MILLENNIUM SSANGYONG MOTORS

Left, Imran Khan, general manager for marketing and customer care at Millennium SsangYong Motors Ltd, and Farzana Khan, _right_, deputy director for sales, pose with the new SsangYong Tivoli XLV at the launch of the SUV at Millennium Centre in Dhaka on Wednesday. The vehicle launched by Millennium SsangYong Motors and SsangYong Motor Company of Korea will be available in six exterior colours.

Fed raises key interest rate, sees three hikes in 2017

AFP, *Washington*

The US Federal Reserve on Wednesday raised the benchmark interest rate by a quarter percentage point as expected, citing an improving economy with one month to go before President-elect Donald Trump takes office.

The policy-setting Federal Open Market Committee voted unanimously to increase the key federal funds rate to a range of 0.5 to 0.75 percent, but repeated that the world's biggest economy likely will require only "gradual" rate increases going forward.

Fed chair Janet Yellen said the rate hike can be seen as a "vote of confidence" in the economy.

The rate increase from the previous range of 0.25 to 0.5 percent is the first hike since December 2015 and only the second in a decade.

The move "should certainly be understood as a reflection of the confidence we have in the progress that the economy has made and our judgment that that progress will continue," Yellen told a press conference following the meeting.

"And the economy has proven to be remarkably resilient, so it is a vote of confidence in the economy."

After rallying consistently and hitting multiple new records since Trump's election on November 8, putting the Dow within striking distance of the 20,000-point mark, US stocks fell in the wake of the Fed announcement.

Yellen declined to comment on the market reaction other than to say that it could be due to expected tax cuts under a Trump administration.

Many analysts expect the central bank will have to raise rates faster if Trump's promised infrastructure spending plans and tax cuts fuel faster inflation.

Yellen agreed such policies can change decisions by central bankers, but cautioned against any premature guessing games.

"I really can't tell you what the Fed's response would be to any policy changes that are put into effect," she said.

"I wouldn't want to speculate until I were more certain of the details and how they would affect the likely course of the economy."

However, she said some Fed officials did include expectations for increased government spending in their forecasts.

In their quarterly economic projections, Fed officials anticipate three increases in 2017, putting the rate at 1.4 percent at the end of the year. It would then rise at the close of 2018 to 2.1 percent.

Of the 17 officials making predictions, 11 see rates of 1.375 percent or higher next year.

Yellen repeated her recent statement that government spending on programs that increase the economy's productive capacity would be useful, such as enhanced education, training and workforce development.

The central bankers project inflation will not hit the 2.0 percent target until 2018, falling just shy of the mark next year.

The FOMC statement noted that inflation indicators "still are low" relative to the target.

"In light of the current shortfall of inflation from two percent, the Committee will carefully monitor actual and expected progress toward its inflation goal," it said.

The other key data focus for Fed policy, unemployment, is forecast to remain steady at around 4.5 percent through 2019, from 4.6 percent currently.

Cost of pump-at-will oil policy spurred Saudi Opec U-turn

REUTERS, *Dubai/London*

Saudi Arabia has long said it could produce as much as 12 million barrels per day (bpd) of oil if needed, but that pump-at-will claim - which would require huge capital spending to access spare capacity - has never been tested.

Sources say the kingdom may have stretched its current limits by extracting a record of around 10.7 million bpd this year, which could be one reason why Riyadh pushed so hard for a global deal to cut production.

Riyadh, the world's top oil exporter, felt the burn of cheap oil this year when crude was trading below $50 a barrel, as the reality of its costly war in Yemen and the task of shaking up its economy to create thousands of jobs began to sink in.

With tight resources, Saudi Arabia found itself weighing the prospect of investing billions of dollars to raise oil output further if it wanted to gain more market share under a strategy adopted in 2014.

Instead, cutting production amid a global glut and low prices to take the pressure off its oilfields, secure better reservoir management and save itself unnecessary expenses, seemed the perfect deal.

"You invest in raising your production when prices are high, not when they are low," a Saudi-based industry source said.

"Choices are tougher now. The question is, would the Saudi government with its tight budget put huge investment in raising production or put it somewhere else where it's needed more?"

Oil rose as much as 6.5 percent on Monday to an 18-month high after Opec and some of its rivals reached their first deal since 2001 to reduce output jointly. On Thursday, oil LCOc1 was trading above $54 a barrel.

Under the deal, Saudi Arabia, de facto leader of the Organisation of the Petroleum Exporting Countries, will from January cut output to around 10 million bpd - well below the 12 million bpd that the state has affirmed it can produce.

Saudi-based industry sources and market insiders say the kingdom cannot sustain historically high output for long. State oil giant Saudi Aramco has never tested 12 million bpd and would find it hard to keep the needed investments flowing with current low oil prices, they said.

Aramco, responding to a Reuters request for comment, said only that the company does not comment on current production levels.

One source familiar with Aramco production management said the firm's capacity stood at 11.4 million bpd and it was still working to boost that figure to 12 million by 2018.

"Twelve million bpd has been planned since 2008-2010 and every annual budget worked towards that goal," the source told Reuters on condition of anonymity.

To achieve that goal, the company has annual operating expenses (opex) of $20 billion and capital expenditure (capex) at around $40 billion, the source said. "When the 12 million bpd plan is achieved by 2018, the overall capex will fall to $20 billion," he added. Aramco does not disclose its opex or capex figures.

In a note to clients in May, U.S. consultancy PIRA estimated Saudi Arabia's instantly available capacity at that time at 10.5 million bpd, after tracing expansion plans since 2008 and calculating an annual decline rate of 4 percent.

"Saudi Arabia could produce more but it would likely come at the expense of optimal reservoir practices. They could certainly bring on new fields but this is a lengthy process (years) and expensive as well," PIRA wrote.

"So far the kingdom is not adding any significant new producing capacity based on project announcements and rig activity but rather replacing the aforementioned 4 to 6 percent annual decline rate."

ESSAB

State Minister for Labour and Employment Mujibul Haque Chunnu attends the closing ceremony of the three-day International Fire, Safety and Security Expo 2016, organised by the Electronics Safety and Security Association and Elevate, at International Convention City Bashundhara in Dhaka on Wednesday.

KATALYST

Md Hamidur Rahman, director general of the Department of Agricultural Extension, and Helena Khatun, director for the Extension of Department of Livestock Services, attend a workshop on local agri-business network organised by Katalyst, at Cirdap auditorium in Dhaka on Wednesday.

Gold falls to over 10-month low as Fed signals more rate hikes

REUTERS, *Bengaluru*

Gold dropped to its lowest in over 10 months on Thursday as the dollar surged to its highest in 14 years after the US Federal Reserve raised interest rates for the first time in a year and signalled more rate hikes in 2017.

Spot gold had edged down 0.2 percent to $1,142.06 an ounce by 0633 GMT after earlier touching its weakest level since Feb. 3 at 1,134.71. It fell over 1 percent the session before.

US gold futures declined 1.7 percent to $1,143.70 per ounce. They earlier marked their lowest since Feb. 1 at $1,136.40.

"The outlook for gold is not particularly great. The more hawkish comments from the Fed are clearly a headwind in the short-term," said ANZ analyst Daniel Hynes.

"The selling seen this morning is just the start of things to come. Certainly the environment is difficult for gold given the appreciation in the dollar."

The dollar rose to a 14-year peak against a basket of major currencies. The dollar index was up 0.5 percent at 102.300. It touched 102.620, the highest since January 2003.

The US Federal Reserve raised interest rates on Wednesday and signalled a faster pace of increases in 2017 as central bankers adapted to the incoming Trump administration's promises of tax cuts, spending and deregulation.

Partly as a result of the changes anticipated under president-elect Donald Trump, the Fed sees three rate hikes in 2017. That is up from the two it had previously predicted.

"Given that (gold) prices have now crumbled, it remains to be seen if we reach our downside target of $1,125," INTL FCStone analyst Edward Meir said in a note.

"We think this number is within reach if the dollar rally continues and if US equity markets regroup ... Investors might conclude that even with higher rates looming for 2017, US equities will remain the asset class of choice for most."

Holdings of the SPDR Gold Trust, the world's largest gold-backed exchange-traded fund, have fallen about 10 percent since November. Holdings declined again on Wednesday by 0.80 percent to 849.44 tonnes.

"The sell-off in ETFs is the result of lack of investor appetite in the gold markets. The weak physical markets in China and India are not really helping gold," said ANZ's Hynes.

India needs simple GST structure with lower rates: adviser

REUTERS

India should aspire for a simple structure for its proposed Goods and Services Tax (GST) with lower rates, the chief economic adviser at the ministry of finance said, amid deadlock between the central and the state governments over the draft of new law.

India faces the risk of missing a self-imposed deadline to launch the GST from April 2017 after a meeting of federal and state officials ended last Sunday without fixing who would administer the tax.

Arvind Subramanian, who headed a panel on the proposed tax structure, said on Thursday GST should also include real estate, land sales and electricity as well.

Hong Kong hikes borrowing costs after Fed move

AFP, *Hong Kong*

Hong Kong followed the Federal Reserve and hiked interest rates on Thursday, putting an extra strain on the city's already troubled economy and almost certainly ramping up repayments for millions of homeowners.

In a widely expected move the Fed on Wednesday increased borrowing costs by 25 basis points -- only its second such move in a decade -- as the US economy increasingly shows improvement.

It also said it envisioned another three rises next year, up from previous assumptions for two, as it positions itself for a likely surge in inflation if US President-elect Donald Trump implements promised spending and tax-cutting measures.

The Hong Kong Monetary Authority, the city's de factor central bank, followed suit, raising its own rate to one percent from 0.75 percent, a move made to maintain its decades-old currency peg to the US dollar.

However, the move comes as the financial hub struggles with slowing growth in China's economy that has led to falling visitor numbers from the mainland, which has in turn hurt the crucial retail sector. Retail sales have tumbled for 20 successive months.

At the same time the property market, one of the most expensive on the planet, is already under pressure after the government unveiled fresh curbs, including last month's hike in stamp duty.

The Fed announcement hammered Hong Kong stocks, with property firms taking a hit. The Hang Seng Index was down almost two percent in early afternoon trade.

However, HKMA boss Norman Chan said the move would boost the local economy, pointing out that the city witnessed relatively high inflation and a rally in asset prices after the global financial crisis, when it had to follow Fed rate cuts despite faster growth.

"Hong Kong rates are low relative to inflation," he said. "When US rates normalise and Hong Kong rates rise, this is good for adjusting Hong Kong's economic structure."

Brexit trade deal with EU could take 10yrs, UK envoy to EU says: BBC

REUTERS

A post-Brexit trade deal between Britain and the European Union might take 10 years to finalize and could still fail, the United Kingdom's ambassador to the bloc has told Prime Minister Theresa May's government, the BBC reported on Thursday.

Ivan Rogers, Britain's envoy to the EU, warned ministers that the European consensus was that a deal might not be done until the early to mid-2020s and that national parliaments could ultimately reject it, the BBC said.

May's office said it did not recognize the views expressed by the diplomat, the BBC said.

EU officials have long said that negotiating a trade deal with the bloc can take years, pointing to the fact that Canada started talks in 2009 for an agreement that has yet to enter force.

But British officials say they hope to reduce the amount of time to strike a deal, arguing that British regulations are in line with EU standards after decades of membership.

SSG

Aftab Mahmud Khurshid, group chief marketing officer of SSG, and Sakhawat Hossain, head of sales, attend the launch of Super Star Meter for the Bangladesh market.