

As Fed taper inches closer, investors prepare for volatility ahead

REUTERS, New York

As the Federal Reserve takes initial steps toward removing its massively accommodative policy, investors are preparing for the main show ahead.

Fed officials on Wednesday penciled in two potential rate hikes in 2023, sooner than policymakers had previously projected, and Chair Jerome Powell edged closer to unveiling plans to taper the Fed's \$120 billion a month of bond purchases.

Powell went so far as to describe the two-day gathering as the "talking-about talking-about meeting," a glib reference to his protestations earlier this year that he and his colleagues were not even "talking about talking about" tighter policy.

"The Fed is making it clear that they will wait and wade through a noisy summer of data to see a trend before they make a decision about liftoff," said Jason England, global bonds portfolio manager at Janus Henderson.

England expects to see greater bond market volatility leading up to the central bankers' confab in Jackson Hole, Wyoming, in late August and remains focused on shorter-duration bonds in anticipation of a sustained economic recovery.

The question of when exactly the

Fed will pull back has hung over financial markets. Stocks edged lower and the dollar spiked on Wednesday while benchmark yields rose.

"The logical response to today's information is that interest rates are going to go higher, and they will probably be going higher faster than people may have thought," said Marcus Moore, assistant portfolio manager at Zeo Capital Advisors.

A more extreme reaction could lay ahead if signs appear of stronger-than-expected inflation and other factors that could push the Fed to taper faster than anticipated, some

market participants said. Powell said policymakers are not facing a situation where they are "behind the curve."

"We have become more defensive because we don't think the bond market should have so much apathy to inflation," said Thanos Bardas, co-head of global investment grade and senior portfolio manager at Neuberger Berman.

Consumer prices jumped 5 per cent in May, the largest annual jump in 13 years, while supply bottlenecks recently pushed lumber prices to all-time highs before tumbling 40 per cent from their records.

The Fed's projections show inflation exceeding the Fed's 2 per cent target by a wide margin of 3.5 per cent this year.

Todd Thompson, managing director at Reams Asset Management, said wage pressures from a record number of 9.3 million job openings will force the Fed to move more quickly than many in the market anticipate given that real interest rates remain negative.

"With the economy running at a galloping pace, negative real interest rates are a disconnect to reality and that has to be reconciled" through rate hikes, Thompson said.

Ten-year Treasuries, which reflect gains after inflation, trade at a real rate of negative 0.75 per cent.

Douglas Duncan, chief economist at Fannie Mae, said he "would have thought there would have been more commentary" on the Fed's monthly purchases of \$40 billion in mortgage-backed securities.

A recent Reuters poll showed economists expect the Fed could taper those purchases faster than its Treasuries purchases given the red-hot housing market.

Tiffany Wilding, North American economist at PIMCO, said the message from Wednesday's meeting was that the Fed is "shifting away from managing downside risk to the economy to upside risk to inflation expectations."



Federal Reserve Board building is pictured in Washington, US. REUTERS/FILE

Britain, US reach truce in Airbus-Boeing trade dispute

REUTERS, London

Britain and United States agreed on Thursday to resolve a long-running trade dispute over Airbus and Boeing and turn their attention to tackling Chinese subsidies, echoing a five-year tariff truce announced by Washington and Brussels.

Together, the deals draw a line under 17 years of battles at the World Trade Organization over aid for the world's largest planemakers and establish a common front against "non-market" funding, in a reference to China's rising aerospace sector.

The dispute had triggered a months-long transatlantic tariff war hitting industries such as Scotch whisky until the punitive measures were suspended earlier this year to ease negotiations.

Tariffs will now be set aside for a further five years while governments pledge to provide any funding on market terms, but the almost identically worded UK-US and EU-US agreements effectively remove for the time being a key source of transatlantic

trade tensions. "This will support jobs across the United Kingdom and is great news for Scotch whisky and other exports including aerospace who will no longer face punitive tariffs," British trade minister Liz Truss said on Twitter.

The European Union reached a truce two days ago with Washington in their conflict over aircraft subsidies, suspending for five years one set of Trump-era tariffs that had soured relations. The two sides had been battling since 2004 in parallel cases at the World Trade Organization over subsidies for US planemaker Boeing and European rival Airbus, which each claimed to have been damaged by unfair competition.

Britain has since left the European Union and Thursday's almost identically worded agreement achieves many of the same results as the EU-US deal. In December, Britain and the United States came close to a standalone aerospace deal that could have forced the hand of Brussels in its own talks with Washington, but drew back amid concerns over UK jobs, Reuters reported.



An Airbus A350 jetliner lands after a flying display during the 51st Paris Air Show at Le Bourget airport near Paris. REUTERS/FILE

Look before you book a flat

FROM PAGE B1

"Make it clear in the contract the flat that you are buying. It has to be stated in the deal that the buyer is not obliged to pay any extra beyond the original amount agreed upon."

If any addition is required, it must be done with the mutual consent of both parties, Hassan said.

Potential buyers need to be certain whether the realtor or the seller actually owns the flat.

"You have to go to the land office and collect the information about the owner and occupants of the land. It is necessary to check whether the name of the seller is mentioned in the latest land record."

Finding out whether the developer is new or old, has any experience, and is a member of the Real Estate and Housing Association of Bangladesh (REHAB) will help pick the right seller.

"You should try to find out if the company had tricked anyone in the past," Hassan said.

He said in many cases, landowners who have problems with possession give the land to the developer.

The buyers should check the developer's power of attorney and the agreement that has been inked with the landowner. Sometimes, contracts between landowners and developers are not registered.

The developer often deviates from the original design plan approved by Rajuk and adds additional floors.

"It is better not to book a flat with such a developer. You must keep an original copy of the agreement," Hassan said.

The buyers must be sure whether there is an electricity connection, and it is a commercial or residential connection.

"It has to be seen whether the gas connection has been obtained legally."

It has to be ascertained whether the flat has been built on a government, a vested or abandoned property.

"We have to find out whether the land has ever been auctioned due to the non-payment of rent, and the flat

is mortgaged to a bank for a loan," said Hassan.

If the seller has got power of attorney, its validity needs to be checked. It is better to buy the flat by contacting the realtor directly without buying from an intermediary.

If it is purchased in instalments, the contract should clearly outline how many instalments would be made and when the transfer will take place.

The agreement will also specify how the issue will be sorted out if buyers cannot purchase it, Hassan said.

All charges, registration fees and liabilities should be clearly known so that there are no complications in the future.

Mohammad Shishir Monir, a legal expert, said a checklist could help a buyer find whether the property is solid.

"You have to check property documents with the bank and sub-registry office."

Nasimul Baten, managing director of Delta Brac Housing Finance Corporation, said it is comparatively easier to buy if it is a leasehold property.

In the case of such property, only the lease deed, mutation, and tax records have to be examined.

If it is private land, one should check the record of rights, attorney power, and the plan approved by Rajuk, he said.

Ataur Rahman Chowdhury, head of the consumer division of IDLC Finance, said the price of a flat depends on whether the property is ready or under construction.

In the case of an under-construction flat, many things can deviate.

"So, one has to verify the track record of the developer to avert future hassles because the extent of deviation would be less in case of good developers."

He bats for securing a home loan before buying a flat though the amount could be low.

"When you take a loan from a bank or non-banking financial institution, it will verify the legal status of the property, the developer and all the documents."

Shatranji earns GI recognition

FROM PAGE B1

BSCIC Chairman Md Mostaque Hassan said, "It's good news for us. This product will now represent us in the world. No one from another country can claim it as their product anymore. This will further build up the image of the entrepreneurs and the country. This is a milestone for us."

Shatranji is woven by hand on the ground with the aid of bamboo and rope. The beauty and durability of Shatranji are worth mentioning.

It is believed by locals that Shatranji has long been crafted in the region since the Mughal era.

Before 1830, Shatranji was weaved in a village named Pirpur in Rangpur sadar upazila, according to historians. Carpets and tapestries were used as home decor by wealthy families at that time.

Later, Pirpur village was renamed Nisbetganj in 1880 to commemorate the contribution of Nisbet, the then district collector of Rangpur who patronised the local Shatranji weavers, according to the Bengal District Gazetteer published in 1912.

Shatranji fabric became popular and flourished during the British era and its trade expanded to India, Sri Lanka, Indonesia, Thailand, Malaysia and other areas abroad.

But the industry fell into crisis after the Partition of India, thanks to the advent of modern machine-made products which forced many artisans to switch to other professions. The industry finally ended up surviving on a very small scale in Rangpur.

Business as usual for health ministry

FROM PAGE B1

On June 9, Abdur Rouf Talukder, senior secretary of the finance division, said the money was never a problem in combatting the public health crisis. Still, the health ministry could not utilise the funds.

"I watched with surprise that the health ministry could not spend a major portion of the funds we gave them amid the pandemic," he said at a seminar organised by the Bangladesh Institute of Development Studies.

Earlier, at the post-budget briefing, Talukder said the full amount could not be spent because of the problems in the procurement process and the inexperience of the project directors.

The overall ADP spending stood at Tk 122,231 crore in the July to May period, which was 58 per cent of the allocation. The outlay was Tk 115,421 crore during the same period a year ago.

"Overall, the implementation rate is one percentage point higher than last year," Chakraborty said.

"The implementation will accelerate as the year comes to an end."

According to Chakraborty, the current

figure presented the financial progress.

"The physical progress has been 10 per cent higher than the financial progress on average," the IMED secretary said.

The financial progress has been low as many bills remain pending and the ministries release funds after verifying the expenses, he said.

"The financial progress will go up once the bills are adjusted."

Among the top 15 ministries that received the highest allocation, the local government division implemented 63 per cent of its development budget.

The roads, transport and highways division spent 59 per cent of the allocation, the power division 69, the railways ministry 59 per cent, the science and technology ministry 74 per cent, and the secondary and higher education division 54 per cent.

Other top achievers are the housing and public works ministry that used 44 per cent of the fund, the water resources ministry 60 per cent, the shipping ministry 49 per cent, the bridges division 72 per cent, the industries ministry 51 per cent, and the Prime Minister's Office 51 per cent.

Low prices dampen spirits of mango farmers

FROM PAGE B4

Salauddin sold Tk 2 lakh worth of mangoes from his garden this year, down from Tk 3.5 lakh in 2020. Many farmers who have no direct link with traders in the country's major cities or access to online markets are being compelled to sell their stocks at lower prices fearing losses as the mangoes might remain unsold or rot.

Some farmers say they took mangoes to Dhaka after failing to sell them at local markets at a fair price. However, they still could not make an adequate profit despite paying transportation costs and market fees.

Yusuf Ali, a farmer and wholesaler in Chapainawabganj, said it is tough to send mangoes to Dhaka via the Mango Train, which carries the fruit just once a day, due to its tight schedule and booking procedure.

Kowser Ali, a mango farmer and trader in Rajshahi, said the Mango Train service is cheaper than other services, but it is very difficult to get a booking due to its inadequate capacity.

"It costs only about Tk 80 to send one maund of mango on the special train, while it costs Tk 640 to send it by couriers," he added.

Ali Hossain, who suffered a loss in his

restaurant business in Binodpur Bazar of Rajshahi amid the pandemic, said he bought mangoes from an orchard for Tk 80,000 but could not make a profit due to lower prices. Alamgir Mia, a farmer in Chapainawabganj, said his six-member family is dependent on selling mangoes.

"It will be difficult to manage my expenses this year as the price of mango is around 40 per cent lower than last year," he added.

Citing similar difficulties, many other farmers in the region express concerns over the lower prices despite the good yield.

Md Sorof Uddin, a senior scientific officer at the Horticulture Research Centre of the Bangladesh Agricultural Research Institute (BARI) in Gazipur, said the biggest problem is that buyers from Dhaka, Chattogram and other parts of the country were not able to travel to the region to buy mangoes because of the restrictions.

"So, mango growers are not getting fair prices," he said.

Another problem is that many mango-carrying vehicles face harassment, such as having their tyres punctured when returning after

unloading a shipment.

"So, local administrations should take some steps to encourage the buyers and give them a clear message that no vehicle would be harassed if they come to buy mangoes," Uddin added.

Md Asadullah, director-general of the Department of Agricultural Extension (DAE), said as there were no major natural calamities like last year, mango yield has been good this year. The DAE expects that 24 lakh tonnes of mangoes will be produced across the country this year. Last season, 24.68 lakh tonnes of mangoes were produced on 1.9 lakh hectares of land.

Around 8.52 lakh tonnes of mangoes are expected to be produced on 83,673 hectares of land in Natore, Naogaon, Rajshahi, and Chapainawabganj, according to DAE data. The region's mango production stood at 7.76 lakh tonnes last year.

Of the roughly 100 varieties of mangoes grown in the country, the top varieties include Gopalbhog, Laxmanbhog, Ranipasad, Himsagar, Langra, Fazli and Amrupali. Besides, the supply of Ashwina and BARI Mango-4 will begin from July 10.

Ifad Autos gets land to build industrial complex

FROM PAGE B1

The listed automotive company informed the Dhaka Stock Exchange (DSE) yesterday that Beza has allotted the land to develop and operate industries, run commercial activities and construct infrastructures.

"Furthermore, the land is being allotted on lease for 50 years on a rental basis," it said.

The company will disclose all the information immediately after formulating the deed with Beza, the disclosure added.

The motorcycle manufacturing unit will be set up in partnership with a European brand to churn out high-end two-wheelers.

Ahmed sees a good market for high-end motorcycles in Bangladesh in the coming days. There is a demand for around 5 lakh motorcycles in the country per year and it would double within the next five years, he said.

Ifad Group and Gulf Oil International

UK will engage in a joint venture, Gulf Oil Bangladesh, which would be blending the lubricants.

Ifad is keen on investing over Tk 430 crore to set up the complex, according to its plan that was placed before Beza last year.

The project would be financed by the company's retained earnings and from loans availed from banks.

The market size of automotive components in Bangladesh was about Tk 1,400 crore to Tk 1,500 crore last year while the annual growth rate was around 10 per cent to 12 per cent over the previous decade, according to an estimate by automotive part importers.

Ifad Autos has sold more than 60,000 commercial vehicles in the last two decades with a combined sales value of \$750 million.

When news of the land allotment became public, stocks of the company dropped 2.23 per cent to Tk 52.60 yesterday.

Bangladesh among 3 countries leading recovery: USDA

FROM PAGE B1

Knitwear shipments fetched \$15.36 billion, and woven garments brought home \$13.19 billion, clocking 20.55 per cent and 1.80 per cent year-on-year growth, respectively.

The export data shows that the Bangladeshi garment sector is recovering fast with the rise in demand in the western world.

A significant development was the return of woven shipments to the positive territory last month after declining for a year.

The demand for woven items had fallen in the western world as formal events were suspended because of the lockdowns and fears over contracting Covid-19.

Knitwear items maintained 12 per cent growth over the last year because of an increase in demand for more extended stays of people at home.

"The recovery trend is good, and it will not be short-term this time," said Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

However, it will take long to recoup the industry's losses last year because of the fallout of the Covid-19, he said.

"We have been receiving a handful of work orders. There has been the reinstatement of previous orders. But many factories are running at losses," Hassan said.

Last year, international clothing retailers and brands either suspended or cancelled work orders worth \$3.18 billion, of which 90 per cent have been reinstated so far.

Hassan said the retailers and brands had been paying up, but there were many who had gone bankrupt and were still delaying payment.

The volume of merchandise trade was down 15.5 per cent year-on-year in the second quarter of 2020 when lockdowns in many countries were in full effect. But by the fourth quarter, trade had surpassed the level of the same period in 2019, said the World Trade Organisation on May 28.

On the global cotton trade, the USDA said China's 2020-21 imports were forecast at a seven-year high, driven by the highest projected consumption in three years, robust state reserve

imports, and attractive prices for imported cotton relative to domestic supplies.

Imports are expected to support China's record year-over-year rise in consumption.

China's 2020-21 consumption is expected to recover from the lowest level in 16 years to surpass the previous year by 7 million bales, accounting for half of the gain in global use.

Currently, spinners' spot margins are roughly 30 per cent higher compared with that of the previous year due to the robust demand for cotton yarn and significantly lower yarn stocks, said the USDA.

Since Bangladesh is not a major cotton-producing nation, 99 per cent of the requirement for the raw material is met through imports.

Traders, importers and millers may import 8.5 million bales of cotton this year, spending \$3 billion this year, said the BTMA.

Last year, cotton imports fell to 7.5 million bales as production came to a halt in many mills after the government had imposed nationwide restrictions to tame the coronavirus pandemic. (One bale equals 480 pounds.)