

Quake sours
Japan business
mood

AFP, Tokyo

Japanese business confidence in the outlook for the next three months has plunged following the March 11 earthquake-tsunami and subsequent nuclear crisis, the Bank of Japan said Monday.

The central bank released Friday's quarterly Tankan survey to show the breakdown in the replies it received before and after the disasters.

With most of the responses from companies received before March 11, the survey does not fully reflect the impact of the quake.

But responses from firms received after the tragedy show a sharply divergent view after the 9.0 magnitude earthquake damaged factories, caused power shortages and led to major disruption to supply chains.

The BoJ's report on Friday showed business sentiment among large manufacturers improving to "six" in March from "five" in December, but only 23.6 percent of responses were received after March 11.

Monday's survey illustrated the views of firms polled after the quake, which showed the sentiment index among those major manufacturers fall to "minus two" for the April-June period.

The index measures the percentage of firms that say conditions are good minus those that say conditions are bad.

Ratan Tata faces 2G scam probe

REUTERS, New Delhi

Iconic Indian tycoon Ratan Tata was to appear on Monday before a parliamentary panel probing a multi-billion dollar telecoms graft scandal that has badly dented the government's credibility and alarmed investors in Asia's third largest economy.

The questioning of one of the foremost titans of the industry comes two days after the CBI made the first indictments in the case, naming a former minister, a unit of Reliance ADA group and the Indian partners of Etisalat and of Telenor among the accused.

Neither Tata, ranked No. 61 in the Forbes list of the world's most powerful people as head of autos-to-software conglomerate Tata Group, nor his telecoms firm Tata Teleservices, have been charged in the case.

But an independent lawmaker has said the firm gained from a 2007 policy change in the manner radio spectrum was granted. Tata will answer questions including those related to the allocation of spectrum, his spokesman has said.

Tata has denied his company received any undue benefits.

The graft scandal, potentially India's largest, has tarnished the stature of Prime Minister Manmohan Singh and fuelled doubts that he will not serve a full term.

It is one of the several corruption scandals that have emerged during Singh's second term, hobbling policymaking and diverting the government's attention from pushing forward crucial economic reforms.

A dispute between the government and opposition over whether a parliamentary panel should investigate the scandal paralysed parliamentary proceedings for weeks late last year, until Singh



AFP

Ratan Tata, chief executive officer of Tata Group, leaves 10 Downing Street, in central London, following a meeting of the "UK-India CEO Forum".

caved in to the demands of his political opponents.

The scandal has also led to several official decisions being scrutinised or reversed, raising regulatory risk.

Shares in Reliance Communications, DB Realty and Unitech, whose units were charged on Saturday, all fell on Monday

morning, lagging a broader market that was in positive territory.

Andimuthu Raja, the telecoms minister during the licence allocations, was forced to resign and has been arrested. He was charged on Saturday with abuse of official position, cheating and criminal conspiracy.

Tata had earlier backed Raja

and the policy changes he made, saying they "broke the powerful cartel which had been holding back competition".

Ahead of Tata's appearance before the panel on Monday afternoon, lawmakers will question powerful lobbyist Niira Radia, who has represented Tata Group companies as well as Tata himself.

India may have lost as much as \$39 billion in revenue due to violation of rules when lucrative 2G mobile phone licences were granted in 2008, the state auditor has estimated, a sum equivalent to the country's defence budget.

The Public Accounts Committee (PAC), the panel which will question Tata, scrutinises the accounts of the government and is chaired by Murli Manohar Joshi, an independent-minded lawmaker from the main opposition Bharatiya Janata Party.

Anil Ambani, the billionaire chairman of Reliance ADA group, is due to appear before the panel on Tuesday. Apart from the PAC, the scandal is also being investigated by a special cross-party parliamentary committee.

The police investigation is being monitored by the Supreme Court, which earlier reprimanded Singh for not moving quickly enough to act against his minister.

Several corruption scandals, which include charges of graft in the run-up to the 2010 Commonwealth Games and allegations officials at state-run banks took bribes for corporate loans, have undermined Singh's image as a clean and effective leader.

They could also affect the performance of his ruling Congress party in five state elections across April and May, in which the party must perform well or risk the coalition unravelling.

The first round of elections began on Monday with the northeastern state of Assam going to polls.

Aussie dollar at record high, fuelling rate talk

AFP, Sydney

The Australian dollar hit another record high against the greenback on Monday, fuelling speculation the central bank will keep interest rates on hold for another month.

The Aussie reached US\$1.0417 early Monday, its highest level since being floated in 1983.

Despite indications of rising inflation and strong employment, economists expect the Reserve Bank of Australia (RBA) to hold official interest rates steady at 4.75 percent when it meets Tuesday.

"We expect the RBA have no imminent need to increase interest rates given the need to gauge the economic repercussions from Japan amongst other natural disasters," said currency analyst and Go Markets trader Christopher Gore.

"We also expect the high currency to rate a mention considering its natural hedge against inflationary forces."

In its March statement, the RBA said the strong Aussie, which has traded near parity with the greenback for several months, was helping to temper inflation -- now at 2.7 percent.

Massive summer floods, which were followed by a cyclone, have pushed up the price of fruit and vegetables in Australia, meaning inflation accelerated through March, according to a TD Securities-Melbourne Institute report.

At the same time, newspaper and internet job advertisements rose 1.3 percent in seasonally adjusted terms in March, an ANZ Bank survey found.

"This shows that despite the short-term hit to economic output from the supply shocks to resource exports and food production, the underlying growth pulse of the economy remains in solid shape," Josh Williamson, an economist at Citigroup, told Dow Jones Newswires.

Australia, the first major Western economy to raise interest rates after the global slump, has hiked its cash rate by 175 basis points since October 2009 as it rides a mining boom driven by Asian demand that helped it dodge recession.

'Mr Yen' sees Japanese unit lower on nuclear fears

REUTERS, Tokyo

The yen will weaken in coming months possibly beyond 90 yen per dollar, Japan's former currency czar Eisuke Sakakibara said on Monday, underlining expectations a near four-year rally in the currency may be over.

A former senior Bank of Japan official also forecast the yen would decline, weighing into an intensifying debate in financial markets on whether the currency is poised for a lasting reversal after striking a record high of 76.25 per dollar in March.

The push to the record high was sparked by speculation that Japanese would repatriate funds for reconstruction following an earthquake and tsunami on March 11 that also shut down a nuclear power plant to leave engineers scrambling to prevent a meltdown.

G7 intervention to knock the yen back and expectations Japan's central bank may further ease its already ultra-loose monetary policy just as the European Central Bank and the Federal Reserve look poised to raise rates could fuel the yen's longer-term turnaround.

The currency traded at 84.05 per dollar on Monday.

"I would not be surprised if the dollar/yen exceeds 90," said Sakakibara, who was known as Mr Yen in the 1990s when he spearheaded currency intervention by Japan to stem a rise in the yen.

"This atomic power issue is an incident which would result in depreciation of the exchange rate... This kind of depreciation of the currency will probably continue at least for some time to come, for the next three to six months," Sakakibara told foreign correspondents in Tokyo.

Sakakibara served as vice minister for international affairs at the finance ministry between 1997 to 1999. Although he is now a professor at Aoyama Gakuin University in Tokyo, his currency comments are still closely followed by investors.

The yen has risen steadily from



124 yen in the middle of 2007 and speculation that its trend may be turning has also spurred talk of a return of the yen carry trade, a trading tactic where the low-yielding currency is used to fund investments in higher-yielding assets.

That explains a roughly 16 percent rally in the Australian dollar against the yen since a low on March 17, currency traders said.

While Japan's central bank has set official interest rates at 0-0.1 percent, the Reserve Bank of Australia has set its rates at 4.75 percent, suggesting a significant yield pick up from investing in Australia assets.

Japan's yield differences are also set to deteriorate against the European Central Bank and the US Federal Reserve.

The ECB is widely expected to raise its policy rate on Thursday to 1.25 percent from 1.0 percent on worries about inflation.

Fed officials have sounded more hawkish in recent remarks as US unemployment has fallen steadily, raising expectations that the U.S. central bank is moving closer to boosting rates, which were pushed to effectively zero during the global financial crisis.

The Bank of Japan's ultra-loose monetary policy would likely

weaken the yen in the medium- to long-term, Eiji Hirano, former executive director at the BOJ, said in separate comments on Monday.

But if the yen spikes up sharply again, the Group of Seven is likely to step into the currency market again, Hirano, who used to attend G7 meetings, told Reuters in an interview.

"The yen's move just after the quake was a perfect case for concerted intervention," he said. "The markets are still unstable. In the event of severe market turmoil, the G7 nations may jointly intervene again."

At its April 6-7 policy meeting, the BOJ is likely to underline its dovish policy stance by discussing the launch of a credit line to financial institutions in the quake-affected areas.

It may also consider further monetary easing to help the economy cope with the disaster that caused power shortages in Tokyo and areas north of the capital, regions that Nomura says produces half of the economy's activity.

"The yen would naturally be investors' least favourite if the global economy is to recover as expected, given various risks facing Japan's economy, most notably the nuclear crisis," said Yuichi Kodama, economist at Meiji Yasuda Life Insurance in Tokyo.

India's auto, bike makers' sales jump

AFP, Mumbai

India's top car and motorcycle makers reported strong sales in March and for the fiscal year, data showed Friday, driven by a burgeoning, affluent middle class who bought new models.

Car and bike sales have been on the rise as India recovers rapidly from the global downturn, with Japanese-owned Maruti Suzuki India reporting a 28.2 percent year-on-year rise in March sales.

Maruti's total sales rose to 121,952 cars in March from 95,123 a year earlier, the company said, which dominates the Indian market with a 45-percent share.

The company said it sold 1.27 million vehicles during fiscal year 2010-11, a jump of 24.8 percent over the previous year.

In 2011, Maruti introduced the Suzuki Kizashi, India's first luxury sports sedan after it had launched the new WagonR followed by a revamped version of its best-selling Alto car.

Hero Honda, India's largest motorcycle maker, sold a record 515,852 units in March, a 24 percent growth in the same period a year earlier.

Hero Honda launched seven new models in the fiscal year, on sales of 5.4 million units.

Other car makers like Volkswagen, Tata Motors and Nissan Motor also introduced new vehicles in the fiscal year which ended March.

Ford India said it sold 98,537 units this fiscal, a jump of 166 percent from a year earlier.

China's Minmetals eyes bid for Australian miner

AFP, Hong Kong

China's Minmetals Resources Monday said it would offer Can\$6.3 billion (\$6.5 billion) for copper miner Equinox Minerals, in what would be the biggest Chinese takeover of an Australian resources firm.

The offer by the Hong Kong unit of China's largest metals trader would see Minmetals pay Can\$7 a share for Equinox, which the Chinese firm said was 23 percent more than its closing price in Toronto Friday.

Minmetals currently owns 4.2 percent of Equinox. Minmetals shares rose 0.92 percent to HK\$6.62 (\$0.85) in afternoon trading.

The deal, which Minmetals expects to be completed by mid-2011, will give it access to Equinox's operations in Zambia and Saudi Arabia.

"Our offer for Equinox aligns with MMR's strategy for growth, enhancing our global production portfolio," Minmetals chief executive Andrew Michelmore said.

"The acquisition significantly expands and extends MMR's production

profile of its operations to beyond 2030, and more than doubles MMR's exposure to the attractive fundamentals of the copper market," the company said.

Minmetals however said the offer was conditional on Equinox dropping a Can\$4.8 billion bid for Canada's Lundin Mining.

Equinox said it would discuss Minmetals' proposal before commenting.

"The board of directors of Equinox will be meeting to consider this unsolicited proposal, and will comment further following careful consideration of the terms and implied value for Equinox," it said in a brief statement.

Equinox is listed in both Canada and Australia and any deal will require the approval of regulators in both countries.

If the deal goes ahead it will be twice the size of the \$3.2 billion China's Yanzhou Coal paid for Australian miner Felix Resources in December 2009.

It is also the latest move by a Chinese state-owned firm to get a foothold in Australia's mining sector as it looks to tap the continent's huge natural deposits to feed its ever-growing economy.



A shopper looks at vegetables at a supermarket in Tokyo yesterday after the government halted shipments following abnormal radiation levels found in products. Emergency crews at Japan's tsunami-hit nuclear plant used a colour dye to trace the source of a radioactive leak as lower business confidence signalled the disaster's economic impact.