

# Asian giants seen keeping US trove despite dollar plunge

AFP, Tokyo

With the dollar plunging and the Federal Reserve slashing interest rates, markets are on alert for any signs that foreign investors, particularly in Asia, are buying fewer US assets.

But while some private investors may be heading for the exit, analysts say the authorities in Japan and China look set to hold their nerve as the value of their vast dollar reserves declines.

The world's largest economy has long relied on foreign purchases of Treasuries (US government bonds) to finance its huge debt.

With the yield on those bonds now falling as the Fed tries to contain the credit crisis, higher return assets in other countries have become more attractive.

The Fed has now slashed its federal funds rate by 300 basis points from 5.25 percent last September, while the dollar has hit a series of record lows against the euro and a 12-year trough versus the yen.

"Foreign investors bought 80 to 90 percent of total US Treasuries last year," said Akihiro Nishida, senior economist at Mitsubishi UFJ Securities. "When the dollar goes down, investors certainly have an incentive to sell."

While the sale of US assets by individual investors could put extra pressure on the ailing dollar, a potentially bigger risk is that central banks in Asia and elsewhere might sell some of their stacks of greenbacks.

But countries such as Japan and China face a dilemma because if they sell some of their dollar assets they risk driving the value of the US currency -- and their own forex reserves -- even lower. Such a move could also create political frictions with Washington.

"The bottom line is that it would open up a can of worms," said Tim Condon, head of Asia research at ING Barings in Singapore.

Governments "like a quiet life, and they've got a lot of things that are really urgent to

solve in China," he said.

China's foreign exchange reserves, the world's largest, hit 1.53 trillion dollars at the end of 2007, around 70 percent of which is believed to be in US currency-denominated assets, particularly US Treasuries.

As part of efforts to diversify and boost returns on its massive foreign currency holdings, China has created a 200-billion-dollar state-controlled investment fund.

But if China suddenly announced it was selling a large chunk of US Treasuries, "the market would find that difficult to absorb," said Condon.

"On the day of the announcement, the dollar would go down sharply and Treasury bond yields would go up sharply," he said.

"Bit by bit they (China) would like to get out of the intervention game. They would like to get to that more diversified bundle of reserve holdings in a way that doesn't disrupt financial markets too much," said Condon.

A reported drop in holdings of US Treasuries by foreign

official institutions in August last year triggered concern that countries including China were dumping US assets.

But since then foreign governments have resumed net purchases of Treasuries, buying a net 36.10 billion dollars' worth in January, with China and Japan both boosting their holdings, according to US government figures.

Japan, whose foreign exchange reserves topped one trillion dollars last month, is the largest foreign holder of US paper, sitting atop 586.9 billion dollars' worth in January.

Mainland China was close behind with 492.6 billion, way ahead of number three Britain which held 160.0 billion dollars' worth.

Both Asian countries are concerned about the weakness of the dollar, but while they may look at diversifying their foreign exchange holdings as they grow, they are unlikely to become outright dollar sellers, analysts said.



Nasir A Chowdhury, managing director and chief executive officer of Green Delta Insurance Company Ltd, inaugurates the company's 35th branch at Uttara in Dhaka on Wednesday. Other senior officials are also seen.



Dhaka Bank Limited organises a 3-day training workshop on 'how to reduce cost of fund in commercial banks'. Shahed Noman, managing director, and Bijit Kumar Bhattacharjee, executive vice president of Dhaka Bank, are seen among the participants in the training programme in Dhaka recently. Other senior officials of the bank were also present.

## Currency

Following is yesterday's (Saturday) 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                     | 69.30  | Indian rupee                     | 39.87 1.73       |
| Euro                          | 108.59 | Pak rupee                        | 62.83 1.10       |
| Pound                         | 138.86 | Lankan rupee                     | 107.63 0.64      |
| Australian dollar             | 63.66  | Thai baht                        | 31.29 2.20       |
| Japanese yen                  | 0.71   | Malaysian ringgit                | 3.18 21.64       |
| Swiss franc                   | 69.38  |                                  |                  |
| Swedish kroner                | 11.33  |                                  |                  |
| Canadian dollar               | 68.42  |                                  |                  |
| Hong Kong dollar              | 8.92   |                                  |                  |
| Singapore dollar              | 50.60  |                                  |                  |
| UAE dirham                    | 19.02  |                                  |                  |
| Saudi riyal                   | 18.62  |                                  |                  |
| Saudi kroner                  | 15.12  |                                  |                  |
| Kuwaiti dinar                 | 256.36 |                                  |                  |

**Local Market FX**  
Local inter-bank FX market was subdued on Sunday as international market was closed because of the Easter weekend. The demand for dollar was steady, but trading volumes were very thin. The BDT remained almost unchanged against the USD.

**Money Market**  
Money market was active on Sunday. The call money market was a little tight and most deals ranged between 10.00-15.00 per cent compared to 8.50-9.50 per cent on the last day of the previous week.



S. Renganathan, country manager of Commercial Bank of Ceylon (CBC), introduces the bank's second SME product, TradeCom, by handing over the product to its first customer in Dhaka on Thursday.

## ROK reports 5pc growth in 2007

AFP, Seoul

South Korea's economy expanded a revised 5.0 percent last year from a year earlier, the central bank said, increasing its earlier 4.9 percent estimate.

Gross domestic product (GDP) grew 1.6 percent in the fourth quarter, according to the Bank of Korea.

"The economy maintained an upward trend last year on solid exports and a recovery of consumer spending," Lee Sang-Jae, a senior economist at Hyundai Securities, said on Friday.

| TRADED ISSUES March 23, 2008 |               |         |          |         |          |         |          |         |          |
|------------------------------|---------------|---------|----------|---------|----------|---------|----------|---------|----------|
| Company                      | FV/ML (Tk.No) | Price   | Turnover | Price   | Turnover | Price   | Turnover | Price   | Turnover |
|                              |               | Closing | Chg (%)  | Pre-Day | Share    | Closing | Chg (%)  | Pre-Day | Share    |
| <b>BANK</b>                  |               |         |          |         |          |         |          |         |          |
| AB Bank-A                    | 1000          | 312.25  | -1.51    | 312.00  | 34900    | 314.20  | -1.22    | 313.00  | 10120    |
| AB Bank-B                    | 1000          | 312.25  | -1.51    | 312.00  | 34900    | 314.20  | -1.22    | 313.00  | 10120    |
| AB Bank-C                    | 1000          | 312.25  | -1.51    | 312.00  | 34900    | 314.20  | -1.22    | 313.00  | 10120    |
| AB Bank-D                    | 1000          | 312.25  | -1.51    | 312.00  | 34900    | 314.20  | -1.22    | 313.00  | 10120    |
| AB Bank-E                    | 1000          | 312.25  | -1.51    | 312.00  | 34900    | 314.20  | -1.22    | 313.00  | 10120    |
| AB Bank-F                    | 1000          | 312.25  | -1.51    | 312.00  | 34900    | 314.20  | -1.22    | 313.00  | 10120    |
| AB Bank-G                    | 1000          | 312.25  | -1.51    | 312.00  | 34900    | 314.20  | -1.22    | 313.00  | 10120    |
| AB Bank-H                    | 1000          | 312.25  | -1.51    | 312.00  | 34900    | 314.20  | -1.22    | 313.00  | 10120    |
| AB Bank-I                    | 1000          | 312.25  | -1.51    | 312.00  | 34900    | 314.20  | -1.22    | 313.00  | 10120    |
| AB Bank-J                    | 1000          | 312.25  | -1.51    | 312.00  | 34900    | 314.20  | -1.22    | 313.00  | 10120    |
| AB Bank-K                    | 1000          | 312.25  | -1.51    | 312.00  | 34900    | 314.20  | -1.22    | 313.00  | 10120    |
| AB Bank-L                    | 1000          | 312.25  | -1.51    | 312.00  | 34900    | 314.20  | -1.22    | 313.00  | 10120    |
| AB Bank-M                    | 1000          | 312.25  | -1.51    | 312.00  | 34900    | 314.20  | -1.22    | 313.00  | 10120    |
| AB Bank-N                    | 1000          | 312.25  | -1.51    | 312.00  | 34900    | 314.20  | -1.22    | 313.00  | 10120    |
| AB Bank-O                    | 1000          | 312.25  | -1.51    | 312.00  | 34900    | 314.20  | -1.22    | 313.00  | 10120    |
| AB Bank-P                    | 1000          | 312.25  | -1.51    | 312.00  | 34900    | 314.20  | -1.22    | 313.00  | 10120    |
| AB Bank-Q                    | 1000          | 312.25  | -1.51    | 312.00  | 34900    | 314.20  | -1.22    | 313.00  | 10120    |
| AB Bank-R                    | 1000          | 312.25  | -1.51    | 312.00  | 34900    | 314.20  | -1.22    | 313.00  | 10120    |
| AB Bank-S                    | 1000          | 312.25  | -1.51    | 312.00  | 34900    | 314.20  | -1.22    | 313.00  | 10120    |
| AB Bank-T                    | 1000          | 312.25  | -1.51    | 312.00  | 34900    | 314.20  | -1.22    | 313.00  | 10120    |
| AB Bank-U                    | 1000          | 312.25  | -1.51    | 312.00  | 34900    | 314.20  | -1.22    | 313.00  | 10120    |
| AB Bank-V                    | 1000          | 312.25  | -1.51    | 312.00  | 34900    | 314.20  | -1.22    | 313.00  | 10120    |
| AB Bank-W                    | 1000          | 312.25  | -1.51    | 312.00  | 34900    | 314.20  | -1.22    | 313.00  | 10120    |
| AB Bank-X                    | 1000          | 312.25  | -1.51    | 312.00  | 34900    | 314.20  | -1.22    | 313.00  | 10120    |
| AB Bank-Y                    | 1000          | 312.25  | -1.51    | 312.00  | 34900    | 314.20  | -1.22    | 313.00  | 10120    |
| AB Bank-Z                    | 1000          | 312.25  | -1.51    | 312.00  | 34900    | 314.20  | -1.22    | 313.00  | 10120    |
| <b>INSURANCE</b>             |               |         |          |         |          |         |          |         |          |
| ABC Insurance                | 1000          | 312.25  | -1.51    | 312.00  | 34900    | 314.20  | -1.22    | 313.00  | 10120    |
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