

China's devaluation may be bad news for FX industry

REUTERS, London

China's currency devaluation should give a shot in the arm to global foreign exchange volumes as traders take advantage of and protect themselves against the surprise surge in volatility, but its longer-term impact on market activity may not be so benign.

Investors with longer-term horizons than a day's trading profit, from pension funds seeking stable returns to companies considering expanding overseas, will be alarmed by the prospect of wild swings in exchange rates triggered by another round of "currency wars".

Former Brazilian finance minister Guido Mantega coined the term "currency wars" in 2010. It refers to countries trying to make their exports more competitive - and ultimately boost their growth - at the expense of rivals, by weakening their exchange rates.

Policy-makers fear Beijing's move

could accelerate this race to the bottom, particularly as most countries, including those in the developed and industrialized world, have few growth-boosting policy tools left open to them.

It's a worry for a troubled foreign exchange industry.

After years of rapid growth, which made it the world's largest financial market and a money-spinner for big banks, trading volumes are slowly shrinking and jobs are being lost.

Tighter regulation, increased automation, greater competition, and a global market-rigging scandal all suggest its glory days are over. The depressive impact on investment of a lengthy currency war would do little to restore its fortunes.

"Any prolonged uncertainty in the market resulting from this, and real-money players such as pension and mutual funds will be less inclined to invest," said Neil Mellor, senior currency strategist at

Bank of New York Mellon in London.

Offshore yuan trading on Thomson Reuters platforms reached a record \$26 billion on Aug. 12, the day after China devalued the yuan. It had grown 350 percent year-on-year in 2014.

On rival platform EBS - the main venue for dollar, yen and euro trading - the yuan ended 2014 as one of its top five traded currencies.

But the growth in yuan trading in recent years is atypical of the market at large, according to the latest FX trading volume data compiled by the Bank of England, New York Federal Reserve and global FX settlement system CLS.

Daily trading in London fell 8 percent to \$2.48 trillion in the six months to April, driven by a 13 percent slump in spot volumes to \$973 billion a day, the BoE said.

Average daily volume in North America fell 20 percent to \$881.21 billion, thanks to a 25 percent slump in spot transactions to

\$426.99 billion, according to the New York Federal Reserve.

Data from CLS, used almost universally by the banking industry to process or settle foreign exchange trades, shows that global average daily volume slipped 0.6 percent to \$4.61 trillion in May. As recently as last November the global FX market was turning over \$5.17 trillion a day, according to CLS.

As analysts at Morgan Stanley point out, China accounts for 21 percent of the trade-weighted dollar index used by the Federal Reserve. It is the biggest single component of the equivalent euro trade-weighted index at around 23 percent. So what happens to the yuan has a growing influence on dollar and euro flows.

Analysts at London-based independent investment advisory firm Cross Border Capital say China's credit markets have grown 12-fold since 2000 and are now worth around \$25 trillion - roughly the same size as U.S. credit markets.



Hafiz Ahmed Mazumder, chairman of Pubali Bank, launches the bank's VISA Credit Card yesterday. Md Abdul Halim Chowdhury, managing director, was also present.

US consumer prices edge up in July

AFP, Washington

US consumer prices rose slightly in July, extending a slow year-over-year rise since April as the Federal Reserve plans an interest rate increase this year, official data showed Wednesday.

The Labor Department said its consumer price index rose 0.1 percent in July, slowing from a 0.3 percent gain in June and the smallest monthly increase since April.

Food prices rose 0.2 percent. Energy prices were up 0.1 percent, led by a 0.9 percent rise in gasoline prices that offset declines in other components, including fuel oil.

Excluding food and energy, which tend to be volatile month on month, core CPI also rose 0.1 percent, down from 0.2 percent in June.

But on a 12-month basis, consumer prices were up 0.2 percent, building on a gain since April. Core CPI year-on-year was roughly steady at 1.8 percent.

The Federal Reserve's target for price stability is 2.0 percent inflation over the longer term. The central bank's preferred inflation measure, the personal consumption expenditures price index, increased 0.3 percent in June compared with a year ago, and excluding food and energy, was up 1.3



Amir Hossain Amu, industries minister, gives away an award to Md Amirul Momin, managing director of National Tubes, in recognition of the company's contribution to increasing productivity and improving quality, at a programme on August 9.

Toyota says factory lines in Tianjin shut until weekend

AFP, Tokyo

Toyota on Wednesday said at least 67 employees were injured after giant explosions last week in the Chinese city of Tianjin, where the carmaker's factory lines will remain closed for the next few days.

Production at Toyota's Tianjin subsidiary -- including a factory line 70 kilometres (44 miles) away that depends on parts from the main operation -- has been halted since the blasts.

"We last confirmed that over 50 employees who live in the surrounding area, including in company accommodation, have been injured," a company spokesman said in Tokyo.

eBay sells part of stake in India's Snapdeal

AFP, New York

eBay said Tuesday it was selling part of its stake in India's ecommerce startup Snapdeal, but said the Asian nation remains an "important market" for the US online giant.

An eBay statement offered no specifics on the divestment, describing the sale as "another step to effectively manage our global interests and invest in other strategic initiatives."

"Over the past two years, the valuation of Snapdeal has significantly increased, and because eBay was an early investor, this sale will enable us to earn a strong return on our invested capital and strategically redeploy it into other areas of our business," eBay chief financial officer Scott Schenkel said in the statement.

Schenkel added that "India is an important market for eBay, and part of our fast-growing APAC region" and that the California group would seek to grow its India-based ecommerce operations.

"While we will retain a significant portion of our original investment in Snapdeal, we also have a strong, healthy business with eBay.in," he said.

"Going forward, we will focus on accelerating eBay's presence in India, and empowering customers through technology, as with our new #SheMeansBusiness program that encourages female entrepreneurs."

Last year, Snapdeal secured some \$627 million from Japanese tech giant SoftBank, coming on top of the \$350 million previously raised since its founding in 2010. Snapdeal's valuation was estimated at \$2.0 billion at the time

Facebook leads social pack in US, Twitter sputters: study

AFP, Washington

Facebook remains the dominant social network for US Internet users, while Twitter has failed to keep pace with rivals like Instagram and Pinterest, a study showed Wednesday.

The Pew Research Center report found 72 percent of Americans who are online currently use Facebook, a modest uptick of one percentage point from a year ago and five points higher than in 2012.

Because the vast majority of Americans use the Internet, the figures suggest 62 percent of all US adults are on Facebook, according to Pew.

The study showed Pinterest, the bulletin-board style network, was used by 31 percent of those surveyed while Facebook-owned photo-sharing network Instagram grabbed 28 percent, with both showing significant growth.

Twitter's share remained stuck at 23 percent, the same level as last year, although it rose from 16 percent in 2012.

Facebook has an added advantage over its rivals because its users are "highly engaged," according to the survey, which found 70 percent of Facebook users saying they log on daily, including 43 percent who do so several times a day.

That compared with daily engagement of

59 percent for Instagram users, 38 percent of those on Twitter and 27 percent of Pinterest users.

LinkedIn, a social network oriented toward career enhancement, saw its user base decline to 25 percent of online adults, from 28 percent in 2014. But those who use the platform daily rose to 22 percent from 13 percent a year earlier.

Some 10 percent of online adults said they used Tumblr, the blogging platform acquired two years ago by Yahoo. That compared with six percent the last time Pew asked in December 2012.

Tumblr is popular among younger adults with 20 percent of those between the ages of 18 and 29 reporting they use it, Pew found.

The survey mirrored the global picture for the major social networks. Facebook last month said its monthly active user based grew to 1.49 billion. Twitter's user base increased only marginally to 316 million.

Pew found that Facebook was notably popular among women, garnering 77 percent of those who are online, and the 18-29 age group, where 82 percent use the social network.

- Messaging gains -
The Pew survey also showed considerable interest in messaging applications which allow smartphone users to bypass carrier networks.

India's thirst for petrol supports Asian margins

REUTERS, New Delhi/Singapore

Strong Indian imports of petrol, boosted by a shift towards petrol car sales, are expected to underpin Asian margins for the fuel at least for the rest of the fiscal year to next March, industry sources say.

India has surplus refining capacity, but there has been maintenance at some plants and petrol demand has risen after a cut in diesel subsidies increased the attractiveness of petrol cars.

Petrol imports from April to June were the highest in more than four years, official data showed.

As a result, Asia's average petrol profit margin for refiners, or the crack, in the first seven months of 2015 was \$12.60 a barrel, the highest for the period since 2009, based on Reuters data going back to the second half of 2008.

"Petrol imports are there as we are seeing a robust growth in demand," said B. Ashok, chairman of Indian Oil Corp, the country's biggest refiner, which undertook maintenance at its Koyali refinery from March to April.

In the first six months of the year, India's petrol demand grew 14.17 percent, official data showed, and trade sources expect growth this year to reach 17 percent.

Although India still exports more petrol than it buys, a government

source said state refiners would continue importing at least until the end of this fiscal year to March 31 2016.

Higher domestic demand meant that total petrol exports for January-June 2015 fell about 5.2 percent to 7.2 million tonnes or 337,400 barrels per day (bpd), while imports have spiked to about 23,400 bpd from about 2,850 bpd.

For all of 2015, consultancy JBC Energy expects India's petrol surplus to fall to around 310,000 bpd and drop below 300,000 bpd in the next few years, versus 345,000 bpd in 2014.

IOC, the key importer of petrol, has sought almost 700,000 tonnes for March-September delivery.

State refiners also buy petrol and diesel from private firms Reliance Industries and Essar Oil, but since they charged more for coastal supplies an IOC source said his firm had switched to imports.

Further tightening the market, has been a switch by some north Indian states to less polluting Euro IV petrol.

IOC's Panipat refinery is only able to meet 75 percent of demand for Euro IV, the IOC source said.

India's strong petrol demand comes as major consumers Japan and Australia shut refining capacity and switch instead to imports.

Overall demand is also growing.

Fruits, vegetables fail to enter EU

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However, the EU, in its notice on the extension of the ban on betel leaf imports from Bangladesh, said the action plan is 'incomplete and there are no guarantees on its effective application and enforcement'.

Repeated detection of fake PCs and shipment of various kinds of vegetables without PC are other reasons behind the extension of the ban on betel leaves, insiders said.

"There are weaknesses among all the stakeholders, including my people at the airport. Such incident will not happen if all play stronger roles," Rahman said.

Dhaka Customs House Commissioner Lutfor Rahman said it is difficult for customs officials to check the authenticity of the PCs instantly in the absence of automation.

Mohammad Mansur, general secretary of Bangladesh Fruits, Vegetables & Allied Products Exporters' Association said the problem of vegetable exports without PC or with fake PCs is taking place repeatedly due to the absence of coordination among government agencies.

The problem could be checked if the plant quarantine station officials remain present in the cargo build-up area, where exportable items are kept and finally packaged for loading on planes.

Asked what actions the association has taken against its errant members, Mansur said the trade body has suspended memberships of 23 of them so far.

Md Anwar Hossain Khan, deputy director of export of Plant Protection Wing (PPW), said his organisation has stopped issuing PCs for 42 exporters for non-compliance, with cases filed against eight firms.

Khan said the PPW has also started registration for exporters who are interested in exporting vegetables, fruits, betel leaf and potato. So far, 34 firms have signed up.

PPW will not issue PC unless a firm registers for exporting, he said, adding that there are plans to set up a scanner at the airport to check items before shipment and issue e-PCs in the coming days to prevent fraudulence.

Export receipts from vegetables, cut flower and foliage, and fruits decreased 38 percent year-on-year to \$153 million in fiscal 2014-15, according to the Export Promotion Bureau.

Cut annual fees on BO account: stockbrokers

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The annual maintenance fee on each BO account is Tk 500, of which a depository participant gets Tk 100, CDBL Tk 150, Bangladesh Securities and Exchange Commission Tk 50 and the government gets the rest Tk 200.

The number of active BO accounts stands at 30.65 lakh, according to the CDBL website.

The brokers did not mention how much the BO maintenance fee should be cut.

"We urged CDBL to deposit matured shares in the clearing account at least prior to beginning the day's trading," said Islam.

CDBL often deposits the matured shares, or the shares that have been cleared for trade, after the start of the day, which creates the short sale of shares.

STOCKS FLAT

Stocks closed almost flat yesterday, with the benchmark index of Dhaka Stock Exchange, DSEX, increasing by only 7.7 points or 0.16 percent to close at 4,816.97 points.

Turnover, another important indicator of the market, rose 4.1 percent to Tk 550.19 crore on

the transaction of 14.26 crore shares and mutual fund units.

Of the traded issues, 155 advanced and 116 declined with 48 securities closing unchanged on the premier bourse.

Square Pharma dominated the turnover chart with 10.13 lakh shares worth Tk 24.46 crore changing hands, followed by Apex Tannery, United Power Generation and Distribution Company, Islami Bank and RSRM Steel.

Apex Spinning and Knitting Mills was the day's best performer, gaining 9.89 percent, while Eastern Lubricants was the worst loser with a 6.9 percent fall.

Chittagong stocks also rose with the bourse's benchmark index, CSCX, increasing 27.55 points or 0.3 percent to stand at 8,991.07.

Gainers beat losers as 121 advanced and 98 declined, while 34 finished unchanged on the Chittagong Stock Exchange.

The port city bourse traded 1.23 crore shares and mutual fund units, generating a turnover of Tk 86.27 crore.

IGW operators aim to double earnings

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In the meeting with the telecom state minister, IGW operators said the current situation is not in their favour, but they can ensure more foreign currency coming into Bangladesh.

"Potential earnings will cross \$1.2 billion a year, and we can earn more gradually," said Imran Karim, chairman of Digicon Telecommunications, an IGW operator.

IGW operators also proposed not to cut the mobile operator interconnection charge, which would allow slashing the local call rate, said Karim.

"This may increase illegal international call termination."

A mobile phone operator recently proposed to reduce the interconnection charge to cut the average local call rate.

According to IOF's estimate, there are 50 million minutes of illegal incoming calls in the market a day, which amounts to a market price of \$250 million.

The government had earlier approved a cartel in the incoming call termination market, where only seven IGW operators can terminate international calls, although 23 IGWs are in operation. Other IGWs bring calls from international carriers from different countries but they can only send it to the tier-2 IGWs.

Uber aims at a million rides a month in India, gets funds from Tata Group

REUTERS, Mumbai

Taxi hailing service Uber Technologies Inc has received fresh investment from Tata Opportunities Fund, a private equity fund advised by Tata Capital, as it expands its business, the companies said.

The companies did not disclose the amount of investment but a source close to the matter said it was between \$75 million and \$100 million.

Uber is also planning to increase the number of rides in the country to more than a million per month in the next six to nine months, the company's India president, Amit Jain, told Reuters. Industry sources said the company was averaging about 200,000 trips a month in India currently.