

Sonali Bank to disburse freedom fighters' allowance

STAR BUSINESS DESK

Sonali Bank signed an agreement with the Ministry of Liberation War Affairs on the latter's premises on Thursday over the disbursement of government allowance for freedom fighters.

Sonali Bank Deputy Managing Director Niranjan Chandra Debnath and Additional Secretary to the ministry Ranjit Kumer Das signed the agreement, says a press release.

Oil prices plummet

REUTERS

Oil prices fell on Friday, reversing in volatile trade, pulled downward by the US heating oil contract that plummeted by more than 20 per cent at one point on the day of its expiration.

The front-month US heating oil contract, which is a proxy for diesel prices, soared to a record high of \$5.8595 a gallon before falling as low as \$4.4067 a gallon. Diesel futures have climbed as investors worry about tight supplies globally following Russia's invasion of Ukraine.

The heating oil contract expired on Friday, along with the global Brent benchmark and US petrol futures.

Volumes in all three front-month contracts was low, creating outsized volatility in the market and leading to late-day sell-offs, analysts said.

"The fireworks were all in the expiring diesel contract," said Andrew Lipow of Lipow Oil Associates in Houston. "Today's expiry is especially volatile and may not be reflective of actual tightness."

The more-active second-month Brent crude futures contract fell 12 cents to settle at \$107.14 a barrel. The expiring front-month contract rose \$1.75 to settle at \$109.34 a barrel.



With Eid-ul-Fitr just around the corner, tailors such as these in Chitrali Bazar of Khulna's Khalishpur are working day and night to make the most of the ongoing festival market. Each worker earns about Tk 85 for making a single lady's three-piece. The photo was taken recently.

PHOTO: HABIBUR RAHMAN

Apple sees bigger supply problems

REUTERS, Oakland

Apple Inc on Thursday forecast bigger problems as COVID-19 lockdowns snarl production and demand in China, the war in Ukraine dents sales and growth slows in services, which the iPhone maker sees as its engine for expansion.

Shares were down 2.2 per cent in late trade after executives laid out their glum outlook on a conference call. The news outweighed record profit and sales for Apple's fiscal second quarter, which ended in March.

Chief Financial Officer Luca Maestri warned in an interview that the war in Ukraine, which led Apple to stop sales in Russia, would cut sales more deeply in the fiscal third quarter.

He told analysts on the call that supply-chain issues would hurt sales in the quarter by \$4 billion to \$8 billion, "substantially larger" than the hit in the second quarter.

Supply problems were focused on a corridor in Shanghai, China and reflected COVID disruptions and chip shortages, he

added. The pandemic was also affecting demand in China, he said.

Chief Executive Officer Tim Cook said that almost all of the Chinese factories doing final assembly of Apple products had restarted after recent COVID shutdowns, but the company is not forecasting when the chips shortage, mostly affecting older products, would end.

Cook said he hoped COVID issues would be "transitory" and "get better over time." At least one analyst said the outlook lacked clarity.

"We were all looking for just better guidance on what is really going on over there (China) ... and that didn't come out," said Louis Navellier, chief investment officer for Navellier & Associates.

Kim Caughey Forrest, chief investment officer at Bokeh Capital Partners, said that ongoing demand remained a big question, despite Apple's management of supply chain in the March quarter.

Indeed, other high-profile tech companies also raised concerns. Amazon on Thursday posted a disappointing outlook as it was swamped by higher costs,

sending its shares down 9 per cent after the close, and Intel Corp forecast a bleak quarter based on supply chain issues, and its stock fell 4 per cent.

Both companies, along with Apple, are part of the broader Nasdaq index, which has fallen nearly 19 per cent this year as rising inflation drives investors elsewhere.

MARCH QUARTER STRENGTH

Apple's overall fiscal second-quarter revenue was \$97.3 billion, up 8.6 per cent from last year and higher than analysts' average estimate of \$93.89 billion, according to Refinitiv data.

Worldwide phone sales revenue was \$50.6 billion, a 5.5 per cent increase from a year ago, and services sales rose 17 per cent to \$19.8 billion, both ahead of analyst average forecasts.

However, Maestri said that services growth would decelerate from the March quarter, while remaining in double-digits. He cited several factors, including more unfavorable currency exchange rates.

Total profit was \$25 billion, or \$1.52 per share and easily topped analysts' expectations of \$23.2 billion and \$1.43.

The economics

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The night before Eid is called Chand Rat because of the sighting of the moon. Muslims will often visit bazaars and shopping malls with their families for Eid shopping.

Women, especially younger girls, will often apply the traditional Mehendi, or henna, on their hands and feet and wear colourful bangles. The traditional Eid greeting is Eid Mubarak and it is frequently followed by a formal embrace.

Gifts are frequently given. New clothes are part of the tradition — and it is also common for children to be given small sums of money by their elders. It is common for children to offer salam to parents and adult relatives.

After the Eid prayers, it is common for some families to visit graveyards and pray for the salvation of departed family members.

It is also common to visit neighbours, family members, especially senior relatives and get together to share sweets, snacks and special meals, including some special dishes that are prepared specifically on Eid.

People put on new clothes, children are given gifts and money, and everyone visits relatives and friends. It is the time when everyone asks pardon for all the wrongs of the past year.

The Eid-ul-Fitr effect exists around the festivity and has an impact on the socio-economic arena. Markets for clothes, footwear, cosmetics, jewellery and electronic gadgets witness bumper sales to the tune of thousands of crores of taka ahead of Eid.

Commercial banks witness a heavy rush for money transactions as a huge number of clients withdraw and deposit cash only a few days ahead of

Eid-ul-Fitr. Commercial banks, which face liquidity shortages, borrow from the call money market to tackle the rush. Banks and non-bank financial institutions made a record of transactions on the call money market by borrowing thousands of crores taka from the market.

The Bangladesh Bank has pumped a record amount of money into the banking system as clients flooded almost all the branches of banks across the country before the start of Eid vacation. Most Muslims are spending a substantial amount on the festival, giving a boost to both the national economy and the rural economy.

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HSBC's top

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of its business, the reports said.

CEO Noel Quinn, who has been running HSBC for more than two years, has doubled down on Asia by moving global executives there and ploughing billions of dollars in the lucrative wealth management business, with a focus on the region.

Some analysts have previously also called for HSBC to split its global business, arguing that the bank makes most of its money in Asia and that its global network adds extra costs without delivering enough benefit.

GEOPOLITICAL TENSIONS

HSBC has been navigating escalating political tensions between China, Europe and the United States.

"There is some sense to the proposal in a political context but HSBC does benefit from having a foothold in both the West and Asia," said John Cronin, banking analyst at Goodbody, on Friday.

Reuters reported last year that Beijing had grown disenchanted with HSBC over sensitive domestic and international legal and political issues, from China's crackdown in Hong Kong to the US indictment of an executive at Chinese national tech champion Huawei Technologies. The executive was released last September.

In 2016, the bank decided to keep its headquarters in London, rejecting the option of shifting its centre of gravity back to the main profit-generating hub of Hong Kong after a 10-month review.

Big Fed rate hikes ahead

Amid early signs that hot inflation is peaking

REUTERS

US Federal Reserve policymakers look set to deliver a series of aggressive interest rate hikes at least until the summer to deal with hot inflation and surging labour costs, even as two reports Friday showed tentative signs both may be cresting.

Sharply higher food and gas prices lifted overall inflation to a new 40-year high of 6.6 per cent in March, data from the Commerce Department showed. At more than triple the Fed's target, hot inflation is why the central bank is widely expected to ramp up the pace of rate hikes with a half-point increase at each of its next three meetings, and continue raising rates through the end of the year.

Contracts tied to the Fed's policy rate now show heavy bets on interest rates rising to a range of 3 per cent to 3.25 per cent by the end of the year, putting borrowing costs well into territory US central bankers believe will put the brakes on growth.

But the inflation measure tracked most closely by the central bank as a signal of underlying price pressures, known as the core personal consumption expenditures price index, slowed slightly to 5.2 per cent in March, from 5.3 per cent the prior month. The report, from the Commerce Department, also contained fresh evidence of a shift toward spending on services that Fed policymakers hope will also ease upward price pressure, as spending on durable goods declined.

Meanwhile, a separate report showed employers jacked up benefits to attract historically scarce workers, accelerating the pace of employment cost increases to 4.5 per cent and underscoring the Fed's view that the labour market is extremely and perhaps unhealthily tight. But private wage growth leveled off, at 5 per cent.

The reports "won't stop the Fed from hiking by 50bp next week, but it supports our view that inflation

will fall a little more quickly this year than Fed officials now appear to expect," said Andrew Hunter, senior US economist at Capital Economics.

The Fed, and particularly its chief, Jerome Powell, is taking nothing for granted after being burned several times over the past two years in its assessment of inflation pressures that refused to wane as predicted.

"We want to see actual progress on inflation," Powell said just over a week ago, citing another round of possible sustained upward inflation pressures caused by the war in Ukraine and recent Covid-19 lockdowns in China prolonging supply chain issues.

"It may be that the actual peak was in March but we don't know that and so we're not going to count on it."

At its policymaking meeting next week, the Fed is set to raise interest rates by a bigger-than-usual half percentage point as it seeks to tamp down overall demand that has far exceeded supply in both labour and goods. It is also set to give the nod to starting the process of reducing its asset holdings as another way to tighten financial conditions.

Some analysts took no comfort from either of Friday's reports, noting that the continued rise in overall labour costs keeps fears of a wage-price spiral in play.

"These readings — which are showing no sign of easing — will be of concern to policymakers as they make decisions about monetary policy in an environment where the labour market is tight, and prices are at a 40-year high," wrote HFE's Rubeela Farooqi.

American household sentiment perked up in April, the widely followed University of Michigan surveys of consumers showed Friday, as gas prices softened. But it remained near a ten-year low, and the specter of steep Fed rate hikes and what economists say is the rising chance of a resulting recession could weigh in months ahead.

HAVAL CAR PURCHASE

Brac Bank's 'premium' clients to enjoy benefits

STAR BUSINESS DESK

Brac Bank last week signed a memorandum of understanding (MoU) with Ace Autos, the authorised distributor of China-based Great Wall Motor Company's Haval sport utility vehicles (SUVs) in Bangladesh.

Under the agreement, the bank's "Premium Banking" customers will enjoy a warranty for three years or 100,000 kilometres on purchasing the SUVs, says a press release on Friday.

Brac Bank will also reduce interest on loans by 0.5 percentage points alongside processing fees by up to 0.50 percentage points or a maximum of Tk 15,000.

Md Mahiul Islam, head of retail banking of Brac Bank, and Azharul Islam, CEO of Ace Autos, signed the MoU at the bank's head office in Dhaka on April 27.

Panama passes bill to permit use of crypto assets

REUTERS, Panama City

Lawmakers in Panama's National Assembly on Thursday approved a bill to regulate the use and commercialisation of crypto assets in the Central American country renowned as a hub of offshore financial services.

The bill opens the door to private and public use of crypto assets, and will make it possible for people to pay their taxes with cryptocurrencies. Experts warned it could heighten Panama's reputation as a place lacking financial transparency.

The legislation is broader in scope than measures passed by El Salvador, which last year made bitcoin legal tender, said independent lawmaker and promoter of the bill Gabriel Silva.

"We're seeing the emergence of many different types of crypto assets like works of art," he said. "That's why we didn't want to limit ourselves only to cryptocurrencies."

The bill covers the trading and use of crypto assets, issuance of digital securities, new payment systems and the tokenisation of precious metals. Tokenisation is when rights to an asset are converted into digital formats.

Under the new legislation, Panamanians may use crypto assets as means of payment for any civil or commercial operation not prohibited by law in the country.

Panama is on the European Union's list of tax havens, and Romain Dromard, chief executive officer at financial investment advisory firm K&B Family Office, said the crypto bill would not help it appear more transparent.

"Panama was already in a bad position and these payment methods skip the due diligence processes that international organisations are asking Panama to embrace," he said.

Musk told banks he will rein in Twitter pay

REUTERS

Elon Musk told banks that agreed to help fund his acquisition of Twitter that he would crack down on executive and board pay to slash costs while monetising tweets, according to people familiar with the matter.

Musk — who bought Twitter for \$44 billion earlier this week — made the pitch to the lenders as he tried to secure debt for the buyout after submitting his offer to the social media giant on April 14.

His submission of bank commitments was key to Twitter's board accepting Musk's "best and final" offer.

Musk had to convince the banks that Twitter brought it enough revenue flow to service the debt he sought. He eventually clinched \$13b in loans and a \$12.5b margin loan tied to his electric car company Tesla.

He would pay the remainder of the consideration with his own cash.

Sources, on the condition of anonymity, told Reuters that Musk's pitch to the banks constituted his vision rather than firm commitments, and that the exact cost cuts he will pursue remain unclear.