

Fed launches Treasury bill buys in bid for 'ample' reserves

REUTERS

The Federal Reserve said on Friday that it will start buying about \$60 billion per month in Treasury bills to ensure "ample reserves" in the banking system, but emphasized the new program does not mark a change in monetary policy.

The purchases, which will begin Oct. 15, respond to recent disruptions in short-term money markets that pushed the target federal funds rate to the top of its target range, and at least once above it. The "technical" program, which Fed Chair Jerome Powell had signaled earlier this week was on its way, will continue at least until the second quarter of 2020, the central bank said.

The central bank also said it would continue to inject cash into overnight lending markets until January by offering daily operations in the market for repurchase agreements, or repos. But it said that the balance sheet expansion is meant to wean money markets off of the daily

operations by bringing reserves to a level that accommodates economic growth but is also enough to absorb any spikes in demand.

But the size of the monthly Treasury purchases will be adjusted as the Fed learns more about how much liquidity is needed in the banking system. The US central bank began offering daily repo operations in mid-September after the repo rate, which is viewed as a measure of liquidity, spiked to 10 percent from about 2.25 percent.

The daily operations are meant to ensure there are ample reserves available during spikes in demand.

Some investors said Friday's announcement is a sign that the Fed is willing to act as needed to stabilize short-term interest rates.

"The Fed will do whatever it needs to do to keep funding rates near where they want them," said Ward McCarthy, chief financial economist for Jefferies in New York. "If this proves to be insufficient they'll simply do more."

Central bank officials anticipated they would

one day need to resume expansion of the balance sheet to keep operating under a system of "ample reserves." Through that approach, the Fed sets monetary policy by controlling the interest rate charged on reserves instead of conducting daily market operations.

The Fed will initially aim to bring reserves to about \$1.5 trillion, the level seen in early September, before a liquidity crunch led to a spike in short-term rates. But some strategists say the right level of reserves is between \$1.6 trillion and \$1.8 trillion.

US President Donald Trump has been railing against Powell and his colleagues for months, demanding first that the Fed stop shrinking the balance sheet and more recently to ease monetary policy outright.

The US central bank on Friday was at pains to emphasize that its new balance sheet operations were not a response to that call, and are entirely different from the trillions of dollars of Treasuries and mortgage-backed securities purchases it made during and after the financial crisis.

Those bond buys, known as quantitative easing, or QE, were designed to push down longer-term interest rates to spur borrowing and investment. The new purchases, of short-term bills, are simply meant to keep money markets operating smoothly.

It's a message that Powell, Dallas Fed President Robert Kaplan and other policymakers have reiterated since the policy was foreshadowed earlier in the week: This is not quantitative easing.

The Treasury purchases will therefore have "little if any" meaningful effect "on household and business spending decisions and the overall level of economic activity," the Fed said, repeating that explanation three times for emphasis in a statement Friday accompanying its announcement.

Markets for the most part agreed.

Still, the spread between three-month and 10-year yields, the Federal Reserve's preferred measure of the yield curve, on Friday widened by the most since May 7. The curve had been mostly inverted since May 22 before moving into positive territory on Friday.



SOCIAL ISLAMI BANK

Quazi Osman Ali, CEO of Social Islami Bank, attends its "Quarterly Business Conference 2019" at the Dhaka Regency Hotel and Resort yesterday.

Premier Cement gets new COO

STAR BUSINESS DESK

Tarique Kamal has recently joined Premier Cement Mills as chief operating officer (COO) effective from October 1.

He was previously head of sales and distribution at Arla Foods Bangladesh, according to a statement. He also worked at British American Tobacco Bangladesh.

He obtained his bachelor's and master's degrees from the Institute of Business Administration under the University of Dhaka.



Infosys revises forecast on upbeat client demand

REUTERS, Bengaluru/New Delhi

India's second-largest software services exporter, Infosys Ltd, on Friday raised the low end of its revenue forecast for the year on upbeat demand for its digital services from Western clients.

The Bengaluru-headquartered company said it expected revenue to grow between 9 percent and 10 percent on a constant currency basis in the year ending March 2020, compared with its previous forecast of between 8.5 percent and 10 percent. Infosys and its Indian rivals first gained prominence by offering low-cost IT solutions to Western clients.

But as customers demand traditional services like routine infrastructure maintenance for less money, the firms are betting big on digital services such as cloud computing, big data and analytics to grow.

"Digital is becoming more and more central in terms of clients," Chief Executive Salil Parekh told reporters in the tech hub of Bengaluru. Revenue from digital offerings totalled 38.3 percent of Infosys' overall sales in the quarter.

Brokerage Emkay Global Financial Services said it was surprised that Infosys had not raised the upper end of its revenue forecast despite strong order bookings and sales performance in the first half of the year.



REUTERS/FILE

The Federal Reserve building is pictured in Washington.

Innovation key to sustainable business

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The key focus was to drive innovation within different sectors and harness the skillset to drive innovation, adding value to the lives of people and helping them pursue inclusive growth.

The summit was followed by the Bangladesh Business Innovation Award 2019 that recognised the vibrant community of innovators – from startups to established companies – and its breakthrough creations and ideas.

The award was given across 10 categories and all the nominated campaigns were selected through rigorous jury sessions, according to a press release.

The Summit and the Award are the initiatives of the Bangladesh Innovation Conclave, which is organised by the Bangladesh Brand Forum.

Newton Howard, professor of neuro-computation, neurosurgery and

mathematics at the University of Oxford; Prof Syed Ferhat Anwar, director of the Institute of Business Administration under the University of Dhaka; Syed Mahbubur Rahman, managing director of Dhaka Bank; Anir Chowdhury, policy adviser of the Access to Information, and Sabbir Hasan Nasir, executive director of ACI Logistics, also spoke.

Nihad Kabir, president of the Metropolitan Chamber of Commerce and Industry, Dhaka; Md Sirazul Islam, executive chairman of the Bangladesh Investment Development Authority; Arif Ud Dowla, managing director of ACI; Munawar Misbah Moin, managing director of Rahimafrooz Renewable Energy; Tanzeen Ferdous, marketing director for homecare, foods and refreshment at Unilever Bangladesh, and MM Monirul Alam Tapan, managing director at Guardian Life Insurance, also shared their thoughts.

More companies back away from Facebook's Libra coin

AFP, San Francisco

Facebook's digital currency alliance lost more companies on Friday amid heavy criticism from regulators around the world on the planned Libra global cryptocurrency.

Credit card giants Visa and Mastercard, online marketplace eBay and digital payments firm Stripe each announced they had changed their minds about being founding members of the Libra Association assembled to promote the digital currency.

"Mastercard has decided it will not become a member of the Libra Association at this time," the company said in an emailed statement.

"We remain focused on our strategy and our own significant efforts to enable financial inclusion around the world. We believe there are potential benefits in such initiatives and will continue to monitor the Libra effort." A Visa spokesperson offered a similar statement,

indicating the company was dropping out of the alliance but could rejoin in the future.

"We will continue to evaluate and our ultimate decision will be determined by a number of factors, including the association's ability to fully satisfy all requisite regulatory expectations," Visa said.

Silicon Valley-based eBay said: "We highly respect the vision of the Libra Association; however, eBay has made the decision to not move forward as a founding member." Stripe also said it will follow the progress of Libra and remain open to working with the association at a later date.

"Stripe is supportive of projects that aim to make online commerce more accessible for people around the world," Stripe said. "Libra has this potential." The moves come after US senators sent letters to several financial firms noting that they could face "a high level of scrutiny from regulators" if they participated in

the new currency plan.

Last week, digital payments firm PayPal said it was quitting the alliance of companies and organizations promoting Libra.

The Libra Association did not immediately return a request for comment.

The move comes with Facebook's planned digital coin Libra facing heavy criticism from regulators and lawmakers in the United States and Europe. Facebook executives have claimed the new digital coin could help lower costs for global money transfers and help those without access to the banking system.

French economy and finance minister Bruno Le Maire has warned that under current circumstances, Libra posed a threat to the "monetary sovereignty" of governments and could not be authorized in Europe.

Facebook chief Mark Zuckerberg is set to testify October 23 hearing in the US House of Representatives on the Libra plan.

Traders oppose double fumigation of US cotton

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The delegation had sought to witness the production facility as Chowdhury is currently Bangladesh's largest importer of US cotton. Currently, only US cotton undergoes the chemical therapy.

Dependence on the American fibre has been rising; it accounted for 11.14 percent of Bangladesh's requirement last year, up from 4 percent two years ago.

Chowdhury shared his import figures involving the US: 1.20 lakh bales costing \$35 million a year.

"I import almost all of my required cotton from the US because of its better quality and timely shipments and deliveries," he said.

Chowdhury exports garment items worth \$300 million, mainly to the US, by using the American cotton.

"Sometimes, I sell yarn and fabrics to local garment manufacturers and a majority of my materials are used in my own factories," he said.

William R Bettendorf, director of supply chain marketing for South and Southeast Asia of the Cotton Council International and the Cotton USA, echoed Chowdhury.

"Fumigation of US cotton in Bangladesh ports is a major non-tariff barrier in trade between Bangladesh and the US," he said.

"We have already contacted different government bodies several times for the withdrawal of the system but still nothing happened," he said.

Many teams have tested US cotton several times but found no harmful insect, Bettendorf said.

American farmers and traders use modern ginning techniques so that the cotton does not pick up any contaminant during shipment and use at mills, he said.

Usually cotton from other countries do not undergo the extermination process but get the same treatment if they happen to travel on the same ship carrying US cotton destined for Bangladesh, said Monsoor Ahmed, secretary of the Bangladesh Textile Mills Association (BTMA).

African nations have recently surpassed India to become the largest source of cotton for Bangladesh as local spinners and millers look to cut down dependence on this vital raw material on a single source.

Last year, Bangladesh, the world's largest importer of cotton, met 37.06

percent of its requirement for the white fibre from imports from East and West African countries. India accounted for 26.12 percent of the total cotton imports, down from more than 60 percent two years ago, according to data from the BTMA, a platform of the primary textile sector.

Last year, 11.35 percent of the cotton came from the members of the Commonwealth of Independent States, 4.65 percent from Australia, and 9.65 percent from the rest of the world. Bangladesh imported 8.28 million bales of cotton (one bale equals to 282 kilogrammes) last year. In dollar terms, it is worth \$3 billion.

Indian festival fails to buoy gold demand

REUTERS, Bengaluru/Mumbai

Gold demand in top-consumer China was subdued this week as investors awaited outcome of crucial trade negotiations with the United States, while purchases in India during a key festival were lower-than-usual because of higher prices.

India celebrated Dussehra festival on Tuesday, when buying gold is considered auspicious.

"Consumers were struggling to adjust (to) the higher prices. Jewellers across the country have reported nearly 50 percent drop in Dussehra sales from a year ago," Anantha Padmanabhan, chairman of the All India Gem and Jewellery Domestic Council (GJC) told Reuters.

Gold futures were trading around 38,100 rupees per 10 grams on Friday after hitting a record high of 39,885 rupees last month. Gold prices have risen more than 21 percent so far in 2019.

Dealers offered discounts of up to \$20 an ounce on official domestic prices this week, slightly down from a discount of \$21 last week. The domestic price includes a 12.5 percent import tax and 3 percent sales tax.

"We were hoping (the) market will come to premium this week due to Dussehra and lower imports, but demand was very weak," said a Mumbai-based dealer with a bullion importing private bank.



SHAHJALAL ISLAMI BANK

Akkas Uddin Mollah, chairman of Shahjalal Islami Bank, and M Shahidul Islam, CEO, attend a business review meeting with its 49 branches' officials from Dhaka and surrounding areas at PSC Convention Hall in Mirpur yesterday.

96pc Samsung sets assembled locally

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Thanks to the factory, Fair Electronics is adding about 35 percent value to its products and within the next few years, the value addition will go up to 45 percent as it is planning to set up a PCBA motherboard manufacturing system.

PCBA or printed circuit board assembly motherboard is the main component of products such as mobile phones, tablets, laptops, and computers.

Once in place, the system will be a milestone for Bangladesh, Mahub said.

"With Samsung Galaxy flagship products, we will move to assemble tablets at our plant -- there is huge demand for tablets in the market," said Mesbah Uddin, chief marketing officer of the company.

Of the total mobile phones in use in Bangladesh, only 30 percent are smartphones. Currently, Samsung is the top player in the smartphone segment in Bangladesh, with 31 percent market share in terms of volume and 48 percent share in terms of value.

While speaking about the challenges the market now faces, the high-ups of Fair Electronics said some companies are importing smartphones dodging taxes.

Seungwon Youn, country manager of Samsung, said it wants to be the major technological partner of Bangladesh as it was the first multinational mobile device

company to set up an assembly plant in the country.

Samsung Mobile's Senior Director HD Lee and General Manager Bomin Kim were also present at the briefing.

Fair Electronics also assembles Samsung's home appliances such as refrigerators, air conditioners, microwave ovens and televisions.

SMARTPHONE IN INSTALMENT

Fair Electronics is planning to come up with an offer for entry-level executives and students, allowing them to buy mid-priced smartphones in instalments and at affordable prices.

Within the next 10 to 14 days, they will run the pilot project where customers can have the smartphones priced Tk 15,000 to Tk 20,000 in six to 12 instalments.

Interested customers can buy smartphones easily at almost zero down payment. They will only require to submit some cheques in advance, Mesbah said. No credit card payments will be required to buy the handsets.

Fair Electronics has already had offers for employees of a company and the scheme does not require them to submit any cheque.

The plant employs 1,000 skilled employees. Of them, 25 percent are female. A total of 50 engineers are employed there, including 10 from Samsung.

Change of Office Address Intermodal Pte Ltd.

Notice is hereby given for information of all our valued clients that Dhaka office of the **Intermodal Pte Ltd.**, as agent of **Samudra Shipping Lines Limited** has been shifted to new address. Details are given below:

Old Address	New Address
National Scout Bhaban (13th Floor) 70/1 Inner Circular Road, Kakrail, Dhaka-1000	Basic Blue Bell, Road No: 16/A, House No: 06 (5th Floor), Ghulsan-1, Dhaka-1212 Land Phone: 8833236, 8833038

Change of Office Address Continental Traders

Notice is hereby given for information of all our valued clients that Dhaka office of the **Continental Traders** as agent of **Cosco Shipping Line Company Limited** has been shifted to new address. Details are given below:

Old Address	New Address
National Scout Bhaban (13th Floor) 70/1 Inner Circular Road, Kakrail, Dhaka-1000	Basic Blue Bell, Road No: 16/A, House No: 06 (4th Floor), Ghulsan-1, Dhaka-1212 Land Phone: 8832659, 8832558, 8833011.

Change of Office Address Ocean International Limited

Notice is hereby given for information of all our valued clients that Dhaka office of the **Ocean International Limited** as agent of **Hyundai Merchant Marine Company Limited** has been shifted to new address. Details are given below:

Old Address	New Address
Sel Trident Tower, 57 Old Pallan Line, level-8, Room no- 804, Dhaka-1000	Basic Blue Bell, Road No: 16/A, House No: 06 (6th Floor), Ghulsan-1, Dhaka-1212 Land phone: 8832667, 8834413, 8834482