Oil falls back below $49

REUTERS, London

Oil fell below $49 a barrel on Monday after its biggest two-day rally in six years last week, pressured by a supply glut and renewed concern about a hard landing for China's economy.

International benchmark Brent crude climbed 10 percent last week but was still heading for its fourth straight monthly decline and has risen in only two of the past 14 months.

At 0835 GMT, Brent LCOc1 was down $1.28 at $48.77 a barrel and US crude CLc1, which had rallied 12 percent last week, dropped $1.00 to $44.22.

"Volatility was high last week, so now we're seeing some retracement - $50 is proving to be a resistance level," said Olivier Jakob, analyst at Petromatrix, referring to Brent. "It is still a market which is very well supplied."

Volume is expected to be lower than normal on Monday because of a British public holiday.

Chinese equities fell sharply on Monday before recovering much of their losses ahead of a survey expected to point to further economic weakness.

China will release its official reading on August factory conditions on Tuesday, and economists polled by Reuters believe activity likely shrank at its fastest pace in three years.

BTI plans big for small families

The real estate company is working on a new project

SHUVASHISH ROY

A place of residence is no longer an address; it has more to do with the emotions of the dwellers.

People like to live a fresh, happy life in the home of their dreams. And it now seems possible for many to afford a home, as Building Technology and Ideas has come up with a new solution.

"We are offering affordable luxury to those who wish to live a quiet and harmonious life, yet with all modern comfort," said Faizur Rahman Khan, managing director of BTI, in a recent interview with The Daily Star.

An ongoing project 'Chhayabithi' on nearly fifty kathas of land is a good choice for small families who are willing to live in an expansive and secured community with all the contemporary facilities, Khan said.

The project has been designed keeping in mind the purchasing power of the middle-income groups, who are now already paying a good sum as house rent, he added.

"Gone are the days when people buy an apartment once in a lifetime; the new generation buys their own apartment, lives in it and might sell it in future to buy another," Khan said.

BTI, as a market leader, is a trendsetter and this project has addressed all the current needs of people, he added.

Civil engineering innovation in structural systems, authenticated by Bangladesh University of Engineering and Technology, reflects in the economic cost component for this project, Khan said.

Describing how BTI has changed the real estate scene in Bangladesh, he said the company has been a pioneer in novelty and advancements in the last three decades.

Faizur Rahman Khan

At the beginning, it was difficult making partnerships with land owners; the cost of capital was high as the developer first needed to buy the land and then build apartments, he added.

In 1990s, BTI came up with the concept of joint venture with landowners, he said. "This was an extremely successful initiative as hundreds of apartments were sold in the first decade."

The second decade was about product diversification. BTI brought commercialised combo shopping complexes.

"If you do not step into new territory, you would not know what is coming," Khan said. The shopping complex development experience was gradually derived from issues like open space inside markets, adequate ventilation and traffic control outside the malls, he added.

BTI learnt from real life examples, studying many shopping malls before developing one in Bangladesh, he said. The best time for the sector was from 1990 to 2000.

The year 2000 onwards was all about inflated market escalation, which challenged sustainability, said Khan. But there is nothing to worry about as steady growth is still there, he added.

The companies with full commitment and ethical practices will sustain in the long run, said Khan.

Product quality assurance was the key to BTI's success from the beginning and the first ISO certification as a real estate company reflects that standard, he said.

The company's current ISO 9001-2008 certification is not only a certification but also a management tool for self-governance, he added. Khan advised people not to buy an apartment that gives fake promises of a certain richter scale reading for earthquake proof durability.

An earthquake can never be measured with one parameter as different factors like the epicentre, time period correlation and intensity play roles, he said.

He also advised buyers to check whether the building maintains all the codes of the Bangladesh National Building Code's earthquake chapter.

To reduce the effects of overpopulation in Dhaka, Khan believes decentralisation could be an option, and BTI has made successful projects in Chittagong and Comilla as part of its plan.

Moreover, Dhaka is expanding now and BTI is initiating projects in places where all future facilities will evolve, said Khan, explaining how Chhayabithi inhabitants will enjoy the benefits when metro rail starts in Bangladesh.

"I believe everyone having minimum affordability will have his or her own apartment one day and that is why we are here with the Standard Collection," said the chief of BTI, which has handed over more than 5,000 apartments to its clients.

The interviewer is strategic project planner of Business Development at The Daily Star and can be reached at roy.tds@outlook.com.

Citi to boost equities franchise amid industry shakeout

REUTERS, New York

Citigroup plans to rebuild its long-neglected equities franchise seeking to capitalize on a retrenchment by rivals in the face of new rules designed to make the financial system less risky, according people familiar with the bank's plans.

A lack of investment in equities and a traditional focus on bond trading kept the No. 3 US bank by assets in the lower echelons of equities league tables, which measure how much revenue Wall Street banks earn from their equity trading units.

It will be tough to dislodge leaders such as Goldman Sachs Group, Morgan Stanley, and JPMorgan Chase & Co, that have long dominated the business.

But having shored up its business and capital ratios since the financial crisis, largely by spinning off non-core assets, Citi now aims to profit from a retreat of rivals that were slow in adapting to new rules that force banks to keep more capital, two people with direct knowledge of Citi's plans told Reuters.

Deutsche Bank, Credit Suisse Barclays and others are re-aligning their investment banking businesses. Prime brokerage units, which provide loans and other services to hedge funds, are being pared back in favour of less capital-intensive businesses such as wealth management.

Citi, meanwhile, plans to court hedge funds more actively as part of a four-point plan to boost its equities market share, the sources said.

The strategy includes an overhaul of Citi's trading technology, hiring key executives, expanding research and boosting the unit's financing.

The bank recently appointed former Chi-X Global chief John Lowrey to head its electronic execution unit, and ex-UBS executive Adam Herrmann to run prime brokerage.

Citi has also hired 11 analysts so far this year to support its investment advisory business, and is increasing financing of the unit in general, said the sources, who did not have permission to be quoted in the media.

Citi has catered to traditional asset managers, but is now shifting its attention to hedge funds, which tend to trade more actively and can bring higher returns through fees.

Indian economy offers hope as China struggles

REUTERS, New Delhi

FOR investors worried about the health of emerging economies, India's gross domestic product data for April-June should supply some cheer on Monday - the country is expected to remain the fastest growing major economy for a second straight quarter.

The median estimate from a Reuters poll of economists put GDP annual growth at 7.4 percent in the quarter, just below 7.5 percent in January-March.

If the number is that high, it will be a boost for Prime Minister Narendra Modi, whose image as the country's economic saviour has taken a beating after his struggle to pass his legislative agenda.

But doubts persist over India's new way of calculating GDP, introduced early this year, even though the method gained an endorsement from the World Bank's chief economist. With the change method, India's growth topped that of China in the first quarter this year.

Still, India's robust headline growth does not square with the not-so-rosy ground reality.

"Growth momentum has improved in the last two years," said Kaushik Das, an economist with Deutsche Bank. "But the pace of recovery has been frustratingly slow."

Monday's data is expected to fuel hopes in New Delhi of taking the baton of global growth as China's economic slowdown deepens.

However, with an economy only one-fifth the size of China's, India is in no position to support the global economy as its northern neighbour has.

Blessed with a huge domestic market and a large cheap workforce, Asia's third-largest economy has an opportunity to get more investment.

Lured by its prospects, iPhone maker Foxconn this month announced a $5 billion investment in India.

The announcement came days after Sony Corp. shipped its first made-in-India television sets, and General Motors unveiled a plan to spend $1 billion to expand its main plant.

REUTERS

A labourer works at the construction site of the Delhi-Jaipur national highway in Manesar in the northern state of Haryana, India.

"It is India's moment," Junior Finance Minister Jayant Sinha said.

But very few believe it can seize the moment without making land, labour, bank and tax reforms.

Modi swept to power in last year's general election on a promise of speedier growth creating millions of manufacturing jobs.

But just 15 months after that electoral triumph, disenchantment has set in. Businesses are getting restless with slow progress in removing the hurdles that have stymied growth.

Political acrimony, meanwhile, has left parliament paralysed. The last session ended without passage of a single reform legislation.

Shilan Shah, India economist at Capital Economics, described the washout session as a "missed opportunity".

Yet India is on mend. Robust growth in indirect tax receipts points to a nascent revival in manufacturing sector. Foreign direct investments are up 30 percent from a year earlier.

However, the improvement in the economy is in large measure due to a crash in global commodity prices, which has cooled inflation and helped narrow the fiscal and current account deficits.

Sure, urban consumption demand is picking up, but rural consumers remain glum. With capacity utilisation rates showing no signs of improvement, firms are not in a hurry to invest in new plants and machinery.

Festering problem of bad loans, meanwhile, has impeded credit flow and delayed full transmission of interest rate cuts. The Reserve Bank of India has cut the policy repo rate by 75 basis points since January, but banks, in response, have lowered lending rates by just 30 basis points.

"Key structural reforms remain crucial for a sustained pickup in economic growth," analysts at Yes Bank said in a note.

Why China's share slump affects the world

BBC NEWS

A slump in Chinese shares has prompted stock markets across Asia, Europe and the US to fall sharply. Why is this so significant?

What's behind the fall in China?

The wider story is that China's economic growth is slowing and there are concerns that the transition to a slower and more sustainable rate of growth might be disruptive.

In addition, there has been a boom in the Chinese stock market which saw the main Shanghai index more than double in the 12 months up to mid-June. It was, in part the result of share buying with borrowed money so when the market started to decline many investors decided - or had - to sell investments to pay back debts. That magnified the initial fall.

There is often some specific factor driving shares lower on particular days. On this occasion it was something the Chinese central bank did not do. It did not take steps to stimulate more bank lending, which was a disappointment for investors who thought it would do. But there was no new stimulus and so shares fell, and sharply.

What does this mean for the rest of the world?

The direct financial impact of lower share prices in China is moderate. There is not enough foreign investment in the Chinese market for it to be a major problem. The London consultancy Capital Economics says foreigners own just 2 percent of shares.

The issue is more about whether it shines a light on wider issues about the economic slowdown in China, a concern that was reinforced by the currency devaluation earlier this month.

This is the question highlighted by financial market turbulence in China: is the economy heading for what's called a "hard landing", or too sharp a slowdown?

China is now such a big force in the global economy that it would inevitably affect the rest of the world. It is the second largest economy and the second largest importer of both goods and commercial services.

Why China crash matters in the UK

It's not just stocks.

The prices of many commodities have been affected, notably crude oil. China's problems have further pushed down the price of oil after the dramatic declines in the second half of last year. The price of Brent crude has fallen about a third since mid-June, when the Chinese stock market slide began.

China is such a large buyer of industrial commodities that the possibility of lower-than-expected sales to the country has also undermined the prices of copper and aluminium, for example.

Gold has gained ground in the last few weeks (though it is lower than at the start of the Chinese market declines in June). It is seen by many as a safe investment, protection against both inflation and more general financial instability.

The latest Chinese stock price falls have also pushed up some currencies that are seen as safe investments, such as the yen and the Swiss franc.

The dollar certainly has the potential to be affected in the same way. But the immediate impact was to make investors think that an expected interest rate rise by the Federal Reserve could be delayed because of the turmoil. The prospect of lower-than-expected returns on US assets actually weakened the dollar.

The "safe haven" effect has also reduced government borrowing costs in the US and Germany, among others.

What about ordinary Chinese people?

Those who have borrowed money to buy shares in the last few months have been hit very hard. But most people don't own shares - only one person in 30 does, according to Capital Economics.

For most Chinese the wider issue is about the health of the country's economy. If China manages a smooth transition to a slower and more sustainable growth rate, it is likely to still be fast enough to generate rising living standards for most people. A more disruptive slowdown would mean many business failures and job losses.

What might the Chinese authorities do next?

They have several options to stimulate the economy which can affect the stock markets. They could cut interest rates, they could relax the rules on bank lending or they could increase spending. They could also encourage the currency, the yuan, to fall further to stimulate exports.

How worried should we be?

Views vary about how healthy the Chinese economy is but a crisis there would be serious for the rest of the world, particularly countries and firms that export to China, which is especially important as a buyer of industrial commodities such as oil, copper and iron ore.

Half of UK manufacturers worried by China

REUTERS, London

Just under half of British manufacturers are worried by the possibility of a sharp slowdown in China's economy and one in 10 are reviewing their business plans, a survey from an industry group showed on Sunday.

EEF said 47 percent of manufacturers were concerned by signs of a slowdown in China, which have rocked financial markets over the past week.

Big manufacturing firms were most likely to be worried, and also more likely to be looking at their business plans to take into account different scenarios, the survey showed.

"Overall, UK factories send only a small proportion of their goods to Chinese customers, but a sharper slowdown would also see a halt to growth in export sales through supply chains in Europe," said Lee Hopley, EEF chief economist. "The more widespread impact, at least in the near term, is likely to be the knock to already delicate confidence levels. Time will tell whether this takes a further toll on growth across the sector."

EEF said the most directly exposed manufacturing sectors were road vehicles, which account for 16 percent of exports to China, followed by metal working machinery and leather goods.

The survey of 284 companies also showed just over a fifth of manufacturers were still worried about a re-escalation of Greece's crisis.