IMF urges central banks to remain vigilant on inflation

AFP, *Heiligendamm, Germany*

International Monetary Fund chief Rodrigo Rato, attending the G8 summit here, urged the world's central banks on Friday to remain "vigilant" in face of inflationary dangers.

"It is clear that central banks should be vigilant to inflationary pressures," Rato told a press conference during a meeting of Group of Eight leaders here.

"Central banks are right to act in a pre-emptive manner to contain inflationary pressures," the IMF chief said a day after the European Central Bank raised its key interest rates to 4.0 percent and signalled it might not stop there.

The Bank of England held its rates unchanged at 5.50 percent on Thursday, but experts expect it to raise borrowing costs again in the future.

The Organisation for Economic Cooperation and Development in Paris also recently stressed it was important that the monetary authorities retain their credibility in face of rising energy and food prices and a time when the world economy is in robust health.

IMF chief Rato also said he welcomed the discussion within the G8 on regulation of the trillion-dollar hedge fund industry.

G8 president Germany has put hedge funds on top of its agenda given its concerns that rapid growth in the increasingly powerful sector could destabilise the entire global financial system.

But the world's richest nations -- Britain, Canada, France, Germany, Italy, Japan, the United States and Russia -- have so far spectacularly failed to find a common line on the issue.

The lack of consensus was apparent again in a declaration released on the second day of the three-day summit of G8 leaders in this Baltic Coast resort, where Germany's goals were effectively swept under the carpet.

"I welcome the discussion on subject," Rato said.

"There is a need for transparency and for financial education."

PHOTO: BEPZA

Prasanta Bhushan Barua, member (Investment Promotion) of Bangladesh Export Processing Zones Authority (Bepza), and Mirza Mohammed Jamshed Ali, managing director of Ritzy Apparels Ltd, exchange documents after signing a lease agreement in Dhaka recently. Under the deal, the Bangladeshi company will invest US$2.36 million to set up a knit and woven garments manufacturing plant in Karnaphuli EPZ. Brig Gen Ashraf Abdullah Yussuf, Bepza executive chairman, among others, is seen.

PHOTO: GRAMEENPHONE

Saman Pushpakumara, financial controller of Univogue Garments Co Ltd, and Sajjad Alam, head of Chittagong Region of Grameenphone, sign an agreement recently. Under the deal, the Readymade garment maker will enjoy the mobile phone operator's specialised communication facilities under 'Business Solutions' package.

H and S Ceramic goes into commercial operations

Mymensingh-based H and S Ceramic Industries has gone into commercial operations, says a press release.

A concern of Hamid Group, H and S Ceramic, which has the initial production capacity of 12 metric tons a day, targets to export the 80 percent of its production, officials told a dealers' conference organised to mark the commercial operations on the factory premises at Bhaluka last week.

The production capacity of the factory will reach 25 metric tons a day by the next one year, said Sheikh Abdul Hamid, chairman of the company.

He also said the ceramic company will list on the share exchanges.

Saidul Hasan, senior executive vice president of Dutch-Bangla Bank Limited, was present at the function as chief guest.

Asian markets follow Wall Street's slide

AP, *Bangkok*

Most Asian markets tumbled Friday after shares on Wall Street fell sharply amid growing speculation a U.S. interest rate cut was unlikely. Chinese stocks, however, bucked the trend and rose for a fourth straight session.

The declines across much of Asia came on the heels of rallies in many regional markets, some to record highs.

"This has to be seen in the perspective that we've had a very nice price rally," said David Cohen, Director of Asian Economic Forecasting with Action Economics in Singapore. "They were due for a little bit of a fall."

In Tokyo, the Nikkei 225 average fell 274.29 points, or 1.52 percent, to 17,779.09, and Hong Kong's Hang Seng Index fell 291.01 points, or 1.4 percent, to 20,509.15.

Singapore shares were down 1.5 percent and Australian stocks lost 1.3 percent. Other markets, including Thailand, Taiwan and Malaysia fell less than 1 percent, and Philippines shares ended little changed.

Many Asian markets remain sensitive to moves on Wall Street and indicators about the U.S. economy because it one of the biggest markets for the region's exporters.

Earlier this month, benchmark indexes in Australia, Indonesia, the Philippines, Singapore and South Korea all hit records.

In China, where shares plunged 8.3 percent Monday, the Shanghai benchmark index gained 0.6 percent Friday to 3,914.18.

U.S. stocks fell sharply as investors' hopes for an interest rate cut later this year began to fade. The cut began to look unlikely because of rising bond yields. Many believe the higher yields will make the Federal Reserve less interested in reducing short-term interest rates.

The Dow fell 198.94, or 1.48 percent, to 13,266.73, bringing its three-day loss to about 410 points. The Nasdaq composite index also sank, losing 45.80, or 1.77 percent, to 2,541.38.

China blocks US shipments over food safety

AFP, *Beijing*

China has returned health pill and food shipments from the United States for not reaching minimum safety standards, officials said Friday, amid a growing row over food safety.

In a statement on its website, the General Administration of Quality Supervision, Inspection and Quarantine said they had turned down three shipments of raisins and health supplements following inspection.

"The products failed to meet the sanitary standards of China," the short statement said, adding that levels of bacteria and sulphur dioxide were too high.

PHOTO: SIBL

Social Investment Bank Ltd (SIBL) recently organised a workshop for its employees on 'Managing Core Risk and Business Development'. SIBL Chairman Md Rezaul Haque inaugurated the event while Managing Director KM Ashaduzzaman was present among others.

PHOTO: NCC BANK

Mahbubul Alam Tara, chairman of National Credit and Commerce Bank Ltd (NCC), inaugurates the 49th branch of the bank at Jagannathpur in Sunamganj on Wednesday. Senior officials of the bank are also seen among others.

Weekly Currency Roundup

June 03-June 07, 2007

Local FX Market

The demand for US dollar was stable in the week. There was ample liquidity in the market, and the dollar remained steady against the Bangladeshi taka and showed very little movement 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.

In the Treasury bill auction held on Sunday, bid for BDT 7,500.00 was accepted compared to BDT 7,500.00 last week. Weighted average yield was unchanged for all categories of T-bills but rose slightly for 91D T-bills.

International FX Market

The week saw the yen hit a record low against the euro, as investors piled back into carry trades. The dollar recovered against the euro at the beginning of the week, but lost ground again as the ECB raised its interest rate to 4 percent and indicate further rate hikes in the future. However the dollar got some respite as the US Fed is not expected to cut its benchmark interest rate anytime soon, backed by some good jobs data.

USD dollar

The US dollar initially gained ground against the euro, backed by robust US jobs data. This trimmed expectation that Federal reserve would cut its benchmark interest rate from 5.25 percent. However the dollar lost ground against the euro as the ECB raised its interest from 4 percent and indicated further rate hikes.

Euro

The ECB has raised interest rate to 4 percent and indicated further rate hike. The reduced interest rate differential has given euro a boost against its major rivals. The euro has also been boosted by the fact that major economies has been performing very good.

Yen

The yen hit record low against the euro and basket of other currencies. The yen has been severely impacted because of its low interest rate, which makes it a prime candidate for carry trades. The low yielding yen is borrowed and is used to invest in high yielding assets such as the euro and the dollar.

\- By Standard Chartered Bank