

Fearful Wall Street awaits Fed’s next moves on inflation



The queues outside Zara outlet this week will soon disappear as people are keeping much higher savings in reserve.

PHOTO: AFP

AFP, Washington

The Federal Reserve's first policy meeting of the year hasn't even concluded but Wall Street already is unhappy, wary of what central bank chief Jerome Powell might say on Wednesday about his inflation-fighting plans.

At the conclusion of the two-day meeting, the Federal Open Market Committee (FOMC) is expected to further signal how it will act to stifle the wave of price increases hitting country's families and businesses.

In the run-up to the announcement, major New York stock indices have seen days of tumultuous trading and big losses.

The trend was confirmed on Tuesday when Wall Street closed lower again, further proof that investors are dreading the likely end to the central bank's easy money policies, including zero interest rates and the massive bond-buying program which helped the economy survive the pandemic.

The bond purchases are scheduled to end in March and Powell and other officials have strongly suggested they

will raise rates then, and potentially twice more this year as the Fed looks to ensure the seven percent surge in consumer prices that occurred in 2021 – the highest in nearly four decades – does not repeat.

"The Fed has done everything but bash investors over the head with a sledgehammer to warn them that rate hikes are coming," economist Joel Naroff said.

"That suddenly everyone is worried about rate hikes proves another of my favorite sayings: 'Markets may be efficient, but that doesn't mean they are rational.'"

The Fed is the world's most influential central bank, and its policies have implications for lending globally.

Top IMF official Gita Gopinath on Tuesday praised the Fed's signaling of its policy change, but warned, "This is going to be a challenge for central bankers this year to be able to communicate the transition to tighter monetary policy, and they should handle that with care."

While the pandemic caused a widespread economic downturn in the United States, the Fed's moves to ease

lending conditions and ensure liquidity kept flowing through the economy helped Wall Street post big gains, with the broad-based S&P 500 rising 27 per cent last year.

But while the central bank hoped to keep its lending rate at zero for longer to ensure marginalized groups benefit from the recovery, persistently high inflation throughout last year forced Powell and others to signal rate hikes would come sooner than they initially expected.

The causes driving inflation are myriad, from global issues like supply chain snarls and the semiconductor shortage to more domestic issues like government stimulus policies that have fattened Americans' wallets, while the pandemic kept spending focused on goods rather than services.

The central bank is deliberately opaque about what exactly it may do, but does give strong signals.

If rate hikes are coming, Chief US Financial Economist at Oxford Economics Kathy Bostjancic said the Fed will indicate on Wednesday that the economy has reached "maximum employment," one of its two mandates,

along with stable inflation.

"The path for rate hikes will depend critically on the future pace of inflation and the intersection with wage growth," she said, predicting inflation would cool in the second half of the year, and the Fed will raise rates by a quarter of a percent each quarter.

"The risk is for a faster pace of Fed tightening given the stickiness of inflation," she added.

How markets react if policy tightens as expected remains to be seen, but the last few days have not been encouraging.

Last week, the Nasdaq, which is rich with tech stocks that boomed thanks to the Fed's easy money policies, lost seven percent, while on Monday, the S&P 500 oscillated wildly, sinking 3.5 per cent before ending trading with a slight gain.

Chaos in the markets isn't a good look for the Fed, Naroff said, and further selloffs may sway Powell and his colleagues into moving slower with rate hikes.

"The markets may dictate what the Fed does once again, and if that happens, it is too bad," he said.

Aavishkaar, KfW to launch \$250m ESG fund

STAR BUSINESS REPORT

Aavishkaar Capital and German development bank KfW are set to launch the \$250 million Environmental, Social and Governance First Fund to help emerging mid-capital-based businesses scale in Africa and Asia.

So, mid-level Bangladeshi exporters can also reap its benefits, according to Aavishkaar Capital. The fund will be rolled out today.

KfW, a German state-owned investment and development bank, is the provider of the fund, while Aavishkaar Capital, a global pioneer in taking an entrepreneurship-based approach to scaling businesses for impact, is the fund manager.

Leveraging on the global drive for sustainability and equality, the Fund is focused on investing in Africa and Asia with the mandate of generating superior ESG outcomes and commercially viable financial returns alongside positive social impact, Aavishkaar Capital said in a press release.

The fund will seek to provide transformational capital to improve their ESG standards so that they can capitalise on the increasing consumer preference for ecologically-conscious, gender-equal and purpose-driven businesses and meet increasing demands on corporate due diligence in the course of regulatory measures in the European market.

The Fund is in general open to all sectors but focuses on those with high exports towards Europe, which is Bangladesh's biggest export destination.

"With our investment of 50 million euros, we want to help set up a fund that demonstrates that increased respect for ESG can be a viable investment and business model," said Anosha Wahidi, of the Federal Ministry for Economic Cooperation and Development of Germany.

Aavishkaar Group Founder and Chairman Vineet Rai said the fund takes forward Aavishkaar Group's vision to "Bridge the Opportunity Gap for the emerging 3 Billion" with its focus on ESG, Africa, Asia, flexible instruments, gender and climate change.

Jan Martin Witte, director of KfW, said, "We believe in the ability of purpose-driven, responsible capital to be transformative while creating attractive investment returns."

Ashish Patel, managing partner of the ESG First Fund of Aavishkaar Capital, said, "Our focus is to help businesses scale by allowing them to participate in the significant growth of consumer demand for socially-conscious products."

Mid-level Bangladeshi exporters can reap benefits from the Environmental, Social and Governance First Fund to be rolled out today. The fund will help emerging mid-capital-based businesses in Africa and Asia

Horse-drawn carts key

FROM PAGE B4

Coachman of a horse-drawn cart at Char Katamari in Lalmonirhat sadar upazila, said they ply their carts within a 19 kilometres area in the char.

"We transport goods from the river bank area and connect to the local market on the char area," he said.

Around 12 to 15 years ago, goods were transported on horseback. Buffalo carts were used at that time too but horse-drawn carts were installed instead of buffalo as it can move slowly on the char land,' Rahman said.

A grocery wholesaler at Chilmari Bazar of Chilmari upazila said he sends different goods weighing 100 to 120 maunds to 15 or 16 local businessmen

in char area markets every day.

At least 60 to 65 wholesalers in the Chilmari market send goods to and from char traders every day.

"Traders from char areas get these goods transported by horse-drawn carts," he said, adding that Chilmari Bazar is situated around 400 metres away from Brahmaputra river.

Dr Abdul Hai Sarker, district livestock officer in Kurigram, told the Daily Star that it is an old tradition to use horses to transport goods in char areas.

"Horses that are used for handling horse-drawn carts are trained well and these horses take additional feed," Abdul said.

"The trained horses are habituated to move better on the char area, and of course they need rest every hour," he said.

A grocery wholesaler at Chilmari Bazar of Chilmari upazila in Kurigram told the Daily Star that he sends different goods of 100-120 maunds to 15-16 local businessmen in the char area markets every day.

At least 60-65 wholesalers situated in Chilmari market send goods to and from char traders every day.

"The traders from the char areas get these goods transported by horse-drawn carts," he said, adding that Chilmari Bazar is situated around 400-metre away from Brahmaputra river.

GM to spend \$7b to build electric auto capacity

AFP, New York

General Motors announced Tuesday plans to invest \$7 billion in the US state of Michigan as it converts assembly plants and builds batteries for the transition to electric vehicles (EV).

Calling the announcement "the largest single investment in GM history," the auto giant said the push in its Midwestern home state would create 4,000 new jobs and retain 1,000 more positions.

GM has previously projected that it will double revenues by 2030 as it ramps up EV production. The company expects 50 per cent of its North American capacity to be EVs by that date. "Today we are taking the next step in our continuous work to establish GM's EV leadership by making investments in our vertically integrated battery production in the US, and our North American EV production capacity," said Chief Executive Mary Barra.

"These investments also create opportunities in Michigan for us to bring our employees along on our transition to an all-electric future."



Md Jahangir Hossain, head of LankaBangla Foundation, a concern of LankaBangla Finance Ltd, recently distributed bicycles among underprivileged female students of different schools of Ranipukur Union at Birol upazila in Dinajpur under "Shikha Bicycle Distribution Programme 2022". Hafiz Al Ahad, head of human resources division at LankaBangla Finance, and Muhammad Habib Haider, head of general infrastructure service, were present.

PHOTO: LANKABANGLA FINANCE

NBR’s role big in fighting

FROM PAGE B4

Sectors that bear potential in attracting new investments should be more active in identifying those new investors, said Md Jashim Uddin, president of the Federation of Bangladesh Chambers of Commerce and Industry.

All sectors have to act in a way such that both investment can be attracted and revenue collected, he said.

"When the NBR makes a law or policy, we hope that the NBR will discuss it with us so that no problem arises in its implementation," he added.

"We want the country's

tax-GDP ratio to increase and development to take place so that we can do business properly.

All of us in the private sector want to work together with the government," he said.

"In that case, there needs to be a win-win situation. I want to create jobs not only as a businessman, but also as a citizen of Bangladesh," he added.

Md Masud Sadiq, member for VAT implementation and IT, presented the keynote paper.

The NBR awarded 17 officers and employees working in Bangladesh

Customs and VAT a "World Customs Organization Certificate of Merit".

Bangladesh Petroleum Corporation, Economic Reporters Forum and Benapole Customs also achieved this honour for playing an important role in trade facilitation.

Khalid Mahmud Chowdhury, state minister for shipping, Shehzad Munim, managing director of British American Tobacco Bangladesh, and Russell T Ahmed, President of the Bangladesh Association of Software and Information Services, were present among others at the event.

Dubai largest bank profits jump in 2021

AFP, Dubai

Dubai's largest bank, Emirates NBD, announced Wednesday that its net profits jumped in 2021, as the economy of the Gulf city state rebounded following a slump due to coronavirus.

The bank, the second largest lender in the United Arab Emirates, said its net profits rose 34 per cent to \$2.5 billion, from \$1.9 billion in 2020.

It said in a company statement that the bank has set aside \$1.6 billion in impairments, covering loan losses, a 26-percent decrease from last year, due to improving economic conditions.

"Emirates NBD's profits grew 34 per cent in 2021 demonstrating the resilience of the Group's diversified business model," said chairman Sheikh Ahmed bin Saeed Al-Maktoum.

"Emirates NBD continued financing the real economy and was rewarded as economic growth rebounded, helped by government economic stimulus packages."

Microsoft’s earnings rise on cloud computing

AFP, San Francisco

Microsoft beat market expectations Tuesday with strong quarterly performance in cloud computing and software, still benefitting from the pandemic's online shifting of work, play, shopping and learning.

The US tech colossus, which announced last week a blockbuster deal to buy gaming giant Activision Blizzard, said profit jumped to \$18.8 billion in the final three months of last year.

"Digital technology is the most malleable resource at the world's disposal to overcome constraints and reimagine everyday work and life," CEO Satya Nadella said, in announcing revenue of \$51.7 billion.

Microsoft investments include pouring money into the booming video game market and by extension the metaverse, the virtual reality vision for the internet's future.

On an earnings call, Nadella pointed to the tens of millions of people playing games such as Forza, Halo and Minecraft, many investing in "avatar" proxies for online worlds, saying that the metaverse is a natural extension.

Microsoft is also meshing virtual gathering components with non-game offerings, such as Teams online collaboration software, according to executives.

"We feel very well positioned to be able to catch what I think is essentially the next wave of the internet," Nadella said on the call.

The Redmond, Washington-based tech company last week announced a landmark deal to buy scandal-hit "Call of Duty" maker Activision for \$69 billion.

This would be the largest buyout ever for Microsoft, well ahead of LinkedIn in 2016 for \$26.2 billion.