

# Shaken investors to stay away from gold as confidence shatters

REUTERS, London

Investors seeking alternative assets are moving on from gold, whose failure to perform when its price was expected to rise and recent volatility as demonstrated by Monday's price plunge are prompting them to seek returns and protection elsewhere.

While the market's bedrock of jewellery buyers and central banks has largely stayed intact, the wider investment universe long courted by banks and gold bugs is now once-bitten, twice shy.

Gold prices, becalmed since February after two years of losses, fell to their lowest in five years on Monday as heavy fund liquidation in Asian hours pushed prices down through key chart levels, triggering a wave of stop-loss selling.

At its Monday low, it had erased half the gains from a 12-year bull rally that ran from 1999 to a record high near \$2,000 an ounce in September 2011.

The slide was reminiscent of gold's dramatic retreat in the second quarter of 2013, when prices fell nearly \$200 in just two days in April, and another 11 percent in June.

Since then, gold has largely underperformed even in the face of seemingly positive news. When concerns over Greece's financial stability arose in the first half of 2010, gold rallied 13 percent. This year, as the prospect of Greece exiting the euro zone altogether hit markets, gold hardly moved.

"There is an argument that gold hasn't done a great job recently of protecting against financial market risks, and the U.S. dollar has done a much better job," Investec



**An Indian salesperson adjusts gold items for sale at a jewellers in Hyderabad on July 22, 2015. Gold fell by INR 108 to trade at INR 24,689 per 10 grams in futures trade July 22, 2015, largely in line with a weak trend overseas. Analysts said gold retreated amid a weakening trend in the overseas markets for the tenth straight day as Goldman Sachs Group predicted further decline in its prices and holdings.**

Asset Management portfolio manager George Cheveley said. "With the recovery in the U.S. economy, this has led to a view that the dollar as a safe haven has re-emerged" at the expense of gold.

Data released last week showed hedge funds and money managers sharply reduced their expectation that gold contract prices on the U.S. Comex market would rise, while holdings of the largest gold-backed exchange-traded fund fell to their lowest on Monday since September 2008.

Gold's recent retreat notwithstanding, in terms of its relative value to other assets, the metal is

still looking overvalued.

"If you look at how gold looks compared to oil or copper, or how it looks compared to U.S. housing, for instance, none of these measures look particularly attractive for gold," Barings' director of asset allocation research, Christopher Mahon, said.

"So not only do you have an environment that doesn't work for gold -- in other words, a fairly normal economic recovery -- but the value isn't there. It's still relatively expensive compared to where it was in 2007, and it performs badly on days when you'd expect it to do well. None of it really adds up."

Potentially positive factors for gold have been outweighed this year by the prospect of the first U.S. interest rate hike in nearly a decade.

Ultra-low rates helped push gold to record highs, but a rise in rates would make it less attractive to hold non-yielding bullion, while boosting the dollar.

"We're still in an environment where people are focusing on U.S. interest rates," Mitsui Precious Metals analyst David Jollie said. "There is definitely a search for yield, and commodities are just not in favour. That will limit the number of people who will come in."



**People riding motorbikes commute past a construction site in Phnom Penh yesterday. The Asian Development Bank predicts Cambodia's economy will grow 7.3 percent in 2015, underpinned by well-managed inflation, a stable exchange rate and sustained competitiveness.**

## EU orders France's EDF to repay huge tax break

AFP, Brussels

The EU ordered France's electricity giant EDF to repay the French state 1.37 billion euros (\$1.5 billion) in back taxes on Wednesday, in a case dating from 1997.

"The European Commission has decided that Electricite de France (EDF), the main electricity provider in France, has been granted tax breaks incompatible with EU rules on State aid," the European Union's executive body said in a statement.

The case has wormed its way through the EU court and regulatory system since 2003 and the decision by the EU sent EDF's shares plunging by 2.8 percent in afternoon trading on the Paris stock

exchange.

EDF is now an international player in providing electricity, relying on France's 58 nuclear reactors, as well as developing new plants, notably the controversial Hinkley Point project in Britain.

"The Commission's investigation confirmed that EDF received an individual, unjustified tax exemption which gave it an advantage to the detriment of its competitors, in breach of EU State aid rules," EU Competition Commissioner Margrethe Vestager said in a statement.

At heart of the ruling is a 1997 decision by French tax authorities to exempt EDF from a decade's worth of corporation tax on investments in France's high-voltage transmission network.

## US existing-home sales surge in June, prices hit record

AFP, Washington

Sales of existing homes in the US surged in June to their highest level in more than eight years and prices hit a record high, the National Association of Realtors said Wednesday.

Sales of previously owned homes rose to an annual rate of 5.49 million units, a gain of 3.2 percent from the slightly downwardly revised May level, the NAR reported.

June's heated sales pace was the strongest since February 2007, before the economy entered the Great Recession.

It came in well above analysts' consensus estimate of a 0.9 percent increase month-over-month.

Year-over-year, existing-home sales were up 9.6 percent.

The combination of rising demand and a limited supply helped to push the median sales price above the July 2006 peak to a record high, NAR said.

The spring buying season has been the strongest since the downturn, said Lawrence Yun, NAR chief

economist.

"Buyers have come back in force, leading to the strongest past two months in sales since early 2007," he said.

"This wave of demand is being fueled by a year-plus of steady job growth and an improving economy that's giving more households the financial wherewithal and incentive to buy."

The median existing-home sales price in June was \$236,400, a gain of 6.5 percent from June 2014 and the 40th straight month of year-over-year gains.

Supply of homes for sale remained tight at 2.30 million, rising 0.9 percent from May. Unsold inventory fell to a 5.0-month supply at the current sales pace, down from a 5.1-month reading in May.

Properties typically stayed on the market for 34 days in June, down from 40 days in May and the shortest time on record, said NAR, which began tracking that data in May 2011.

## US regulators back AT&T and DirecTV merger deal

AFP, Washington

US regulators said Tuesday they were set to back the \$49 billion merger of AT&T and DirecTV, clearing the way for a powerful player in Internet and television.

Federal Communications Commission chairman Tom Wheeler said in a statement that and order was circulated at the agency recommending approval of the mega-deal with certain conditions.

Wheeler said the merger would "directly benefit consumers by bringing more competition to the broadband marketplace."

"If the conditions are approved by my colleagues, 12.5 million customer locations will have access to a competitive high-speed fiber connection," the FCC chief said.

The Justice Department said in a separate statement it would not challenge the merger.

"After an extensive investigation, we concluded that the combination of AT&T's land-based Internet and video business with DirecTV's satellite-based video business does not pose a significant risk to competition," said Assistant Attorney General Bill Baer of the anti-trust division.

"The commitments that the proposed FCC order includes, if adopted, will provide significant benefits to millions of subscribers."

The news comes three months after regulators blocked a massive merger plan of cable giants Comcast and Time Warner Cable, claiming it would concentrate too much market power in the market for high-speed Internet.

But merging AT&T and DirecTV could create competition because the telecom giant and satellite broadcaster do not have the same geographical territories as the traditional cable firms.

Wheeler said that if the conditions are accepted, the merged firm would boost the availability of high-speed fiber-optic connections for television, Internet and other services.

"This additional build-out is about 10 times the size of AT&T's current fiber-to-the-premise deployment, increases the entire nation's residential fiber build by more than 40 percent, and more than triples the number of metropolitan areas AT&T has announced plans to serve," he said.

Wheeler said AT&T would also be required to agree not to discriminate against competing video services and to accept a monitor to ensure it follows Open Internet rules.

"These strong measures will protect consumers, expand high-speed broadband availability, and increase competition," he said.

The merger would create the largest US pay TV service on top of the second biggest mobile telecom business.

DirecTV has about 20 million customers, making it the number-two pay-TV company in the United States. It also has more than 18 million customers in Latin America.

In announcing the deal last year, AT&T said it would use the merger to expand plans to build and enhance high-speed broadband service to 15 million customer locations, mostly in rural areas.

The plan comes amid a migration of consumers to Internet-based television services like Netflix and Hulu, with some losses in traditional cable and other pay TV subscriptions.

Though the number of cable "cord cutters" has been relatively modest in recent years, analysts expect this trend to accelerate, which could have a major impact on the television industry.

## PDB gets new chairman

STAR BUSINESS DESK

Khandker Maksudul Hassan has been appointed chairman of Bangladesh Power Development Board, the company said in a statement.

Prior to the new assignment, he led the state-run agency as its member for distribution.

He replaces Md Shahinul Islam Khan, the statement said. Hassan passed BSc in electrical and electronic engineering from Khulna Engineering College, now Khulna University of Engineering and Technology. He joined PDB in 1980.



## Fakes cost EU fashion industry 26b euros annually

AFP, Paris

Counterfeits are worth nearly 10 percent of the clothes, shoes and accessories sold in the EU, taking away over 26 billion euros (\$28 billion) in business, according to a study released Tuesday.

With many of the world's top fashion houses located in Europe, the study by the EU's Office for Harmonization in the Internal Market "reveals the threat that counterfeiting poses to the industry's innovative output and the direct and indirect costs to the EU economy."

The report put direct annual losses to the industry from counterfeit clothing, footwear and accessories at approximately 26.3 billion euros, or 9.7 percent of the sector's sales. If knock-on effects on other industries and lost government revenue are included, the economic impact rises to 43.3 billion euros per year.

Counterfeits also have a major impact on jobs in the 28-country EU, where several countries are grappling with high unemployment. Estimated job losses ranged from 363,000 to nearly 520,000 if indirect effects are included.

## Mobile importers recovering from turmoil losses

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The taxes will continue into fiscal 2015-16 as well. Traders estimate that about 20 percent of the handsets come into Bangladesh through illegal channels due to the high taxes.

The importers said the damage to their businesses would not have been that acute during the political turmoil if the tax structure had been favourable to the industry.

"We could have achieved more growth and the legal import number would have been close to four crores yearly," Haque said.

Another leader of BMPIA said the government realises only a few hundred crores of taka from handset imports a year.

If the government had a sense of the ecosystem of the digitisation process, it would have kept the duty on handset imports on the low side, as there is more value for the economy that way.

At present, there are about eight crore handsets in Bangladesh. The average lifespan of a handset is less than two years, so the market requires more than four crore handsets a year.

## VAT automation takes off finally

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The project will promote new electronic systems for registration, filing and tax payments, which can reduce both administration and compliance costs.

By introducing an integrated VAT management system, the National Board of Revenue has decided that each of the three tax types warrants separate application software, rather than an integrated revenue management system for all taxes.

The VAT and income tax application would share a common database platform "oracle", according to project documents.

The platform, along with the new unique BIN (business identification number) that will serve as the single identifier for all taxpayers, would facilitate integration and harmonisation between wings at the database level.

The system will be based on a centralised platform to which all VAT and tax offices as well as call, data and processing centres will have access.

The WB said the project will also support the VAT administration system to become fully compliant with the Right to Information Act.

The project will introduce new business processes and a centralised processing centre for efficiency gains and to improve the approach to tax audits and refunds.

## Businesses urge govt to fast-track gas supply

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"We are proposing to continue providing gas to the industries that are producing gas-based electricity until the government ensures smooth power supply to the industrial units."

Many garment entrepreneurs are relocating their factories to other places in line with the foreign buyers' requirements, said Ahmad. "But the relocated factories are required to apply for new gas connections. The government should allow them to use their previous connections."

In response to a query on the current political situation, Kazi Akram Uddin Ahmed, the immediate past president of FBCCI, said the political front is now stable, which is good for business.

"If this stability continues, the economy will reach a new height in the next 2-3 years."

## DCCI opposes hike in city corporation taxes

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The DCCI urged the government to withdraw the increased fees on trade licences and holding taxes, and restore the old rates, as the new rates would increase the cost of doing business.

"The businesses have not yet recouped the losses they faced in recent political turmoil. So, the chamber thinks it will be wise to restore the previous rates for holding taxes, surcharges and taxes on businesses."