

Groping for new tools, central banks look at Japan's yield controls

REUTERS, Tokyo/Washington/Frankfurt

Japanese-style interest rate caps are drawing interest from global central bankers worried about a downturn, including US Federal Reserve officials grappling with how to bolster their options as prospects for the global economy darken.

A departure from the classic focus by central banks on short-term rates, the Bank of Japan's "yield curve control" initiative aims to anchor longer-term rates that often more directly influence consumer borrowing costs and spending.

The BOJ has been receiving queries from several central banks, including the Fed, on how the unconventional program works, sources familiar with the matter said.

Several top Fed officials have discussed the notion in recent months as the US central bank reviews how it conducts policy, including governors Lael Brainard and Richard Clarida. Brainard said she "would like to hear more about it" even as she is far from embracing it as an option.

The interest speaks to the dilemma faced by the world's big three central banks - the Fed, BOJ and European Central Bank.

The Fed alone among them has been able to raise interest rates reasonably away from zero since the 2007-2009 financial crisis, but even it is about to begin lowering them in response to global weakness and

no clear substitute at the ready. "I am open minded about a whole slew of policy alternatives," Chicago Federal Reserve Bank President Charles Evans said. "What's most critical is that

bought trillions of dollars in financial assets to flood their economies with cash in programs called quantitative easing, an effort seen likely to be repeated in the future even as its effectiveness is debatable.

The BOJ, though, has pushed the bounds of convention further than the others. Three years ago, with short-term rates already pushed into negative territory to little effect, it launched a bold experiment to anchor long-term interest rates near zero in a bid to breathe life into an anemic consumer spending scene.

Under yield curve control, the bank targets a rate at a specific maturity. It buys whatever quantity of securities is needed to hit that, a goal easy to communicate to the public and easy for businesses and households to plan around.

The Fed's Brainard discussed the concept at a Fed event in May.

"Once the short-term interest rates we traditionally target have hit zero," she said, "we might turn to targeting slightly longer-term interest rates - initially one-year interest rates, for example, and if more stimulus is needed, perhaps moving out the curve to two-year rates."

In Japan it has had some success, albeit mixed.



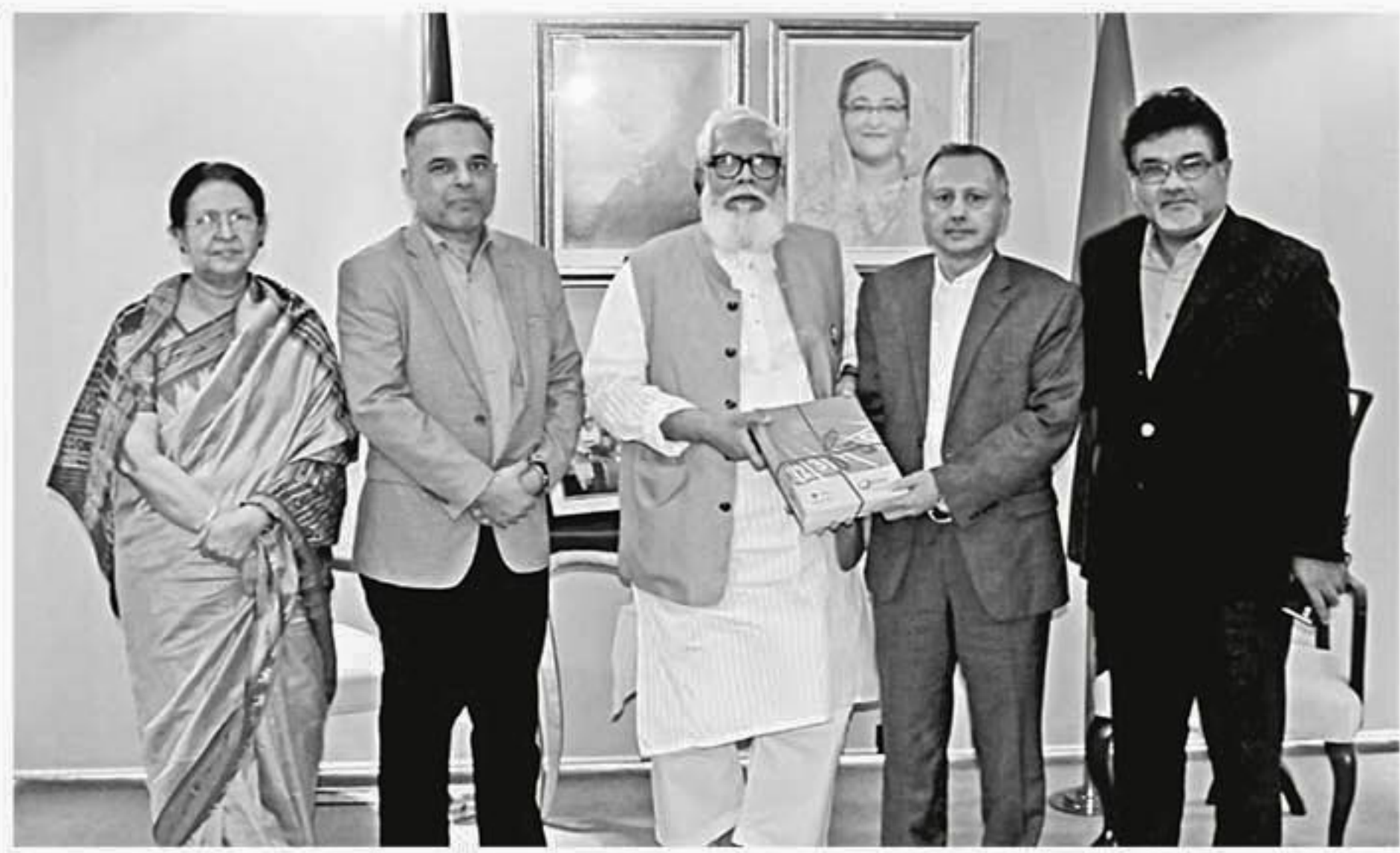
A security guard walks past the Bank of Japan headquarters in Tokyo.

persistently low inflation.

Globally there is a recognition that if the major economies have all gravitated together toward a weak-inflation, low-growth, and low-interest-rate world, textbook central banking may be dead - with

whatever we do we are able to demonstrate that with that tool we are out to achieve our mandate and that tool is set properly."

The Fed, BOJ and ECB all dived headlong into unconventional policy to combat the crisis. Each



BUILD Chairman Mahbulul Alam and trustee board members pose during a meeting with Salman F Rahman, the prime minister's private industry and investment adviser, at the latter's office in Dhaka yesterday.

Asian bonds see higher overseas investments in June

REUTERS

Foreign investors stepped up their purchases in Asian bonds in June as a thaw in long-running Sino-US trade dispute and falling global interest rates bolstered the appetite for regional bonds.

Last month, foreigners bought a net \$12.36 billion of Asian bonds - their biggest net purchase in at least six years - data from regional banks and bond market associations in Malaysia, Thailand, Indonesia, South Korea and India showed.

South Korean bonds attracted over

\$5 billion worth of foreign money for a second consecutive month in June on rising expectations that its central bank will cut interest rates to boost its faltering economic growth. The South Korean central bank had raised its interest rates in November, pressured by aggressive rate hikes by the US Federal Reserve at the time.

High yielders such as India and Indonesian bonds also received solid inflows as the US Treasury yields last month dropped to their lowest in more than two-and-a-half years, spurring the borrow-low, invest-high carry trades.



Syed Mahbulul Rahman, managing director of Dhaka Bank, and Romo Rouf Chowdhury, managing director of Rancon Group, exchange signed documents of a deal at the group's corporate office at Rangs Bhaban in Dhaka recently facilitating online cash management services for Rancon Holdings.

Amazon workers in Germany strike over pay

REUTERS, Berlin

More than 2,000 workers at seven Amazon sites across Germany have gone on strike over pay for at least two days, labour union Verdi said on Monday.

The walkouts, under the motto "No more discount on our incomes", started overnight and coincide with Amazon's Prime Day when the US online retail giant offers its 'Prime' customers discount deals. Germany is its second-biggest market after the United States.

Amazon has faced a long-running battle with unions in Germany over better pay and conditions for logistics workers, who have staged frequent strikes since 2013.

"While Amazon fuels bargain

hunting on Prime Day with hefty discounts, employees are being deprived of a living wage," Verdi retail specialist Orhan Akman said in a statement.

Verdi said the strikes had hit Amazon's sites in Werne, Rheinberg, Leipzig, Graben, Koblenz, as well as at Amazon's two sites in Bad Hersfeld.

Amazon did not provide exact numbers for how many employees were striking but said participation was limited and had no impact on customer deliveries.

"The company must finally recognize the collective wage agreements for the retail and mail order sectors," Akman said. "Wages and salaries at Amazon must no longer be determined in the style of a

lord of the manor." Verdi also demanded that collective bargaining agreements be made binding across Germany's retail sector.

"A universally binding collective agreement would then apply for Amazon too," said Akman.

An Amazon spokesman said the company was a fair and responsible employer even without having a collective agreement in place, adding: "In our fulfillment centers, our wages are at the upper end of what is paid in comparable jobs."

Amazon runs 12 warehouses which it calls fulfillment centers - in Germany. Earlier on Sunday, Amazon said it plans to open a new warehouse in Germany this year and create more than 2,800 jobs with permanent contracts.

Bitcoin drops more than 10pc as scrutiny of cryptocurrencies grows

REUTERS, London

Bitcoin slumped more than 10 percent over the weekend to a two-week low as fears of a crackdown of cryptocurrencies grew on mounting scrutiny of Facebook's planned Libra digital coin.

Bitcoin fell 11.1 percent from Friday to \$9,855 early on Monday, its lowest since July 2. The original cryptocurrency slumped 10.4 percent on Sunday alone, its second-biggest daily drop this year. It was last up 0.5 percent at \$10,245.

Politicians and financial regulators across the world have called for scrutiny of Facebook's Libra coin, with concerns ranging from consumer protection and privacy to its potential systemic risks given the social media giant's global reach.

US President Donald Trump criticized bitcoin, Libra and other cryptocurrencies last week, demanding that firms seek a banking charter and subject themselves to US and global regulations if they wanted to "become a bank".

Bitcoin, which initially shrugged off Trump's tweet, fell sharply after US Federal Reserve Chairman Jerome Powell called for a halt to Facebook's project until concerns from privacy to money-laundering were addressed.

"Together they have increased the tail risk that the US will look to crack down on it in some way," said Jamie Farquhar, portfolio manager at crypto firm NKB Group in London.

Underscoring the growing attention on Facebook's plans, Japanese authorities have also set up a working group to look at Libra's possible impact on monetary policy and financial regulation, government sources told Reuters.

European Central Bank policymaker Benoit Coeure is due to deliver a preliminary report on the matter at a meeting of G7 finance ministers this week in Chantilly, north of Paris.

Bitcoin climbed nearly 55 percent in nine days after Facebook unveiled its plans for Libra on June 18, touching an 18-month high of nearly \$14,000. The project has boosted hopes among some investors that cryptocurrencies could gain wider acceptance.

New shuttle train project to link Dhaka-Kaliakair

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The hi-tech park and its adjacent areas have been becoming important places for the people because of establishment of many local and international companies inside of the BHTPA.

Many people travel between Dhaka and Kaliakair on various modes of transports every day and have to spend hours on the streets owing to traffic congestion on the Dhaka-Tangail Highway.

The government is developing the hi-tech park with a view to earning \$5 billion from ICT exports and generating 20 lakh jobs in the sector by 2021.

Stocks sink to 2.5-year low

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The EPS dropped to Tk 7.07 from 7.70 in the second quarter of this year. Its half yearly interim dividend dropped to 90 percent from 125 percent a year earlier.

In the last five months, Grameenphone's stocks plunged 22 percent to Tk 324.

"A large company's impact is also very large on the market," the official said.

UCB Capital in its daily market commentary said Grameenphone's regulatory tussles along with lower dividend pay-out have left investors jittery.

"So, Grameenphone topped the turnover chart as concerned investors continued to sell their stakes," it added.

The decision to impose tax on stock dividend and reserves would ultimately hit the listed companies, so the stock investors are reacting negatively, said a top official of a

leading merchant bank requesting not to be named.

"Imposing a tax can never be an incentive for cash dividend but providing tax rebates would have been," he added.

In the budget for fiscal 2019-20, a 10 percent tax has been prescribed for companies that give out stock dividend more than the cash dividend and holds on to more than 70 percent of their earnings in a year in order to promote cash dividend.

The following decisions impacted the investors' confidence, he added.

Rahman said they urged the government to relax the corporate tax rate for listed companies but it was not honoured.

Moreover, the budget has no stock market friendly policy, he added.

Yesterday, turnover of the DSE fell by a staggering 13.6 percent from previous session to stand at Tk 306.06 crore.

Of the traded issues, 37 advanced

and 303 declined with 12 securities closing unchanged.

Grameenphone dominated the turnover chart with its transaction of 3.74 lakh shares worth Tk 12.32 crore, followed by Monno Ceramics, Fortune Shoes, Square Pharmaceuticals and United Power Generation.

Meghna Pet Industries was the day's best performer with its 9.90 percent gain, while Bangladesh Industrial Finance Company was the worst loser, shedding by 10 percent.

Chattogram stocks also fell with the bourse's benchmark index, CSCX, declining 157.23 points, or 1.63 percent, to finish the day at 9,487.98.

Losers beat gainers as 220 declined and 40 advanced, while 18 finished unchanged on the Chittagong Stock Exchange.

The port city bourse traded 62.27 lakh shares and mutual fund units worth Tk 14.40 crore.

Order issued to freeze accounts of 11 former directors, officials

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The High Court will then give instruction on how to pay back the depositors' money.

"But, we do not know how much time will be needed to complete the liquidation process as this is the first incident in the country's financial

sector," he said.

As of December last year, the NBF disbursed Tk 1,131 crore in loans and mobilised deposits worth Tk 2,036 crore.

More than 60 percent of the disbursed loans has become defaulted.

The NBF's problems came to the

surface in 2013-14, when some of its directors made off with Tk 570 crore by way of submitting fake documents, according to a central bank inspection report. In 2015, the central bank had removed four of the nine directors for their involvement in the scandal.



Education Minister Dipu Moni speaks at a discussion organised at Bangabandhu International Conference Center in Dhaka yesterday marking World Youth Skills Day 2019. Expatriates' Welfare and Overseas Employment Minister Imran Ahmed was present.

Tech tax set to dominate G7 finance ministers' meeting

AFP, Paris

A row over taxing tech giants is set to dominate a meeting of G7 finance ministers near Paris this week, with the world's leading industrialised nations already riven by disruptive US trade policies.

During the meetings Wednesday and Thursday in Chantilly, ministers are set to discuss making taxation fairer as part of wider plans by G7 leaders to address rising inequality when they gather next month in the southern French city of Biarritz. An international effort to update rules so as to rein in multinationals gaming the system by paying in low-tax rate countries has been plodding along.

But France and Britain gave the process a jolt last week when they moved forward with plans to apply sales taxes to digital giants, mostly American companies.

France became the first major economy to impose such a tax when legislators gave their final approval while Britain unveiled legislation.

The French measure does not specifically target US internet giants, but it is commonly called the GAFA tax, an acronym for Google, Amazon, Facebook and Apple.

French Finance Minister Bruno Le Maire will meet separately with his US counterpart Steven Mnuchin, with the tax measure expected to feature prominently in their discussions. Even before the final vote by French lawmakers, the US announced it was opening a so-called Section 301 investigation into the measure.

A Section 301 investigation was used by the Trump administration to justify tariffs on China.

Washington and Beijing have lashed out at each other with punitive tariffs on about \$360 billion in goods in a trade dispute that has roiled global financial markets and undermined business confidence.

GP's profit falls despite record revenue

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He said the operator delivered strong business performance in the first half of the year.

In the last quarter, GP focused on improving the network resilience and modernising it as well as expanding 4G services, covering 62 percent of the population of Bangladesh, he said. GP witnessed growth in voice and data revenue as well as in usage and subscriber base.

Foley said despite the additional supplementary duty on mobile phone use, the company would continue to protect the interest of the shareholders and provide value to customers. GP acquired 13 lakh new subscribers and 16 lakh internet subscribers in the quarter.

Data revenue grew more than 18 percent to Tk 720 crore. Each internet user now uses 1.5 GB data on an average every month, up from 986MB a year ago. At the end of June, 52.8 percent of its total subscribers were using internet services. The market leader has 84 lakh active 4G users.

Mustafa Alim Aolad, deputy chief financial officer of GP, said the company continues to acquire quality subscribers. With investment in network rollout, he is optimistic about delivering profitable growth going forward.

In the last three months, GP invested Tk 380 crore for network coverage and installed 1,560 new 4G sites.

On Dhaka Stock Exchange yesterday, the share of GP, the lone listed mobile phone operator in the market, traded between Tk 241 and Tk 253.4, before closing at Tk 252.2.