underperformed US Treasuries.

Meanwhile, a recovery in equity markets has helped keep risk appetite strong in global markets, depriving the dollar of the safety bids it enjoys during moments of heightened market nervousness.

The yen has also suffered from this type of trading, as it is a typical funding currency for higher-risk investments in other countries.

In Britain the pound was well-bid following a small upward

revision in economic growth figures early in the day. First quarter growth was tweaked up to a yearly rate of 2.9 percent from the previous 2.8 percent, while the quarterly rate remained at 0.7 percent.

Despite showing some small easing in household consumption, exports and business investment, the data shows growth remains above trend, suggesting the Bank of England will remain on its current monetary tightening path.

"Demand remains pretty solid, and this will worry the BoE about firms' pricing power," said Loynes, who expects rates to rise to 6.00 percent this year, with the next hike as early as next month.

The euro changed hands at 1.3450 dollars, against 1.3428 dollars late on Thursday, 163.73 yen (163.00), 0.6779 pounds (0.6775) and 1.6519 Swiss francs (1.6486).

The dollar stood at 121.72 yen (121.37) and 1.2281 Swiss francs (1.2274).

The pound was being traded at 1.9841 dollars (1.9845).

On the London Bullion Market, the price of gold fell to 651.50 dollars per ounce, from 659 dollars late on Thursday.

Japan's consumer prices keep falling

AFP, Tokyo

Japan said Friday its consumer prices fell for a third straight month in April, although at a slower pace than before, as the world's second-largest economy struggles with stubborn deflationary pressures.

Core consumer prices dropped by 0.1 percent last month from a year earlier, in line with market expectations, figures from the Ministry of Internal Affairs and Communications showed.

The core consumer price index (CPI) for Tokyo alone in May -- seen as a leading indicator for national price trends -- was steady from a year earlier.

After apparently exiting deflation last year, Japan has seen fresh drops in consumer prices since February, when they fell for the first time in 10 months.

But prices showed signs of stabilising in April compared with March, when they had slid by 0.3 percent.

"The exit from deflation is still in sight, but we still cannot say we are completely out of deflation," Economic and Fiscal Police Minister Hiroko Ota told a news conference.

The drop was mainly due to lower prices of fuel and digital consumer products such as flat screen televisions, the ministry said.

The decline in energy prices following last year's surge would likely continue for another few months, said Junichi Makino, an economist at the Daiwa Institute of Research.

But the slower pace of decline in consumer prices in April and the recent rebound of oil prices on global commodity markets has raised hopes that Japan is still clawing its way out of deflation, helped by rising asset prices.

"Generally speaking, prices are recovering gradually," said Tetsuro Okada, senior economist at Japan Research Institute.

"Therefore, I don't think the third straight decline will be a major obstacle to make the Bank of Japan change its intentions to raise interest rates," Okada added.

Bank of Japan governor Toshihiko Fukui has said interest rates need to go up slowly to head off the risk of an unsustainable boom.

Last week he even said that the central bank could raise rates even if consumer prices are falling, but he faces political resistance to rapid monetary policy tightening.

"Prospects for price moves are still unclear while Japanese indicators remain mixed (so) it's not easy for the Bank of Japan to make its monetary policies understood ahead of an expected rate hike," said Daiwa's Makino.

Oil prices higher on US gasoline concerns, Iran

AFP, New York

World oil prices firmed Friday in New York as traders looked once again at tight US motor fuel reserves a day ahead of the start of the peak-demand US driving season, analysts said.

Further price support came from renewed tensions over the contested nuclear program of oil producer Iran and more kidnappings in Nigeria, Africa's biggest exporter of crude.

New York's main oil futures contract, light sweet crude for delivery in July, gained 1.02 dollars to close at 65.20 dollars a barrel.

The US markets will be closed Monday for the Labor Day holiday.

In London, Brent North Sea crude for July delivery ended the day flat, a scant three cents lower at 70.69 dollars per barrel.

Traders covered their positions before the long US holiday weekend that kicks off the summer driving season that ends in September.

Continuing US refinery problems are curbing the supply of gasoline just as demand is set to soar.

"Concerns for tightening gasoline supplies have prevailed, of late and will continue to dominate until prices begin to ease at the pump," said Mike Fitzpatrick of Man Financial.

The US Department of Energy said in its latest weekly snapshot that stockpiles of gasoline rose 1.5 million barrels in the week ending May 18 -- but they remained "well below the lower end of the average range."

Elsewhere, the United States led three allies Friday in warning the UN atomic chief against making comments that could harm the international drive against Iran's contested nuclear programme, diplomats said.

The US, British, Japanese and French ambassadors to the watchdog International Atomic Energy Agency met with IAEA director general Mohamed ElBaradei at his headquarters in Vienna.

They were protesting ElBaradei's statements in recent newspaper interviews that Iran should be allowed to enrich some uranium, the process which makes civilian reactor fuel but can also produce atom bomb material.

Western nations are concerned that Iran's nuclear programme is a front for an atomic weapons drive. Iran denies this, and analysts worry the dispute could lead to the Islamic republic cutting its oil exports.

Adding to global geopolitical jitters was news from fellow crude producer Nigeria.

Gunmen have kidnapped several oil workers in southern

Nigeria, at least eight of them expatriates, police and diplomatic sources said.

One diplomat, who asked not to be identified, said the foreigners included four Britons, three US nationals, one South African and "possibly a Filipino."

The US State Department later confirmed three US citizens were kidnapped.

The kidnappings are the latest in a series of abductions to hit the restive Niger Delta since militants stepped up their attacks on oil firms and related sectors.

Vietnam's trade deficit at \$3.3b

AFP, Hanoi

Vietnam's trade deficit has reached 3.26 billion dollars so far this year as the country spent heavily on imports of equipment, steel and oil products, preliminary statistics showed Friday.

Exports had risen by 18.4 percent year-on-year to 18.11 billion dollars for the five-month period to the end of May, while imports rose 26.9 percent to 21.37 billion dollars, the General Statistics Office (GSO) estimated.



PHOTO: CENTRAL INSURANCE COMPANY
The 19th annual general meeting (AGM) of Central Insurance Company Ltd was held on Thursday in Dhaka. Chairman of the company Md Nurul Islam presided over the AGM, which was attended, among others, by directors, managing director and senior officials.

Central Ins okays 10pc cash, 10pc stock dividends

Central Insurance Company Ltd has approved a 10 percent cash dividend and a 10 percent stock dividend for the year 2006.

The approval came at the 19th annual general meeting (AGM) of the company on Thursday in Dhaka, says a press release.

Chairman of the company Md Nurul Islam presided over the AGM, which was also attended by directors, managing director and other senior officials.

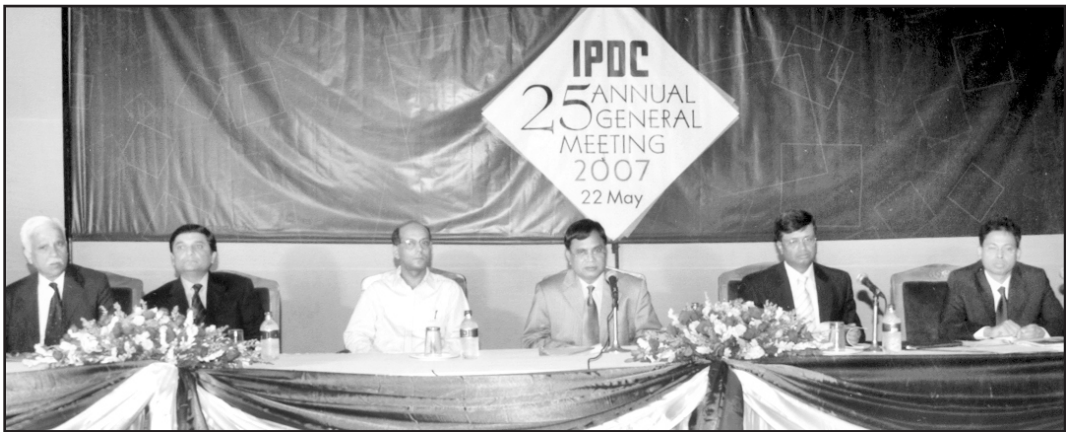


PHOTO: UNITREND LTD
The 25th annual general meeting (AGM) of Industrial Promotion and Development Company of Bangladesh Ltd was held on Tuesday in Dhaka. Chairman of the company Md Nurul Amin presided over the AGM, which was also attended by Additional Secretary to finance ministry Mahbubur Rahman, directors, managing director and senior officials of the company.

IPDC approves 10pc cash, 5pc stock dividends

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Indian shares set to hit record highs as inflation dips

AFP, Mumbai

Indian share prices are well placed to hit record highs next week, with sentiment improving after inflation fell for a fourth week in a row, dealers said.

They said the markets saw fresh buying momentum by the end of the week on overseas and local fund buying, with interest rate concerns easing due to lower inflation.

Sentiment was boosted as India's inflation slipped for the fourth straight week to an eight-month low of 5.27 percent for the week ended May 12, close to the central bank's so-called "tolerance level" of 5.0 percent.

Dealers said the benchmark 30-

share Sensex crossed the 14,000 points level after Indian companies reported higher-than-expected profits for the quarter ended March.

"The markets are on course to hit fresh highs. Inflation data, global market trends all suggest positive trends ahead," said a dealer at brokerage Prabhudas Lilladher.

Indian shares rose 0.24 percent with the benchmark 30-share Sensex index closing at 14,338.45, up 35.04 percent from the previous week's close of 14,303.41.

The Sensex, which intra-week hit the 14,500 points level, is now just 2.6 percent below the intra-day record high of 14,723.8 reached on February 9.

The stock market has gained strongly since India's central bank left key interest rates unchanged on April 24, while lowering the economic growth forecast to 8.5 percent for the fiscal year started April 1 from 9.2 percent last year.

Overseas funds have been net buyers of Indian equities so far this year to the tune of 3.79 billion dollars, well above the 2.93 billion dollars worth of shares that they purchased during the same period a year ago.

In 2006, the Sensex rose by a record 46.7 percent, led by foreign fund investments in Indian equities totalling 7.99 billion dollars.

In 2005, the index climbed 42.3 percent on record overseas fund flows of 10.7 billion dollars.



Abul Bashar Akand, managing director of Sunlife Insurance Company Ltd, and Khandaker Omar Farhan, head of Direct Sales (Business Solutions) 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 insurance company.



PHOTO: BANGLALINK
Mobile phone operator Banglalink recently opened a 'Banglalink Point' on Chandana Chowrastra in Gazipur. Members of the regional team of the operator, among others, were present at the inauguration.