Strong Asian data boosts world stocks

REUTERS, *London*

World stocks started the month on a brighter note on Wednesday as data showed a manufacturing rebound in China and stronger-than-expected growth in Australia, while the yen held near recent 15-year peaks against the dollar.

China's manufacturing sector staged a moderate rebound in August after slowing for several months, while Australia's economy grew at the fastest pace in three years last quarter.

The strong readings from Asia helped offset concerns that the US economy is slowing to an extent that would force the Federal Reserve to consider easing policy again.

"People are fixated on only two economies in the world: China and the US. It becomes a risk-on day if you get good Chinese data and a risk-off day if you get bad US data," said Marc Ostwald, a strategist at Monument Securities in London.

The MSCI world equity index rose 0.8 percent, moving further away from a seven-week low hit last week. The benchmark index is still down nearly 7 percent since January.

The Thomson Reuters global stock index rose 0.9 percent.

In Europe, the FTSEurofirst 300 index jumped 1.2 percent, led by mining shares such as Anglo American. US stock futures rose around 1.2 percent , pointing to a firmer open on Wall Street later.

Emerging stocks added 0.8 percent while US crude oil rose 0.7 percent to $72.46 a barrel. German government bond futures fell 66 ticks.

DOLLAR CANNOT WIN

The low-yielding dollar, which still tends to suffer when investors buy into riskier assets and currencies, lost 0.8 percent against a basket of major currencies.

The weaker outlook for the US economy itself is also weighing on the dollar, with minutes of the Fed's Aug 10 meeting showing the central bank would consider additional easing steps if the outlook weakened "appreciably".

The meeting was held against a darkening backdrop, and the Fed, in a significant policy shift, decided to reinvest maturing mortgage-related securities in government debt so its support for the stumbling recovery did not fade.

"We've seen a reprieve for risk from the data overnight but I'm of the opinion you sell rallies in riskier currencies." said Kenneth Broux, markets strategist at Lloyds Banking Group.

"The market will keep buying safe havens such as the yen and the Swiss franc if US data continues to disappoint."

The Japanese currency rose 0.2 percent to 84.03 per dollar , within half a yen of last week's 15-year high of 83.58. The euro gained 0.9 percent to $1.2797.

Manufacturing activity in the euro zone expanded for 11 months in a row although the pace of growth slowed, according to a Markit survey.

REUTERS

Stock traders stand on Wall Street outside the New York Stock Exchange on Monday. The strong readings from Asia helped offset concerns that the US economy is slowing to an extent that would force the Federal Reserve to consider easing policy again.

SIBL

Sultan Mahmood Chowdhury, chairman of Social Islami Bank Ltd, inaugurates the bank's 53rd branch at New Eskaton in Dhaka on Tuesday.

Oil rises

AFP, *Singapore*

Oil prices recovered lost ground in Asia Wednesday, with traders hunting for bargains following two days of losses, analysts said.

New York's main contract, light sweet crude for delivery in October, added 55 cents to $72.47 a barrel in the afternoon after plunging $2.78 in US trade Tuesday.

Brent North Sea crude for October delivery was up 60 cents to $75.24 after dropping $1.96 the day before.

"It could be bargain hunting," said Serene Lim, oil and gas analyst at ANZ bank in Singapore.

Wednesday's price recovery was against an unexpected rise in crude inventories in data released by the American Petroleum Institute.

Euro and yen gain forex share

AFP, *Geneva*

The euro, Japanese yen and some emerging market currencies are gaining ground in the foreign exchange market while the dollar is continuing to decline, a bank survey said Wednesday.

"The US dollar continued a slow retreat from its 90 percent peak share of all transactions reached in the 2001 survey just after the introduction of the euro," the Bank for International Settlements said.

The share of foreign exchange transactions denominated in the US currency fell to 85 percent in April, said the BIS, widely known as the "central bankers' bank."

Transactions in the European common currency meanwhile gained two percentage points in market share, reaching 39 percent, with the Japanese yen also up two percentage points to 19 percent.

Because currency trades typically involve two currencies, the total percentage for the market is given as out of 200 percent rather than 100 percent.

Emerging market units are also gaining popularity, with the market share of 23 currencies growing to 14 percent in April 2010 from the 12.3 percent recorded in the previous survey of April 2007.

"The most significant increases were seen for the Turkish lira and the Korean won, followed by the Brazilian real and the Singapore dollar," the BIS said.

Overall, the foreign exchange market grew 20 percent to about 4.0 trillion dollars in daily turnover in April 2010 from 3.3 trillion dollars three years earlier.

Britain continued to maintain its leading position as the world's largest foreign exchange centre with 36.7 percent of the total trade, followed by the United States with 18 percent and Japan with six percent.

Key Asian markets strike early to ward off property bubble

AFP, *Singapore*

Key Asian economies fearing a US-style housing market bubble are taking fresh measures to curb runaway property prices as the region leads the global rebound from recession.

High domestic liquidity, cash-rich foreign investors and low interest rates have stoked demand, with prices for some sectors in Hong Kong and Singapore surpassing peaks seen in previous property booms.

China is also trying to rein in buyer exuberance by tightening credit and imposing other regulations that make it tougher to buy and sell property.

"On the whole, this is good news because this is a potential problem area and regulators are acting early on it," said Deborah Schuler, senior vice president and group credit officer for financial institutions with Moody's Investors Service, told AFP.

"These are people who believe you should not wait for bubbles."

The International Monetary Fund said in a report in June that booming Asian real estate markets "may pose risks to financial stability as banks are increasingly vulnerable to a price correction".

"In addition, because the majority of mortgage loans in Asian economies carry floating rates, the widely anticipated rate hikes in the region may increase the burden on household balance sheets," it added.

Singapore on Monday introduced new regulations to curb "flipping" -- buying condominium units on easy credit and reselling them for a quick profit even before the property is built or

AFP

A private condominium under construction near the bay in Singapore is pictured. Asian policymakers fearing a US-style housing market bubble have taken fresh measures to curb runaway property prices as the region leads the global rebound from recession.

opened for occupancy.

A typical three-bedroom suburban apartment of around 100 square metres (1,100 square feet) that will be ready for occupancy in only two or three years now costs at least a million US dollars in Singapore.

In Hong Kong, a similar property can cost twice as much.

"We think that if we do nothing, there's going to be a bubble," Singapore's Minister for National Development Mah Bow Tan said.

"And when the bubble bursts, not if but when it bursts, there will be severe implications for individuals as well as for the economy as a whole," he said.

Singapore's latest measures are aimed largely at buyers who have at least one outstanding mortgage.

The minimum cash downpayment was raised from five to 10 percent of valuation, while the maximum amount a bank can lend was capped at 70 percent, down from 80 percent. The balance can be taken from a buyer's pension fund.

"This round of tightening appears to be the most draconian," said CIMB bank analyst Donald Chua.

In Hong Kong, the territory's richest man Li Ka-shing snapped up in August two prime residential sites at prices well above market estimates.

On Tuesday, another developer paid 165 million US dollars for a plot of prime land in the teeming Kowloon district.

Hong Kong announced in August it would further increase land supply and tighten mortgage lending on top of previous measures announced last year.

Home prices in the Chinese territory have surged nearly 45 percent from their trough at the end of 2008.

Mainland China's property prices rose at a slower pace in July, suggesting policy measures to cool the sector may be having an impact.

Beijing has tightened restrictions on advance sales of new developments, introduced curbs on loans for third home purchases and raised minimum downpayments for second homes.

The measures will help prevent "drastic fluctuations" in the market, Agricultural Bank of China chairman Xiang Junbo said Monday.

Asian economies have outperformed their Western counterparts in recovering from the global slump that started in late 2008.

"In Asia in general, there are strong capital inflows because of the strong recovery in Asia and the disparate performances between the Western and Asian economies," said Ho Woei Chen, an analyst with Singapore's United Overseas Bank.

Colin Tan, head of research and consultancy at Chesterton Suntec International in Singapore, said more cooling measures may be necessary.

"The liquidity problem is a global one. In Singapore, we are only starting to tackle this problem," he wrote in local newspaper Today.

"Believe me, this is just the beginning."

AIBL

Md Enayetullah, director of Al-Arafah Islami Bank Ltd, inaugurates the bank's 68th branch at Kamrangirchar in Dhaka on Monday. Ekramul Hoque, managing director, was also present.

Hitachi plans IPO of hard-drive unit

REUTERS, *Los Angeles/Tokyo*

Hitachi Ltd is planning an initial public offering of its hard-drive unit in the United States, possibly by year's end, sources familiar with the situation said.

The hard-drive unit, Hitachi Global Storage Technologies (HGST), is the world's No. 3 hard drive maker and analysts said it could be valued at about $3 billion, based on its revenue over the last 12 months and the value of its main competitors, Seagate Technology Plc and Western Digital Corp.

Bankers are in discussions with the Japanese company about an IPO and underwriters could be named in early September, the sources said. Unofficially, Goldman Sachs Group Inc has been chosen as one of the underwriters, they said.

Although an IPO is the most likely scenario, Hitachi is also considering a sale of all or part of HGST, several sources said.

Shares in Hitachi, Japan's biggest electronics conglomerate, rose 2.1 percent on the news, outperforming a steady Tokyo electrical machinery sector subindex.

Hitachi, on track for its first annual net profit in five years, has been streamlining its sprawling operations that include 900 group firms to focus more on stable and growing infrastructure-related businesses such as power plants and industrial systems.

As part of the effort, it made five then-listed subsidiaries into wholly-owned units earlier this year, while reducing its stakes in other units such as those make chips and mobile phones, judging they fall outside of its focus areas.

"An independent business structure is ideal for a business like this one where price volatility is so severe and there is the need for such big capital investment," a Hitachi executive who declined to be named said of the hard disk drive unit.

The company has also said it is targeting acquisitions in IT service providers, particularly in Europe and the United States.

SEEKING CASH

A Tokyo-based Hitachi spokesman said: "We have not made any decision on the future (of HGST). Our stance from before -- that we have been exploring various possibilities for the direction of the business -- has not changed."

Analysts said a trade sale of the business could also be an option, given the struggling US IPO market and a sudden surge in tech-related M&A activity. Bankers have said more companies are now pursuing both options simultaneously.

Hitachi moved to raise about $4.5 billion last year to shore up its battered capital base by issuing new shares and convertible bonds, its first public offering in 27 years.

Some analysts have said shedding the business could help the company's overall finances.

"They are sort of cash-strapped, so this would get money to the firm, it would help them financially," said Hemant Hebbar, an analyst with Wedbush Securities.

The outlook for the hard disk drive industry is uncertain, with PC demand seen weaker than previously expected, especially among consumers in mature markets. Intel Corp last week warned of a sales shortfall in the third quarter.