Stocks end higher for fourth day

STAR BUSINESS REPORT

Stocks gained for the fourth day with the highest turnover in 53 sessions riding on investors' buying spree anticipating good environment on the political front.

DSEX, the benchmark general index of the Dhaka Stock Exchange, closed the day at 3,771.05 points, after surging 91.22 points or 2.48 percent.

Turnover, the most import indicator for the market, gained 43.45 percent to Tk 424 crore from the previous day.

"With market sentiment getting further boost from political developments, the bourse made a stronger advancement," IDLC Investments said in its regular market analysis.

As confidence restored over recent improvements that boost up turnover in last 53 sessions, the investment banker said.

Budgetary expectations and earnings outlook continue to drive the market and recent rally seemed to start a rise in fresh investments, as previously inactive investors seemed to come out of hibernation, it stated.

Market rises crushing all recent bear sentiments and worries regarding political uncertainty, LankaBangla Securities said in its regular market analysis.

"In the last four trading days, the market formed four large green candlesticks with a continuous increase in turnover. This is an indication of bullish sentiment."

Spikes in scrips were visible on the day as well, with 28 out of 282 traded gaining above 9 percent.

Amid the scrips, mutual funds and insurance scrips demonstrated the highest momentum. On the DSE floor 250 advanced, 29 declined and three remained unchanged.

An aggregate of 1.38 lakh trades were executed with 13.58 crore shares and mutual fund units changing hands on the Dhaka bourse.

Most of the sectors went green with general insurance rising 6.66 percent and non-bank financial institutions 6.15 percent.

United Airways topped the most-traded stock chart with 98.78 lakh shares worth Tk 20 crore changing hands.

Pragati Insurance was the biggest gainer of day, posting a rise of 9.95 percent, while Reneta was the worst loser, plunging 17.19 percent.

Tata Steel writedown sparks fund-raising worries

REUTERS, *Mumbai/Hong Kong*

Shares in Tata Steel recovered from early losses on Tuesday, after the company booked a heavy impairment charge, amid concerns that the write-down could threaten the steelmaker's financing ability and trigger a rating downgrade.

Tata Steel said late on Monday it will write-down its goodwill and assets by $1.6 billion for the financial year that ended March 31, mainly to reflect the weak economic and market conditions in Europe, its main market.

Its shares fell as much as 3 percent in early trade in Mumbai, but later recovered and by 12:15 p.m. were trading at 303.55 rupees, down just 0.6 percent.

Earlier this month, Tata sold S$300 million worth of bonds due 2023 in the longest-dated bond from an Indian private sector company in that currency.

There was little reaction on the bonds since most are held by overseas Indians who invest on the basis of name familiarity, although credit analysts were downbeat. The bonds are trading at 99.6 cents on the dollar, just below the issue price of 100, for a yield of 5 percent.

"Our view is that its European business is on a knife's edge, but benefits from parent support. If the depleted balance sheet makes it hard to arrange finance, it could be an issue for its rating," said Alan Greene, an analyst at Moody's, which has a negative outlook on its rating of Ba3, three notches below investment grade.

The $500-billion-a-year steel industry has been hit hard by a drop in demand from Europe and slowing growth in China. Earlier this month, ArcelorMittal, the world's largest steelmaker, said European steel demand was almost 30 percent below peak-2007 levels and set to fall further in 2013.

Tata, which operates nearly two-thirds of its 28 million-tonne capacity in Europe, has posted a loss or lower profit for the past three quarters. Its March quarterly results are due on May 23.

Credit analysts are worried the headwinds facing the European steel operations come at a time when it is growing its Indian business at a frenetic pace, which could put a strain on its credit metrics.

"The company is still expanding rapidly in India and asset sales initiatives might not realize sufficient cash proceeds to keep free cash flow positive and keep leverage metrics from deteriorating further, heightening downgrade risk," said Jerry Gwee, OCBC credit analyst.

The investor community has clamoured for Tata to sell some of its high-cost UK plants and recent media reports have said the company has considered selling some of the assets there.

BPCCI

Bahnarim Abu Guinomla, ambassador of the Philippines, poses with Rashed Maksud Khan, founder president of the newly formed Bangladesh-Philippines Chamber of Commerce and Industry, and other office bearers of the chamber, at Lakeshore Hotel in Dhaka on Sunday. Mahbubur Rahman, president of ICC Bangladesh, was also present.

BRAC FISHERIES

Md Obaidullah, district fisheries officer of Pabna, presents a bag of fish fry to a farmer on the national launch of Koi and Shing fry of BRAC Fisheries at BRAC Learning Centre in Pabna recently. Md Musharraf Hossain, head of business at BRAC Fisheries Enterprise, was also present.

The Chinese balancing act

CHIEF BUSINESS CORRESPONDENT, BBC NEWS

In economics, as in life, it's all about balance.

Balance is what we all want - a little more sleep and a little less stress. For countries, it is about having a diversified economy with a large set of engines to generate growth.

It's less stressful than relying on, say, just the consumer. Western countries have done that with varying degrees of success. But the world's second largest economy, China, has already seemingly achieved a better balance.

For the West - including the United States and the UK - the rebalancing of the economy refers to cutting back on consumption (which has been paid for by incurring debt that proved unsustainable), producing more and reversing the decline of manufacturing.

It also includes a desire to export more, tapping into new buyers in overseas markets so there's less reliance on the consumer at home. But for China, it's the opposite. Rebalancing its economy means raising consumption and reducing its reliance on exports.

For the same reason that the West is looking elsewhere, China - already the world's largest trader - isn't counting on crisis-hit US or European consumers to the same extent as before. Instead, after 30-plus years of strong growth, Chinese consumers are in a better position to support the country's own businesses.

It's not straightforward. China has tried for some time to develop its domestic market and rely less on manufacturing and exports.

In its 11th Five Year Plan that spanned 2006-2010, the Chinese government aimed to increase the service sector (shops, education, insurers, etc.) to closer to 50 percent of GDP - the level seen in other countries at a similar stage of development.

But the reality was that services languished at around 40 percent. After the 2008 financial crisis, when global exports collapsed, an estimated 20 million factory workers lost their jobs in China. This is the type of scenario which could generate the instability that China wants to avoid.

The government renewed its efforts to boost the domestic market, including the services sector. Services have large parts that are not geared at overseas sales - most people get their hair cut locally, for example.

The initial results are promising. In the first three months of this year, the largest part of the economy was services - not manufacturing - according to the Chinese National Bureau of Statistics.

Services accounted for a record 47.8 percent of GDP, overtaking industrial output at 45.9 percent for the first time. The figure for industry includes construction, so it certainly highlights how significant the service sector has become.

To be clear, it isn't because factory output is shrinking; in fact, industry has expanded from 45.3 percent of GDP in 2012. It is just that services grew more rapidly from less than 45 percent last year.

Instead it's the agricultural sector that has shrunk from just over 10 percent of GDP in 2012 to 6.3 percent.

These are first indications and time will tell how lasting this shift is, but it has already raised concerns.

One worry expressed to me about rebalancing towards services and focusing on consumers came from one of China's best-known economists and the former World Bank chief economist, Justin Yifu Lin of Peking University.

He stresses that consumption should not be pursued for its own sake. The bursting of the credit bubble in America makes that point vividly. Instead, he says, consumption supported by income growth, not borrowing, is key.

New chief vows to revive WTO

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He has also said it is time for trade liberalisation to push back against protectionism -- critics charge Brazil with the latter, but Azevedo has said many nations are at fault.

Lamy said he was convinced that Azevedo embodied the WTO's "common values", citing "openness of trade for the benefit of all" and the goals of "development, raising people's welfare and reducing poverty."

A key role of the WTO's director general is to galvanise talks on liberalising international trade -- a tough task given that momentum has shifted to regional trade deals as the negotiations on a global deal have stalled and with a crunch summit in Bali looming.

Azevedo said Tuesday that the December 3-6 Bali talks came at a "critical juncture" for the WTO and that there was "no time to lose".

Officials said a renewed effort to clear the logjam is expected at a May 29-30 meeting in Paris of the Organisation for Economic Cooperation and Development, a 34-nation grouping of industrialised nations.

The WTO was spun in 1995 out of the General Agreement on Tariffs and Trade, created after World War II to lower barriers to commerce.

Its "Doha Round" talks, launched in Qatar in 2001, aim to craft a global deal on opening markets and removing trade barriers such as subsidies, excessive taxes and regulations, in order to harness international commerce to develop poorer economies.

But differences over the give and take needed have fuelled clashes notably between China, the European Union, India and the United States, and Azevedo will have to calm the waters.

Former European Union trade chief Lamy, 66, has run the WTO since 2005 and won a second term in 2009.

Career diplomat Azevedo, 55 has been Brazil's ambassador since 2008, after acting as it chief trade litigator -- WTO members take their disputes to the Geneva-based body.

In the latter role he successfully challenged Brussels and Washington over farm subsidies which were found to breach WTO rules.

But he also enjoys a reputation as a consensus-builder who knows the WTO system inside out.

Apart from Thailand in 2002-2005, in the wake of New Zealand, the WTO's leaders have all been European.

As a Brazilian, Azevedo symbolises the new powerhouse's diplomatic clout, and President Dilma Rousseff has said he could steer the WTO towards "more dynamic and just world economic order."

While acknowledging the importance of a emerging nation winning the post, Azevedo has insisted he will be his own man.

"Developed, developing, and least developed countries across the world have extended me their confidence. I intend to do everything in my power to honour their confidence and trust," he said Tuesday.

"Regardless of their size, geographical circumstances, and level of development, all members benefit from a predictable, rules-based multilateral trading system, embodied in this organisation," he added.

WTO chiefs are not elected, but chosen via diplomatic efforts to identify the candidate likely to muster the broadest support.

Azevedo edged Mexican trade heavyweight Herminio Blanco in last week's third round of the process.

Seven candidates fell earlier in the race -- from Kenya, Ghana, Jordan and Costa Rica in the first round, and Indonesia, South Korea and New Zealand in the second.

IFIC

Salman F Rahman, chairman of IFIC Bank, attends the 36th annual general meeting of the bank at Bashundhara Convention Centre in Dhaka on Sunday. The bank declared 10 percent stock dividends for 2012. Shah A Sarwar, managing director, was also present.

UBICO

SM Akbar, managing director of UAE-Bangladesh Investment Co, and Md Dalil-ul-haque, managing director of People's Leasing and Financial Services, sign a deal at a programme recently for joint investment activities for small and medium enterprises under the supervision of People's Leasing.

BEST ELECTRONICS

Sharmin Momtaj, chairman of Best Electronics, inaugurates the company's showroom at Sheorapara in Dhaka recently. Ashab Zaman Rafid, director, was also present.

Al-Arafah bank reappoints chairman

STAR BUSINESS DESK

Badiur Rahman will continue as the chairman of Al-Arafah Islami Bank Ltd for a sixth term, until the next annual general meeting of the bank is held, the bank said in a statement yesterday.

The bank's board re-assigned him unanimously yesterday.

Banks extend Tk 80cr for Savar victims

STAR BUSINESS DESK

Bangladesh Association of Banks, a platform of bank owners, has donated Tk 80 crore to the Prime Minister's Relief and Welfare Fund for Savar victims.

Md Nazrul Islam Mazumder, chairman of the association, presented the amount through a cheque to Prime Minister Sheikh Hasina at a ceremony at her office yesterday, the association said in a statement.

All members of the association, including three new banks, contributed to the fund.

Germany's Volkswagen plans new China car plant

AFP, *Shanghai*

German auto giant Volkswagen (VW) will build a plant in central China, a spokesman said Tuesday, as it battles US rival General Motors to be the top foreign automaker in the world's biggest car market.

The plant in the city of Changsha will start production in early 2016 with an annual output capacity of 300,000 vehicles, a Beijing-based spokesman for VW told AFP.

"We are quite close to an official announcement. I think it will come this week," the spokesman said, but declined to give an investment figure.

The move comes as VW battles US auto giant GM for dominance in the huge Chinese market, despite worries about over-capacity.

VW delivered 2.81 million vehicles in the country last year while GM sold 2.84 million, making them its biggest foreign automakers.

GM said this month it would build a $1.3 billion Cadillac plant in Shanghai after the Chinese government approved the project, as it seeks more luxury auto sales -- which at present are dominated by German brands.

"The production expansion of foreign carmakers shows they see growth opportunities in China's car market," Jia Xinguang, managing director of industry group the China Automobile Dealers Association, told AFP.

Nokia unveils new metal-body Lumia smartphone

REUTERS, *London/Helsinki*

Nokia unveiled a lighter, metal model in its Lumia smartphone range, as it tries to catch the eye of buyers to close the huge market lead of rivals Samsung and Apple Inc in the lucrative handset market.

The Lumia 925, to be sold for 469 euros before taxes and subsidies through carriers such as Vodafone and China Mobile, is the latest in Nokia's range using Windows Phone software, on which Chief executive Stephen Elop has pinned the future of the loss-making company to reverse a dramatic drop in revenue over the last two years.

The phone weighs 139 grams, compared with 185 grams for the earlier 920 model, which some critics had said was too heavy.

The new phone will be rolled out globally starting in June, and is due to be sold in the United States by T-Mobile and in China by China Mobile and China Unicom, it said.

On Friday, Nokia unveiled the Lumia 928 for the U.S. market, priced at $99 after a rebate and a two-year deal with Verizon Wireless.

Realtors eye better days

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Around 1,200 REHAB members build, on average, 15,000 apartments a year, said Kamruzzaman, who is also the co-chairman of press and media standing committee of the association.

But sales were severally affected due to the ban on gas connections and higher lending rates, he said.

His company's sales fell sharply as the non-resident Bangladeshis have lost interest in buying apartments in absence of gas connections, Kamruzzaman said.

The expatriates are now investing in Malaysia, Singapore and other countries, under their "second home" schemes.

As a result, Bangladesh is losing a significant amount of foreign currency, he said.

The realtors demanded Bangladesh Bank reintroduce its refinancing scheme at 9 percent interest rate for the housing sector with a fund of at least Tk 1,000 crore.

The sector now employs around 30 lakh skilled, semi skilled and unskilled people, contributing around 15 percent to the country's gross domestic product.