China unexpectedly keeps benchmark lending rate unchanged

REUTERS, *Shanghai*

China on Monday unexpectedly kept unchanged its new benchmark lending rate, suggesting Beijing is keen to avoid overly loosening monetary policy for fear it may push up already-high debt levels across the economy.

The one-year Loan Prime Rate LPR remained at 4.20 percent, steady from the previous monthly fixing. The five-year LPR was fixed at 4.85 percent, unchanged from September. A Reuters poll last week had forecast the rate would be cut again following reductions in August and last month.

Frances Cheung, head of Asia macro strategy at Westpac in Singapore, said Monday's decision does not point to an end to the downward adjustment in the LPR. "That said, the outcome is likely to reinforce the somewhat risk-on sentiment today," Cheung said.

"Looking ahead, we still see each monthly LPR re-set as providing an opportunity for a baby-step reduction."

Investors in China's financial markets took the rate decision in stride. Benchmark 10-year treasury futures for December delivery CFTZ9, the most-traded contract, were barely moved after the data release.

A separate Reuters poll of 83 analysts showed that the central bank is expected to slash the one-year LPR to 4.00 percent by the end of 2019, down by 20 basis point from its current level.

The decision to keep the LPR steady came just days after China reported its third-quarter gross domestic product (GDP) growth cooling to near 30-year low.

Economists and China observers say a recent bath of weak data showing a further loss of momentum in the world's second-biggest economy underlined the need for further monetary policy support.

A bruising 15-month long Sino-US trade dispute was also one of the key factors fueling the easing expectations. US President Donald Trump has outlined the first phase of a deal to end a trade war and suspended a threatened tariff hike, though officials on both sides said much more work needed to be done.

REUTERS/FILE

Headquarters of the People's Bank of China, the central bank, is pictured in Beijing.

Reckitt Benckiser names Ahold's Jeff Carr as new CFO

REUTERS

Reckitt Benckiser Group Plc will bring back former finance executive Jeff Carr as the successor of Chief Financial Officer Adrian Hennah who is retiring next year, the maker of Durex condoms and Lysol disinfectant said on Monday.

The appointment is Reckitt's second big management change this year after the British consumer goods maker picked PepsiCo executive Laxman Narasimhan as its new top boss, replacing long-time chief executive Rakesh Kapoor.

Carr, finance chief at Dutch-American supermarket operator Ahold Delhaize since 2011, was with Reckitt for a decade between 1994 and 2004. He started his career at Anglo-Dutch firm Unilever and has held senior roles at firms including AB Foods and easyJet.

"Jeff brings extensive experience across consumer and retail companies, and is also an alumnus of RB," Reckitt Benckiser CEO Laxman Narasimhan said adding that he also had a record of building strong teams and capital allocation discipline.

Carr would take over in April from Hennah, who will stay on until October 2020, completing seven years as CFO at Reckitt.

Reckitt said Carr, 58, will receive a salary of 680,000 pounds ($882,776.00) and a pension allowance of 10 percent of his salary, on top of other benefits.

German economy may have contracted again in third quarter

REUTERS, *Frankfurt*

The German economy may have contracted in the three months to September, and a slowdown in exports is now threatening to affect the domestic economy as well, the Bundesbank said on Monday.

The euro zone's largest economy has slowed sharply in the past year as its traditional engine of growth - exports - bore the brunt of a global trade war.

"Germany's economic output could have shrunk again slightly in the third quarter of 2019," the country's central bank said in a monthly report. "The decisive factor here is the continued downturn in the export-oriented industry."

This downturn was starting to cast a shadow on the rest of economy, the Bundesbank said, adding however that it did not expect an outright recession.

"Early indicators currently provide few signs of a sustainable recovery in exports and a stabilization of the industry," the central bank said.

"This raises the risk that the slowdown extends to a greater extent to more domestically oriented sectors."

CITY BANK

Mashrur Arefin, CEO of City Bank, poses at the disclosure of its 3rd quarter financial performance for 2019 at its head office in Dhaka yesterday. Story on B1

UK government bond yields rise as risk of no-deal Brexit recedes

REUTERS, *London*

British government bond yields rose on Monday due to the reduced risk of an economically damaging no-deal Brexit, after parliament forced Prime Minister Boris Johnson to write to the European Union to ask for a delay to Britain leaving the bloc.

Johnson still wants to take Britain out of the EU by Oct. 31, but following a parliamentary vote on Saturday he has had to ask the EU for a three-month delay, to take effect if he cannot pass necessary legislation before the end of the month.

Benchmark 10-year gilt yields rose 4 basis points to 0.75 percent on Monday, their highest level since Thursday when they hit a three-month high of 0.793 percent, as investors saw less need to hold safe-haven assets.

"Uncertainty is likely to keep gilts volatile, but with the chance of no-deal on 31 October further reduced and deal hopes still alive, the sell-off in gilts looks most likely to extend in the coming days," Citi rates strategist Jamie Searle said.

Goldman Sachs said on Sunday that it thought the probability of a no-deal Brexit had fallen to 5 percent from 10 percent.

Johnson wants to hold another vote on his preferred Brexit deal later on Monday, but this may be blocked by the House of Commons' speaker, who will make a statement on the proceedings shortly after parliament opens at 1330 GMT.

Short sterling interest rate futures for 2019 and 2020 edged around 1 tick lower, pointing to marginally reduced expectations of a Bank of England rate cut.

Another measure of interest rate expectations BOEWATCH showed around a 30 percent chance of a 25 basis-point rate cut before Governor Mark Carney is due to step down at the end of January, and a 55 percent chance of a move lower before the end of 2020.

Speaking in Washington late on Friday, before the UK parliamentary vote, Carney said that a Brexit deal would help the country's economy but that "almost existential" worries about global trade wars might prevent the BoE from raising interest rates.

Mitsubishi sells Australian iron ore, rail project to Sinosteel

REUTERS, *Melbourne*

Mitsubishi Corp has handed over the full ownership of an iron ore expansion and rail and port infrastructure project in Western Australia to China's state-owned Sinosteel that has been slated to cost A$10 billion ($6.86 billion) to develop, the Japanese conglomerate said on Monday.

The Japanese trading house divested all of subsidiary Crosslands Resources shares to Sinosteel unit Sinosteel Ocean Capital for an undisclosed sum, according to a statement from Mitsubishi. The shares were transferred on Friday, according to the statement.

The project, which includes the mothballed Jack Hills iron ore mine, expansion project as well as a proposed rail and port facility, was once considered Australia's next big prospect for iron ore riches outside of the Pilbara, now the world's biggest export hub for iron ore. Mitsubishi paid $A150 million for its initial 50 percent stake in Crosslands in 2007 and a further A$325 million for the rest in 2012, before it placed the mine on care and maintenance the following year as iron ore prices tanked.

The Japanese group agreed to exit the project considering its own divestment strategy and "the environment surrounding the project," it said in the statement.

REUTERS/FILE

People at Mitsubishi Corporation's head office in Tokyo.

Omera, JMI Hospital to go public

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"From where will the government provide natural gas? So, the demand for LPG would increase by the day," he added.

On the same day, JMI Hospital Requisite, a subsidiary of JMI Group, organised a road show at the Bangabandhu International Convention Centre to raise Tk 75 crore under the book-building method. Md. Abdur Razzaq, managing director of JMI Hospital Requisite, said the demand for medical devices in domestic and global markets are increasing rapidly.

To meet the demand, JMI has taken the initiative to create new devices. It will increase the business in the sector, he said.

JMI GROUP

Md Abdur Razzaq, managing director of JMI Hospital Requisite Mfg, attends a roadshow at Bangabandhu International Conference Center in Dhaka yesterday for raising funds from the stock market. Story on B1

Chinese firm to invest $2m in Ctg EPZ

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Yifa Jute & Sisal Products plans to annually produce 1,000 tonnes of rope and 1,500 tonnes of twine alongside cloth from jute and sisal employing some 101 Bangladeshis. It also plans to make such products from Manila hemp and cotton.

Zillur Rahman, Bepza member (investment promotion), and Mo Jisheng, chairman of the Yifa, signed the agreement at BEPZA Complex, Dhaka, says a press release.

GP's profit rises amid challenges

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"We continued to deliver a solid business performance in the third quarter despite a very challenging regulatory environment," Foley said.

The operator has been affected by the suspension of issuance of no objection certificates (NOCs) by the telecom regulator because of a fallout from the ongoing row they have long been embroiled in over an audit claim.

The Bangladesh Telecommunication Regulatory Commission has repeatedly demanded Tk 12,479 crore from GP as per findings of the audit into the operator's book in 2016 that covered the period from its inception to December 2014.

GP has called the audit disputed and has not paid anything, leading the regulator to suspend issuing the NOCs on July 22. The NOCs are needed to roll out new package or service or import network equipment.

In the third quarter, the mobile phone operator invested Tk 218 crore, down 53 percent year-on-year.

"We invested less than what we had planned for, as a result of the NOC suspension," said the operator in the statement.

Jens Becker, chief financial officer of the operator, said it reported solid growth with strong margins in the third quarter.

"We will continue to focus on acquiring quality subscribers and invest in building a strong network and distribution ecosystem in order to enable connectivity to all the people of Bangladesh."

The largest company on the DSE by market capitalisation, GP's shares were down 1.32 percent to close at Tk 314.50 yesterday.

GP's network covered 99.5 percent of the population and 69 percent of the population are under its 4G network.

Gold flat as markets eye trade talk cues, Brexit deal

REUTERS

Gold prices were little changed on Monday as investors waited for more clarity on U.S.-China trade negotiations, and Brexit after British parliamentarians delayed a crucial vote on the divorce deal.

Spot gold was flat at $1,490.23 per ounce as of 0720 GMT. US gold futures dipped slightly to $1,493.40.

Asian shares edged higher, limiting bullion's gains, with MSCI's broadest index of Asia-Pacific shares outside Japan up 0.3 percent.

"The markets are quite long, and people are worried about the trade war. Investors are waiting for pull backs in gold to step in again," AxiTrader market strategist Stephen Innes said.

"What has been supportive for gold are recessionary fears, and provided that remains in the headlines, it is a significant reason to stay long gold. Right now, there is no major catalyst to drive it any direction."

The long-standing Sino-U.S. trade war has taken a toll on economies around the world with Japan's exports down for a 10th straight month, South Korean exports plunging 19.5 percent in October, and Thai exports missing expectations.

In China, new home prices grew at a steady pace in September, a relief for policymakers who remain wary of high debt and bubble risk, and are refraining from stimulating the sector as the economy cools.

Providing little comfort to market sentiment, British Lawmakers on Saturday voted to withhold a decision on Prime Minister Boris Johnson's deal, a move that forced him to seek from the EU a third postponement of Britain's departure from the bloc.

The vote for an extension dealt a blow to optimism that a deal agreed last week would ensure Brexit happens with little economic disruption.

Spot gold looks neutral in a range of $1,479-$1,502 per ounce, and an escape could suggest a direction, Reuters technical analyst Wang Tao said. Among other precious metals, silver rose 0.9 percent to $17.70 per ounce, and platinum rose 0.4 percent to $892.84.

Meanwhile, palladium gained 0.6 percent to $1,765.81 an ounce, slightly lower than a high of $1,783.21 it struck on Thursday.

"Sell rates for palladium reached the highest level since January. This suggests the recent rally has been driven by fundamentals, rather than speculative interest," ANZ Bank said in a note.

"And with the market likely to remain tight for the foreseeable future, we believe there is plenty more upside for (palladium)prices."

BEPZA

Maj Gen SM Salahuddin Islam, executive chairman of the Bangladesh Export Processing Zones Authority (Bepza), and Mo Jisheng, chairman of Yifa Jute & Sisal Products Co Ltd, attend a deal signing ceremony at the Bepza Complex in Dhaka yesterday. Story on B1

BASIS

Zunaid Ahmed Palak, state minister for ICT, hands over a trophy to winners of the 5th NASA Space Apps Challenge Bangladesh at the presentation ceremony organised by the Bangladesh Association of Software and Information Services in Dhaka on Sunday.