

# US investors gird for fresh turmoil in coming week

AFP, New York

US investors are girding for fresh stock turmoil in the coming week after riding a market roller-coaster in recent days, which has shaken their confidence in the mortgage and credit markets.

The major US stock market indexes ended the week higher Friday that a week ago, but investors saw their portfolios whiplashed as uncertainty about the troubled US housing sector and a related credit squeeze swept world markets.

The leading Dow Jones Industrial Average has dived and jumped by over 200 points in recent days, investors have fled mortgage related investments, and the Federal Reserve has injected tens of billions of dollars into the financial system to shore up confidence.

The blue-chip Dow gained 0.44 percent for the week to end Friday at 13,239.54, following a 0.63 percent decline in the prior week and an over four percent drop in the week before that.

The broad-market Standard Poor's 500 rose a more substantial 1.44 percent over the week to 1,453.64.

The tech-rich Nasdaq composite increased 1.34 percent on the week to Friday to finish lower at 2,544.89.

Despite the end-of-week gains, analysts said fresh Fed interventions could be required in coming days if the markets display renewed volatility and credit problems.

"Central banks are doing the right thing, they're adding liquidity to a system that needs it and they will continue to do so until it doesn't need it.

"It's part of the process to get out of the credit crunch and financial turmoil," said Art Hogan, an analyst at Jefferies and Co.

The US central bank pumped 38 billion dollars into the financial system on Friday in move which some analysts said helped bolster sentiment.

While much of the past week's focus was on the stock market and mortgage and credit sectors, economic news is likely

to grab more headlines in coming days.

"Next week, it's all about the economy. We have a lot of economic news coming out. If the economic news remains on the positive side, that could alleviate some of the fears that the economy might be headed to slower growth," said Peter Cardillo, an analyst at Avalon Partners.

Despite the market jitters, growth in the US economy accelerated to a 3.4 percent annualized pace in the second quarter, up from a 0.6 percent crawl in the first three months of the year.

However, some economists believe the housing downturn, which started over a year ago, and growing fears about the mortgage market could spill over into the wider economy.

A government report on housing starts next Thursday will likely stimulate interest.

Most economists expect housing starts to slow to 1.41 million in July compared with 1.47 million in the prior month as homebuilders cut back on new developments.

Investors will get an update on

retail sales Monday with most analysts anticipating a rebound in activity. Sales are forecast to rise 0.2 percent in July compared with a 0.9 percent decline in the prior month.

Such a rebound, or a stronger than expected report, would likely help restore some confidence, market watchers said.

They also warned that further trading dips could lay ahead.

"As we have been saying for the last month, keep your seat belts and shoulder harnesses fastened. The ride will remain rough," said Frederic Dickson, an equity analyst at DA Davidson.

Bond prices fell in the week to Friday.

The yield on the 10-year US Treasury bond rose to 4.776 percent from 4.700 percent a week earlier. The 30-year bond yield jumped to 5.005 percent from 4.867 percent. Bond yields and prices move in opposite directions.

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In the United States there have been several recent recalls of Chinese-made toys, including 970,000 toys recalled last month by Fisher-Price, and 1.5 million wooden "Thomas the Train" figures by RC2 Corp.

In Peru, Chinese-made toys have steadily increased their share of Peru's toy market from 56.5 percent in 2000 to 78.1 percent last year, when the imports were valued at 45.4 million dollars, according to a study by the Catholic University's Business Center.

Earlier this week, Peru recalled all Fisher-Price toys in Peru after the US distributor announced its recall of Chinese toys in the United States.

China said Wednesday it was spending more than a billion dollars to strengthen the supervision of its food and drug industries.

## Peru seizes 60 tonnes of Chinese toys believed tainted

AFP, Lima

Peruvian police announced Friday it had seized more than 60 tonnes of Chinese toys smuggled from Chile believed to contain toxic, lead-based products that were about to be sold in Lima markets.

"Operation Toys Against Death" on Thursday raided a warehouse in Lima full of Chinese-made toys from China, Malaysia and Taiwan that had been smuggled across the border from Chile, Police chief Walter Rivera told reporters.

"The toys show signs of having been made with toxic substances such as lead," he said, adding that the health ministry was analyzing the products.

The police chief said the raid in central Lima was based on police intelligence work.

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## Yuan back in focus as China trade surplus mounts

AFP, Beijing

China had its second-largest trade surplus on record in July, official data showed Friday, likely adding to international pressure for the yuan to be allowed to rise faster so as to trim the balance.

Last month's 24.4-billion-dollar trade surplus, published by customs authorities, was up 66.7 percent from the same month a year ago but down slightly from June's record 26.9 billion dollars.

"The figures will only further increase international pressure on China, especially its currency policy, no doubt about it," said Wang Qing, a Hong Kong-based analyst with Morgan Stanley.

Exports in July grew 34.2 percent to 107.7 billion dollars while imports, drawn in by China's fast growing economy, rose 26.9 percent to 83.4 billion dollars.

The increase in exports "probably reflected Chinese exporters' anticipation of more tightening policies, which in turn drove them to speed up exports," said Wang.

Beijing has, among other things, been cutting export subsidies for lower value, high polluting industries in an effort to keep the burgeoning trade surplus in check but so far with little apparent effect.

Those measures, taking effect last month, were said to have

boosted the June trade performance significantly as exporters rushed to beat the deadline.

The July figures bring the accumulated trade surplus so far this year to 136.8 billion dollars, on track to surpass last year's record 177.5 billion dollars and a massive increase from 32 billion dollars in 2004.

The trade data was announced amid growing international concerns with China's trade balance, triggering fears the Asian giant's export machine is costing millions of jobs elsewhere.

"The strong forex reserve accumulation has continued into the third quarter, and there remains a lot of pressure on the yuan to appreciate," said Robert Subbaraman, a Hong Kong-based economist with Lehman Brothers.

The foreign criticism, led by the United States and the EU, is focused especially on the value of the Chinese currency, the yuan, which is held to be massively undervalued to give Chinese exporters an unfair advantage.

Two US Senate committees have recently approved legislation that could punish China with sanctions if it does not allow the yuan to rise to levels more in line with the country's economic performance.

President George W. Bush on Wednesday said China would be

"foolhardy" to attempt to push down the dollar in retaliation for US pressure over Beijing's alleged currency manipulation.

Bush made the comment after Britain's Daily Telegraph newspaper reported two officials at leading Communist Party bodies had warned that Beijing might use its more than a trillion dollars in foreign reserves as a political weapon.

China has repeatedly said that it will carry out currency reform at its own pace but will not be pressured by others to speed up changes in the exchange rate.

"Reform in China is not out of the demand of other countries but out of our own demand... we will not follow others' words," Finance Minister Jin Renqing said at a meeting in Australia last week.

Analysts said that China's trade surplus was unlikely to narrow significantly in the coming months.

"If the government adopts more tightening policies to curb investment, it will cool growth in domestic demand and in turn slow import growth. That would allow the trade surplus to become even bigger," said Wang.



PHOTO: GRAMEENPHONE

QAFM Serajul Islam, managing director of Pioneer Insurance Company Ltd, and Mahboob Hossain, head of Direct Sales of Grameenphone Ltd, among others, 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: KARNAPHULI INSURANCE COMPANY

The 'Half Yearly Branch Conference-2007' of Karnaphuli Insurance Company Ltd was held recently in Dhaka. Chairman of the company Nizamuddin Ahmed and senior officials were present.

## Venezuela to boost energy ties with other S American nations

XINHUA, Lima

Venezuela moved to strengthen energy ties with Argentina, Uruguay, Ecuador and Bolivia with the signing of several cooperation deals during President Hugo Chavez's South American tour this week.

During the tour, Chavez called for the strengthening of cooperation among South American countries to achieve energy integration in the region.

In Buenos Aires, the first stop of his four-nation tour that started Monday, Chavez signed a five-year deal on energy cooperation with his Argentine counterpart Nestor Kirchner and pledged to ensure energy supplies to Argentina.

Under the agreement, Venezuela will build a facility in Argentina to reprocess liquefied natural gas shipped from Venezuela to supply customers in Argentina.

The deal also created Petrosuramerica, a joint-venture between the two nations' state-run oil companies that will mainly deal with crude oil, natural gas, refining and petrochemicals.

During his trip to Uruguay, Chavez agreed to supply the country with oil and gas at discounted prices. Uruguay will invest in developing oil fields in Venezuela and increase oil trading.

A deal between the two nations also envisions cooperation in expanding Uruguay's only oil refinery.

## Singapore lifts 2007 growth targets

AFP, Singapore

Singapore on Friday raised its economic growth targets this year to between 7.0 and 8.0 percent after second quarter growth came in better than expected.

However, the government and some analysts cautioned against potential risks in case problems in the US subprime mortgage market spreads into the bigger economy.

Gross domestic product (GDP) in the three months to June rose 8.6 percent over the previous year, better than the initial government estimate of 8.2 percent, the trade ministry said.

Overall, the economy grew 7.6 percent in the first half, it said.

The ministry said it now expects GDP to expand between 7.0 and 8.0 percent this year instead of between 5.0 and 7.0 percent. The economy grew 7.9 percent in 2006, one of the fastest growth rates in Asia.

"Growth has become more broad-based in the second quarter, with the financial services and construction sectors registering double-digit growth, and the manufacturing sector remaining healthy despite a slowdown in electronics," the ministry said in a statement.

The manufacturing sector expanded 8.3 percent during the quarter, below initial government estimates of 10.2 percent, but well above the 4.4 percent recorded in the previous quarter.



PHOTO: AL-ARAFAH ISLAMI BANK

A branch managers' conference of Al-Arafah Islami Bank Ltd was held recently in Dhaka. Chairman of the bank Md Anowar Hossain, directors, managing director and other senior officials were present at the conference.