

As oil hits \$70, warning lights flash up in Asia

REUTERS, Singapore
Oil prices have risen above \$70 per barrel for the first time since 2014 as investors bet supply cuts led by Opec will dominate the market this year.

But some traders are sounding a warning - the world's biggest crude consuming region, Asia, is showing signs of an impending downward correction.

Prices for Brent crude oil futures, the international benchmark for oil prices, have risen by more than 50 percent since mid-2017 and hit \$70 per barrel this week for the first since December 2014. Average Asian physical crude oil prices also moved over \$70 per barrel in January.

"A healthy (price) correction could be on the cards," said Stephen Innes, head of trading for Asia/Pacific at futures brokerage Oanda in Singapore.

One reason, traders say, is that the supply of oil products remains ample. In the last three years, refiners enjoyed high profits because of relatively cheap crude oil, which is used to make fuels like diesel or gasoline.

As a result, Asian refiners processed an unprecedented 23 million barrels per day (bpd) of crude oil in late 2017.

China, by far Asia's biggest oil consumer, is now producing so much

fuel that its refiners have turned to exports to find buyers. And their purchases of crude could fall.

Chinese diesel exports have surged by almost 3,000 percent since early 2015, to a record of more than 2 million tonnes last December, according to customs data. Its gasoline exports are up by 365 percent since early 2015, to more than 1 million tonnes in December.

Its total December refined oil products reached a record 6.17 million tonnes, according to customs data announced on Friday.

"This drop in margins could reduce Asian refiners' demand for incremental crude in the near term and weigh on global (crude) prices," said Sukrit Vijayakar, director of energy consultancy Trifecta.

Singapore refining margins, which act as Asia's benchmark, have slumped by 90 percent from their 2017 high, to below \$6 per barrel this week - the lowest seasonal level in five years.

BMI Research said in a note this week: "In Q1, the balance of risk to Brent (prices) lies to the downside."

The crude market's focus has so far been on signs of tightening supplies as the Middle East dominated Organisation of the Petroleum Exporting Countries (Opec) and

Russia lead production cuts aimed at propping up prices.

With global oil consumption also strong amid healthy global economic growth, investor sentiment has been positive.

Ole Hansen, head of commodity strategy at Saxo Bank, said this week that "bullish news tends to get more attention than potentially bearish signals."

Yet, another of the bearish signals is rising US oil production, which is threatening to derail Opec's and Russia's efforts to tighten supplies.

Despite a recent drop due to extreme cold, US crude oil output is widely expected to break through 10 million bpd soon, largely thanks to shale production, which would take it to similar levels as top producers Saudi Arabia and Russia, who hit peak output of over 11 million bpd and about 10.7 million bpd respectively in recent years.

"Oil prices have been undeniably bullish this week despite the lingering concerns over the current bull rally running out of steam... It must be kept in mind that rising production from US shale has the ability to expose oil to downside risks," said Lukman Otunuga, Analyst at futures brokerage FXTM.



Participants in Brac Bank's fundraising mini marathon "Brac Bank Dour 2018" pose for a photograph at Police Plaza Point of Hatirjheel in the capital on Friday.

Brac Bank raises Tk 38 lakh through mini marathon as CSR fund

STAR BUSINESS DESK

Brac Bank and its employees on Friday raised Tk 38 lakh through a fundraising mini marathon for humanity titled Brac Bank Dour 2018.

Around 4,000 employees of the bank and its subsidiaries joined the eighth edition of the event that started at 7am, the bank yesterday said in a statement.

The marathon began from the Police Plaza Point of Hatirjheel and ended at the same point covering 5km, according to the statement.

The employees raised Tk 19 lakh and the bank doubled it to Tk 38 lakh from its corporate social responsibility fund.

After the marathon, the bank handed over Tk 7 lakh each to the Changing Diabetes in Children

Programme of Diabetic Association of Bangladesh and Heroes for All.

The programme works for the welfare of the children with diabetes and Heroes for All works for the children with visual impairment.

Ihsanul Karim, press secretary to the prime minister, along with AK Joadder and Chowdhury Akhtar Asif, deputy managing directors of Brac Bank, attended the event.

Almas Kabir, new president of BASIS

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Syed Almas Kabir, CEO of MetroNet Bangladesh Ltd, has been made the president of the Bangladesh Association of Software and Information Services (BASIS), the association said in a statement yesterday.

He took the place of Mustafa Jabbar, who recently took over as posts and telecom minister.

Kabir was also a director, vice president and treasurer at different times at the apex trade body for software and services. Delowar Hossain Faruk, chairman and CEO of Radisson Digital Technologies Ltd, has also been made director of the association, according to the statement.



Kapila Gupta, president of International Inner Wheel, poses for a photograph with the executive committee members of Inner Wheel District 345 Bangladesh at its fourth annual district conference at Radisson Blu Dhaka Water Garden on January 10. Dilruba Ahmed, former board member of International Inner Wheel, and Sharmin Hossain, chairman of District 345, were also present.

PwC regional advisory leader to arrive in Dhaka

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Deepankar Sanwalka, an advisory leader of PwC for India-Bangladesh, is scheduled to arrive in Dhaka today.

Sanwalka will meet senior government officials, international development agencies and private sector industry leaders during his three-day stay.

He will also attend a meeting of regional Advisory Leadership Group of PwC, the company said in a statement yesterday. Sanwalka has over 20 years of experience in forensics, governance, internal audit, revenue assurance, financial risk management, sustainability, development sector practices, according to a statement.



Current account deficit hits a 15-year high

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"The central bank should beef up its monitoring on under-invoicing for exports and over-invoicing for imports with a view to averting capital flight," he said.

The former economist of the International Monetary Fund also said banks should avoid opening letters of credit for luxurious products as the foreign exchange reserve has recently fallen below \$32 billion.

The current account deficit has already weakened the exchange rate of the local currency against the US dollar, Mansur said.

He also said the ongoing trend of the opening of LCs indicates that the taka would face more pressure in the months to come.

Interbank exchange rate was Tk 82.80 per US dollar yesterday, up from Tk 78.85

a year ago, according to central bank statistics.

During the unveiling of the monetary policy for the first half of 2017-18, the central bank also forecasted that the current account might be in deficit this year, said Md Arfan Ali, managing director of Bank Asia.

The central bank should morally pursue banks not to open LCs for unnecessary products in order to keep the exchange rate between the taka and the dollar stable.

Trade deficit also widened 96.10 percent year-on-year to \$7.60 billion in the five months to November, BB data showed.

The government should take immediate measures to boost export earnings in order to narrow both the trade deficit and the current account, a BB official said.

Fiat Chrysler to invest \$1b on back of US tax reform

AFP, New York

Italian-American automaker Fiat Chrysler on Thursday unveiled a plan to invest \$1 billion in a Michigan assembly plant and offer bonuses to tens of thousands of employees, saying the measures were possible because of US tax reform.

The third-biggest US car maker said the investment would help it to modernize a plant in northern Michigan to "produce the next-generation Ram Heavy Duty truck," shifting production of the vehicle to the US from Mexico by 2020.

To accommodate the increased production volume, FCA will add 2,500 jobs -- a figure that is "above and beyond" the job creations announced a year ago.

Mixed US bank earnings as Wells hit by legal costs

AFP, New York

US banking giants JPMorgan Chase and Wells Fargo kicked off earnings season Friday with mixed results that included hefty new legal costs at Wells following its fake accounts scandal.

Results from both banks were significantly affected by the just-enacted US tax overhaul, boosting Wells and hitting JPMorgan.

At Wells, net income came in at \$6.2 billion, up 17 percent from the year-ago period and lifted by \$3.4 billion in one-time items connected to the accounting of its future tax liability. Revenues rose 2.2 percent to \$22.1 billion.

But the results were marred by \$3.3 billion in costs due to litigation and investigations, including the aftermath of a scandal in which Wells opened deposit and credit card accounts without customer approval.

The scandal has also dragged down Wells' earnings in prior quarters due to increased spending on compliance initiatives. Executives say they are making progress in their efforts to win back consumer trust.

"While we faced challenges in 2017, we are a much better company today than we were a year ago, and I am confident that this year Wells Fargo will be even better," said chief executive Tim Sloan.

At JPMorgan, net income for the quar-

ter ending December 31 was \$4.2 billion, down 37 percent from the year-ago period, due to \$2.4 billion in costs connected to new tax law provisions on deferred taxes and repatriation of foreign earnings. Revenues rose three percent to \$24.2 billion.

Bright spots included a jump in net interest income from higher interest rates charged to clients. JPMorgan also reported higher overall loans compared with the year-ago period.

On the downside, revenues in JPMorgan's markets and investor services dived 22 percent, with fixed income revenues 34 percent lower amid little volatility. The bank also set aside greater funds in case of bad loans.

JPMorgan results were also hit by a \$143 million loss for a loan to South African retail giant Steinhoff. Other large banks are also expected to report losses on Steinhoff, which is mired in an accounting scandal.

Despite the short-term hit to results from the tax bill, chief executive Jamie Dimon hailed the measure as a boon for the US economy. "US companies will be more competitive globally, which will ultimately benefit all Americans," Dimon said in a news release.

Shares of JPMorgan rose 1.1 percent to \$112.07 percent to 110.70, while Wells Fargo dropped 0.5 percent to \$62.71 in morning trading.

Govt to select bidders for first China project

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Besides, various large-scale labs will be set up, including a regulatory lab at the Bangladesh Telecommunication Regulatory Commission, a multi-media lab for media workers and cyber security labs in universities.

Computer training labs will be set up at the offices of the deputy commissioner and upazila nirbahi officer so that staff can be trained to use digital services.

A digital money pay point and a payment gateway platform will be set up as part of the government's effort to digitise the economy. "It will enable people to make financial transactions easily," said an ICT ministry official.

Standardisation and setting up of biometric devices for registration of students at educational institutions, Wi-Fi zones for the youth, digital libraries, and digitisation of the Jatiya Sangsad, health services and collection of health-related information of all citizens have also been included in the project.



Miyake Junya, global co-founder and chief designer of Miniso, a Japanese lifestyle brand, opens the company's first flagship store at Banani 11 in the capital on Friday.

Look into capital flight via import

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Some \$8 billion to \$9 billion of capital flight takes place from Bangladesh every year and 80 percent of it happens through misinvoicing.

But Mehdi Ali, president of the Bangladesh Cotton Association, dismissed CPD's observations. "I am surprised with the CPD's findings as there is no chance for capital flight through cotton imports."

The reason for the higher cotton imports is that the capacity of the spinning mills has increased over the years.

In fiscal 2016-17, Bangladesh imported 6.5 million bales of cotton, up from 5.5 million bales a year earlier. At the end of the current fiscal year, Bangladesh may import 7.1 million bales of cotton, he said.

The demand for the natural fibre is on the rise in Bangladesh as it is the only country that is still mainly dependent on raw cotton for making yarns and fabrics.

Growth in import payments of other intermediate goods such as textile and yarn and dyeing and tanning materials was high, which suggests there would be potential positive impact on exports over the subsequent two quarters of fiscal 2017-18.

The import of chemicals (18 percent), plastic and rubber (21.3 percent), iron and steel (16.2 percent) and clinker (12.6 percent) showed particularly high growth.

In general, the import figures for certain items do not tally well with the global price movement, letter of credit

settlement figures, domestic production and credit uptake and investment trends.

Subsequently, the CPD called for closer scrutiny by the National Board of Revenue and the Bangladesh Bank to identify cases of over-invoicing and capital flight.

The policymakers should also keep in mind that the country may face additional burden of import payments in the second half of the fiscal year as the price of some key imported commodities such as crude oil evinced signs of rise.

In general, import payments recorded significant growth to the tune of 28.7 percent during the first four months of fiscal 2017-18, according to the CPD report.