Asian markets mark fall

AFP, *Hong Kong*

Asian shares fell on Friday as dealers looked to weak data from the United States that suggests a recovery in the world's biggest economy may not be as strong as previously thought.

Tokyo led the way down, diving 2.64 percent, after bucking the trend on Thursday as dealers returned from a three-day break.

Hong Kong lost 0.13 percent and Shanghai 0.52 percent.

Seoul lost 0.14 percent but Sydney rose 0.26 percent.

Dealers were worried about the pace of recovery in the US after data Thursday showed existing home sales fell 2.7 percent in August to 5.10 million units from the previous month.

In the past four months, sales had risen a total of 15.2 percent. The news knocked Wall Street 0.42 percent lower.

TOKYO: Down 2.64 percent. The Nikkei-225 index dropped 278.24 points to 10,265.98.

Stocks were hit by Wall Street's losses, worries about Japan Airlines and news of a planned capital hike by brokerage giant Nomura.

Nomura plunged 15.9 percent to 573 yen after unveiling plans to sell new shares worth up to 511 billion yen (5.6 billion dollars) to bolster its global operations, a move that will dilute the value of its existing shares.

Banking stocks were dragged lower, with Mizuho Financial sliding 4.3 percent to 176 yen.

Japan Airlines slid 7.6 percent to 133 yen after it asked the government for an injection of public funds to keep it flying, in what would be its fourth bailout since 2001. JAL stock lost 16 percent on Thursday.

HONG KONG: Down 0.13 percent. The Hang Seng Index lost 26.33 points at 21,024.40.

"Concerns the US Federal Reserve will scale back some of its supportive measures for the economy will weigh on the local market in the near term," Ernie Hon, strategist at ICBC International Securities told Dow Jones Newswires.

HSBC fell 0.7 percent to 88.05 Hong Kong dollars, taking 23.21 points off the broader index.

However, property stocks rose on bargain hunting, with Sun Hung Kai Properties up 1.4 percent to 113.70 after losing 2.9 percent in the previous two sessions.

Debutant China Lilang, a menswear producer and retailer, fell 0.8 percent to 3.87, below its initial public offering price of 3.90.

SHANGHAI: Down 0.52 percent. The Shanghai Composite Index, which covers both A and B shares, was down 14.71 points to 2,838.84.

"The fall in large-caps and sharply shrinking turnover shows investors' sentiment remains very weak and the market has no momentum to go upward in the near term," Zhou Lin, an analyst at Huatai Securities, said.

Investors were also worried funds would be diverted to subscriptions for the initial public offerings on the planned Nasdaq-style board, traders said.

China is widely expected to launch the Shenzhen Stock Exchange-hosted growth enterprise board for small and medium sized businesses next month.

Nonferrous companies led the losses due to weak metal prices on the London Metal Exchange on Thursday.

Jiangxi Copper fell 3.7 percent to 35.03 yuan.

Chinese steel makers also fell on concerns domestic steel prices may fall due to overcapacity. Baoshan Iron and Steel fell 0.5 percent to 6.62 yuan.

SEOUL: Down 0.14 percent. The KOSPI lost 2.4 points to close at 1,691.48.

Bargain-hunting offset early profit-taking spurred by overnight US market weakness.

Reports that leaders of the Group of 20 nations agreed to avoid withdrawing economic stimulus measures prematurely also helped soothe anxieties, analysts said.

Hynix Semiconductor and Hyosung both tumbled 8 percent, to 18,950 won and 70,200 won respectively, amid uncertainties over the sale of a major stake in the chipmaker this year. Hyosung was the only bidder for the 28 percent stake at the close of bidding earlier this week.

Hyundai Motor rose 4.5 percent to 115,500 won, Kia TAIPEI: Up 0.29 percent. The weighted index rose 21.00 points to 7,345.22.

SINGAPORE: Down 0.17 percent. The Straits Times Index fell 4.61 points to 2,662.82.

Singapore Telecommunications was among the losers, falling two cents to 3.14 dollars. Singapore Airlines rose six cents to 13.44 dollars while Singapore Press Holdings was two cents firmer at 3.74 dollars.

BANGKOK: Down 0.96 percent. The Stock Exchange of Thailand fell 6.97 points to close at 721.57.

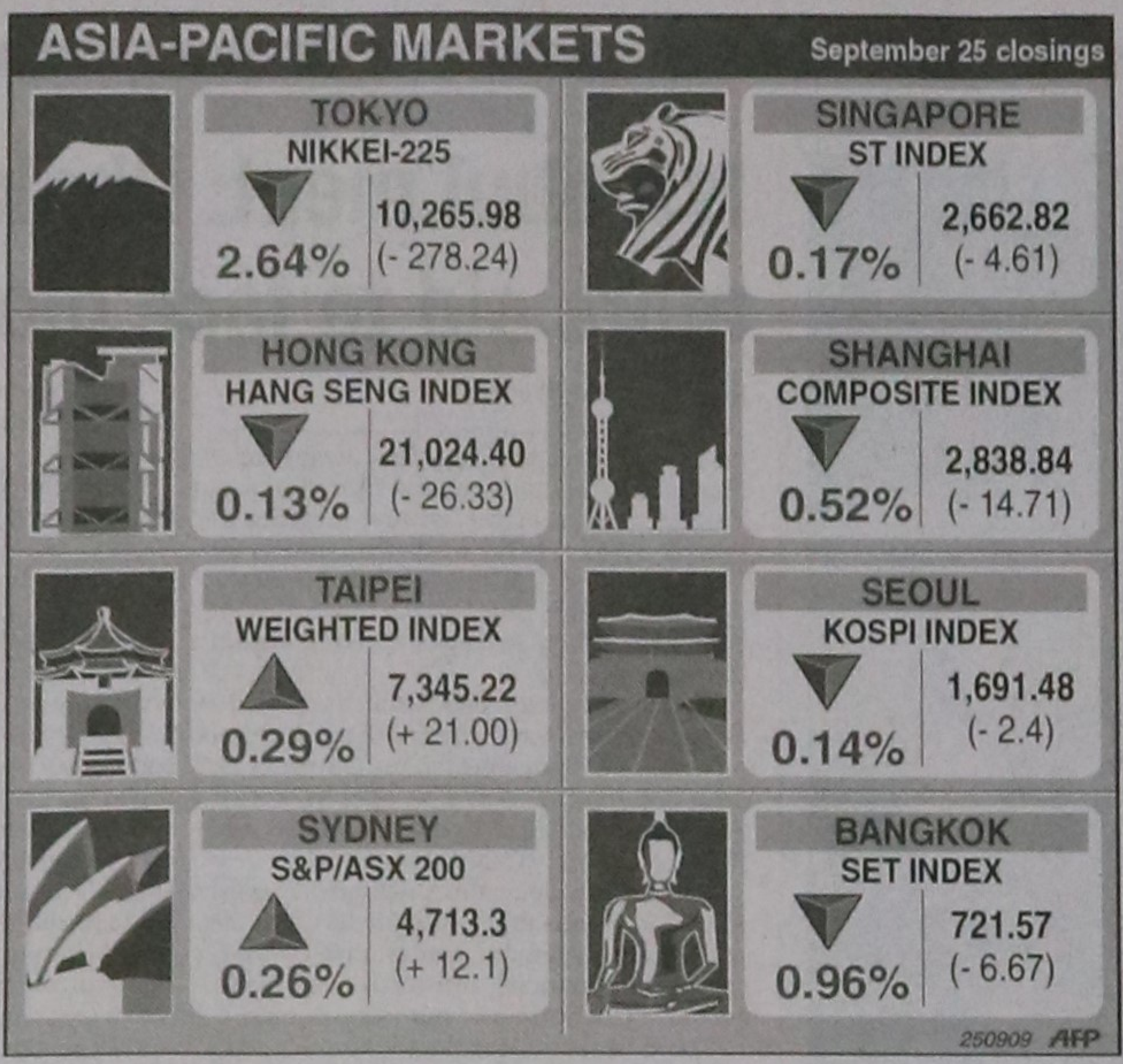
Bangkok Bank shed 2.00 baht to 119.00 and Kasikornbank edged down 0.50 baht to 81.25 baht, while Siam Commercial Bank lost 1.00 baht to 83.75.

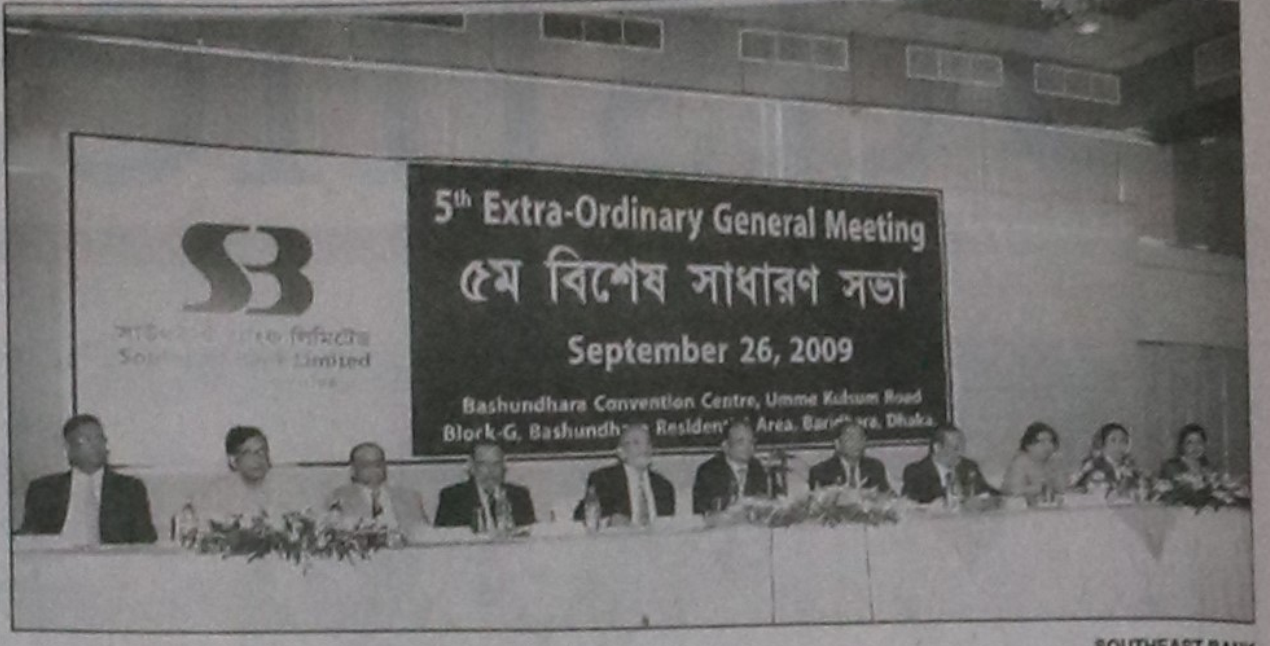
KUALA LUMPUR: Flat. The Kuala Lumpur Composite Index lost 0.67 points to close at 1,217.39

JAKARTA: Down 0.98 percent. The Jakarta Composite Index lost 24.32 points to 2,444.58.

MANILA: Down 0.56 percent. The composite index fell 16.00 points to 2,821.34.

MUMBAI: Down 0.53 percent. The 30-share Sensex index fell 88.43 points to 16,693.





SOUTHEAST BANK

Alamgir Kabir, chairman of Southeast Bank Ltd, presides over the bank's 5th extra-ordinary general meeting at Bashundhara Convention Centre in Dhaka yesterday. The bank approved one right share for every two shares, issuance of bond for Tk 200 crore subject to the regulator's approval, among others.

Eurozone private sector lending close to stalling: ECB

AFP, *Frankfurt*

Eurozone private sector lending has nearly stalled, the European Central Bank warned on Friday, posing a threat to what is likely to be a weak recovery from the 16-nation bloc's first recession.

Growth in loans to the private sector dropped to 0.1 percent in August from a previous record low of 0.7 percent in July, an ECB spokesman said.

Capital Economics European economist Ben May said "there are still few signs that the ECB's provision of unlimited liquidity to banks is boosting broad money and credit growth."

The central bank loaned a record 442.24 billion euros (650 billion dollars) at 1.0 percent in 1-year funds to commercial banks in June and is set to make another unlimited 1-year loan at the same rate next week.

Private sector lending, however, could begin to contract in September despite the cash flood, May said.

Eurozone banks have been criticised by politicians and business leaders for failing to pass on cheap central bank funds to the wider economy and the ECB has also pressed the banks to do their part to support a recovery.

Commerzbank economist Michael Schubert noted that the decrease in lending growth "may be partly due to the substitution of securities issuance for bank loans" as big companies seek to raise funds directly on the money markets.

May nonetheless said that "given eurozone firms' heavy reliance on bank lending, this is unlikely to fully explain the story."

With the recession's impact set to show up increasingly in balance sheets, commercial banks will probably have to apply still stricter lending criteria, Schubert noted.

Battered banks are also curbing lending because they must get their their own books in order.

Growth of the ECB's wider M3 money supply indicator, which measures cash, deposits and various other financial items, meanwhile fell to 2.5 percent in August from 3.0 percent in July, the bank spokesman said.

Lending and money supply data reflect consumer demand and overall activity in an economy. A falling figure points to lower demand, which normally means inflation will ease and allow the ECB to cut interest rates.

Euro gets boost from US consumer confidence

AFP, *London*

The euro climbed against the dollar on Friday on the back of rising US consumer confidence even as ministers at the G20 summit stressed the importance of a strong dollar for the world economy.

"A strong dollar is very important to the United States," US Treasury Secretary Timothy Geithner said at a meeting with Japanese Finance Minister Hirohisa Fujii on the sidelines of the G20 talks in Pittsburgh.

The yen also rose against both the dollar and the European single currency after Japan's new finance minister said on the sidelines of the summit that Tokyo did not intend to intervene to weaken the Japanese currency.

AFP

Thai office workers choose dresses at a stall in Bangkok on Friday. The Thai economy in the fourth quarter is expected to turn positive and the inflation rate will contract 0.5 percent for the whole year and stay around 2 percent given recovering local demand and higher oil prices.

Georgia economy contracts 10.7pc

AFP, *Tbilisi*

Georgia's struggling economy contracted by 10.7 percent year-on-year in the second quarter of 2009, the statistics office said Friday, amid a steep drop in foreign investment.

The contraction was even steeper than a 5.9 percent year-on-year drop in gross domestic product (GDP) in the first quarter of 2009.

The wholesale and retail sectors suffered most in the second quarter, contracting by 32.7 percent, the statistics office said in a statement. The mining sector saw the largest gain, with 18.3 percent growth.

Heavily dependent on foreign investment, Georgia's once-booming economy has suffered from investor flight amid fallout from the global economic crisis and a five-day war with Russia in August 2008.

Weekly Currency Roundup

September 20 – September 24, 2009

International Markets

This week reaffirmed the view that the USD is on a long term downtrend. The higher yielding currencies continued to pick up steam, as risk appetite was on the rise. The expectation that the Fed would continue to keep rates low for a prolonged period, added to the dollar being sold. The FOMC Statement, following the Feds meeting was very much as expected. It noted the pick up in economic activity but warned of constraints, particularly in the household sector and reiterated that economic activity is likely to remain weak for a time. As expected it retained the phrase that the Funds rate will stay low for an extended period and also repeated that inflation will remain subdued. The four factors constraining households listed after the last meeting -- ongoing job losses, sluggish income growth, lower housing wealth and tight credit -- were all retained, though the Fed did acknowledge that activity in the housing sector has increased. The quantitative easing programme was tweaked to spread out the purchases of mortgage securities into Q1 2010, instead of finishing this year.

Local Money Market

The call money rate traded in the range of 6-8.5% the week. Withdrawals ahead of Eid contributed to a reduction in the excess liquidity, which caused the rates to remain high this week.

Local Market FX

The USD remained steady against the BDT this week, after the markets opened after a 3-day holiday. The market was active and there was ample liquidity.

Standard Chartered

Crude oil slumps, gold slides back

AFP, *London*

Crude oil prices dived this week on fresh concerns about the pace of US economic recovery, while gold slid back under 1,000 dollars per ounce on profit-taking.

"It looks like there is a flood of money out of commodities," said Ellis Eckland, an independent oil trader.

"Investors want to get to the exit as soon as possible; they feel that the real economy is weak."

Elsewhere, traders eyed the Group of 20 nations' two-day summit in Pittsburgh that begins on Thursday.

G20 leaders are promising tough action to police markets and prevent a repeat of the global financial crisis.

OIL: Crude oil prices slumped on evidence of weak energy demand in key consuming nation the United States.

The market had shed more than three dollars on Thursday as mixed US economic data and signs of sluggish oil demand highlighted fears about a tepid recovery from the global recession.

Prices had already fallen almost three dollars on Wednesday in reaction to a large jump in US crude oil inventories -- a sign that energy demand remains weak.

Worries about the pace of the US economic recovery intensified after data Thursday showed existing home sales fell 2.7 percent in August to 5.10 million units, snapping a winning streak.

On Wednesday, a widely-watched Department of Energy report showed US crude reserves rose 2.8 million barrels in the week to September 18, against analysts' expectations of a decline.

Stocks of distillates, which include heating fuel, rose by three million barrels last week. Distillates are being closely monitored ahead of the northern hemisphere winter when demand for heating fuel peaks.

Energy demand has plunged after the global economy slipped late last year into its worst recession since the 1930s.

This sent oil prices tumbling from historic highs of more than 147 dollars in July 2008 to around 32 dollars in December.

Prices have since recovered somewhat but investors remain concerned over the pace of the upturn.

Oil prices had risen strongly above 70 dollars on Tuesday as the European single currency struck a one-year high point above 1.48 dollars. But the dollar has since clawed back some ground.

Since oil is traded in the US currency, a weaker dollar makes the commodity more attractive to holders of stronger units, leading to greater demand and pushing prices higher.

PRECIOUS METALS: Gold prices retreated as traders cashed in gains from last week's strong rally which saw the precious metal climb within a whisker of a record high.

Gold sank as low as 985.28 dollars per ounce on Friday, which was the lowest point for more than two weeks.

"The yellow metal started to tumble, paying a heavy price for (the) decision to book profits," said ODL analyst Marius Paun.

"A stronger US currency accompanied by a steep decline in crude prices added to the downside pressure."

The previous week, gold had struck 1,024.28 dollars an ounce, which was the best level since March 2008 when it hit a record 1,032.70.

Gold is regarded as a safe bet for investors to guard against inflation, which is of growing concern following trillions of dollars in borrowing by governments and radical measures including the printing of new money.

By late Friday on the London Bullion Market, gold fell to 991.50 dollars an ounce from 1,012 dollars a week earlier.

Silver slid to 16.20 dollars an ounce from 17.11 dollars.

BASE METALS: Base metals prices mostly fell amid concerns about Chinese demand tailing off.

Three-month aluminium fell to 1,832 dollars a tonne from 1,929 dollars.

SUGAR: Sugar futures fell after reaching 28-year highs earlier this month. By Friday on LIFFE, the price of a tonne of white sugar for delivery in December slid to 577 pounds from 582 pounds a week earlier.

On NYBOT, the price of unrefined sugar for March fell to 21.78 US cents a pound from 23.67 cents.

GRAINS AND SOYA: Maize and wheat prices advanced but soya pulled lower amid unease about frosty weather in key producer United States.

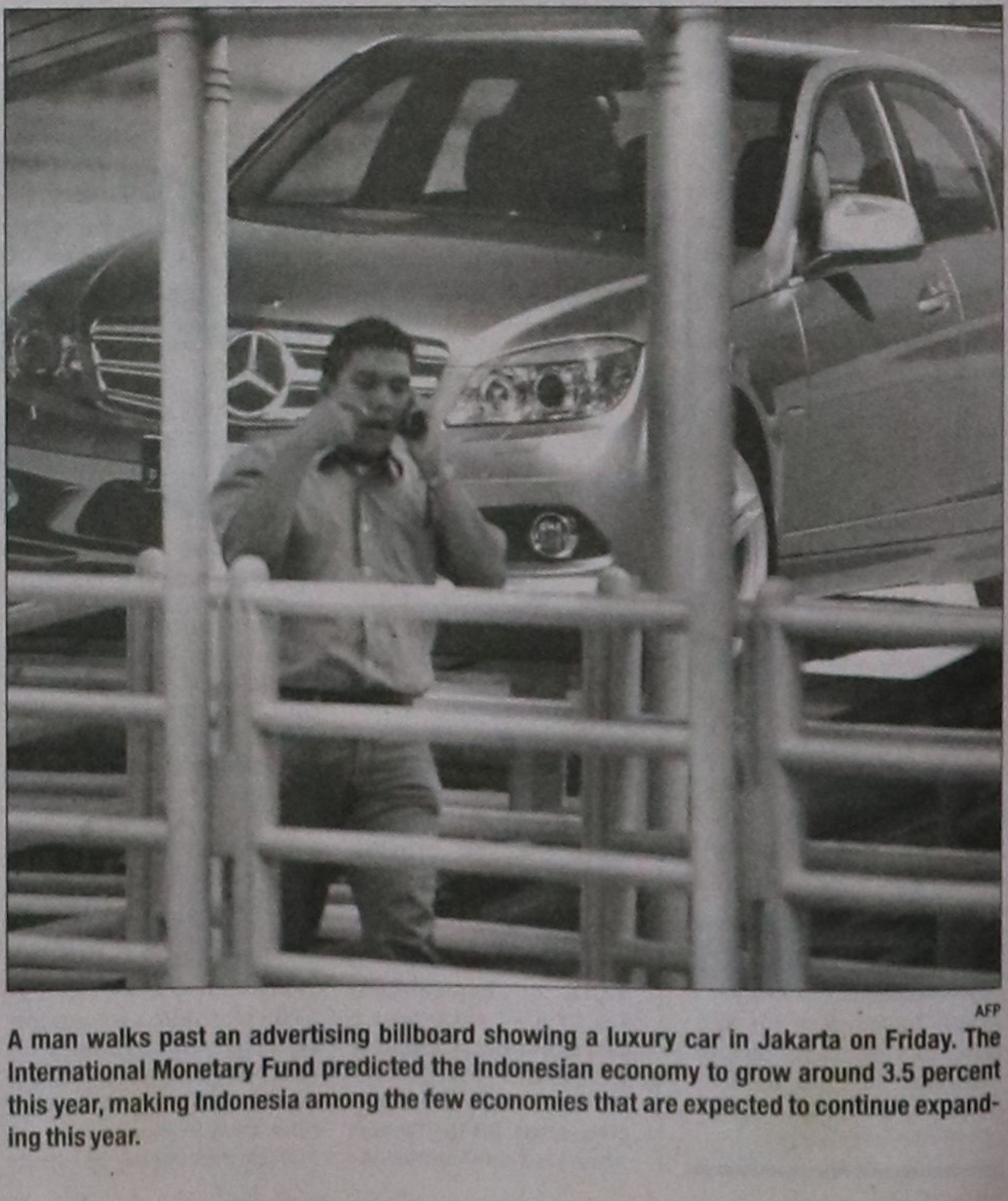
By Friday on the Chicago Board of Trade, maize for delivery in December rose to 3.38 dollars a bushel from 3.18 dollars a week earlier.

November-dated soyabean meal -- used in animal feed -- decreased to 9.29 dollars from 9.41 dollars.

Wheat for December rose to 4.72 dollars a bushel from 4.57 dollars.

RUBBER: Malaysian rubber prices dropped due to a quiet market amid the Eid al-Fitr holiday, dealers said.

On Friday, the Malaysian Rubber Board's benchmark SMR20 fell to 208.30 US cents per kilo, from 209.70 cents last week.



AFP

A man walks past an advertising billboard showing a luxury car in Jakarta on Friday. The International Monetary Fund predicted the Indonesian economy to grow around 3.5 percent this year, making Indonesia among the few economies that are expected to continue expanding this year.