Traders react as Federal Reserve Chair Jerome Powell is seen delivering remarks on a screen, on the floor of the New York Stock Exchange in New York City on March 22.

PHOTO: REUTERS

Banking woes, Fed keep US market investors on edge

REUTERS, *New York*

Investors are settling in for a long slog in the US stock market in coming months, braced for more tumult in the banking sector and worries over how the Federal Reserve's tightening will ripple through the economy.

Banking sector concerns drove sharp moves in financial stocks in the United States throughout the week after the collapse of two US lenders and last weekend's Swiss-government-orchestrated takeover of troubled Credit Suisse by rival UBS.

Many worry that other nasty surprises are lurking as the rapid series of interest rate hikes the Fed has delivered over the past year dry up cheap money and widen fissures in the economy.

"The market is very nervous at this point and investors are acting first and looking into the nuances later," said Wei Li, global chief investment strategist at fund giant BlackRock. "It's understandable because it's not super clear that this is definitely contained."

In recent days, investors have focused on German giant Deutsche Bank. The company's shares have lost around more than a quarter of their value this month, including Friday's 8.5 per cent fall, and the cost of protecting against a default on its bonds soared, even though few put it in a class with Credit Suisse.

"We are not concerned today about counterparty, liquidity issues" with Deutsche, JPMorgan analysts said in a Friday report.

ANALYSIS

For now, few investors see this year's events as a repeat of the systemic crisis that swept through markets in 2008, taking down Lehman Brothers and prompting government bailouts of large financial institutions. But investors are guarded, wary that another bank run could erupt if people believe US or European regulators won't protect depositors.

"It's almost like the prisoner's dilemma where if everyone agrees that they won't pull their deposits then everything should be okay, but if just one person decides they are getting out then the snowball keeps growing," said Tim Murray, capital market strategist in the Multi-Asset Division of T Rowe Price, who is underweight equities, focusing on money market accounts that offer yields comparable to Treasuries.

Uncertainty over the Fed's intentions is amplifying investors' hesitation in stocks and sparking huge swings in US government bond prices.

The Fed raised rates by 25 basis points on Wednesday but indicated it was on the verge of pausing further increases. Investors piled into the safe haven of US Treasuries, sending yields on the two-year note, which closely reflects Fed policy expectations, to 3.76 per cent this week, the lowest since mid-September.

Further banking industry failures could mean sooner rate cuts as weakened financial conditions allow the Fed to ease up on its fight against inflation, said Tony Rodriguez, head of fixed income strategy at Nuveen. Futures contracts suggest the Fed will start cutting rates by year-end.

Falling interest rates would make dividend-paying stocks and some riskier assets such as higher-quality below-investment-grade bonds attractive, Rodriguez said. "It makes sense to take risk in those areas to take advantage of the weakness we're seeing now."

Risk assets have been somewhat resilient despite the concerns in the banking sector, said Jason England, global bonds portfolio manager at Janus Henderson Investors. The S&P 500 is up 3.4 per cent this year, though far off its early February highs, and it rose 1 per cent this week, helped by a rally in tech shares.

"If inflation comes down because of disruptions in banks and you create tightening for homeowners, the Fed suddenly has its work done for it," he said.

England expects longer-duration bond yields to start to rise from current levels, making short-term bonds and money market funds more attractive.

Investors will likely remain steeled for the potential for another high-profile failure until the Fed or Treasury respond in a way that calms fears of another bank run, said Katie Nixon, chief investment officer, wealth management, at Northern Trust, who is focusing on tech-sector stocks with "fortress balance sheets."

"Right now, it's a crisis of confidence and everyone is looking for direction," she said.

Korea targets drone, bot deliveries by 2027

ANN, *The Korea Herald*

The Ministry of Land, Infrastructure and Transport on Monday unveiled a slew of long-term plans to establish smart logistics infrastructure across the country, which will enable one-hour delivery services using drones and artificial intelligence.

The government said it first plans on commercialising robot deliveries by 2026 and drone deliveries by 2027.

"We will support the development of technologies to commercialise unmanned deliveries, and create a test bed made exclusively for the practice of robot and drone parcel deliveries (for private companies)," an official from the Land Ministry said in a press release.

The official added that in a bid to realistically carry out unmanned deliveries, it will incrementally lay out legislative foundations such as establishing safety standards for drone deliveries.

Micro-fulfillment centers, or MFCs, will also be given construction permits at key locations in major cities across the country, with the goal of dramatically reducing delivery times.

The government aims to open an era where deliveries can be made within 30 minutes to 1 hour with the MFCs, the ministry said.

MFCs are facilities that predict order demand and manage inventory with the use of artificial intelligence and big data, to initiate deliveries as soon as an order is made.

The Smart Logistics Development Council, a tentatively titled public-private consultation body, will comprise of companies from various fields, such as logistics, platforms and IT.

The consultation body will be formed in the first half of this year in order to accelerate the discovery of optimal commercialisation models for unmanned deliveries.

Furthermore, pilot zones where self-driving trucks can navigate will be designated this year.

The ministry said it also has plans to establish underground logistics and transportation systems using urban railways by 2027.

The government further noted that it is planning on giving tax cuts to private companies that manage to develop technology which can transport cargo sensitive to temperature and humidity over long distances.

At airports, smart air cargo operation systems will be established.

PRICES OF KEY ESSENTIALS IN DHAKA CITY

	PRICE (MAR 25, 2023)	% CHANGES FROM A MONTH AGO	% CHANGE FROM A YEAR AGO
Fine rice (kg)	Tk 60-Tk 75	0	3.85 ↑
Coarse rice (kg)	Tk 46-Tk 50	-4 ↓	3.23 ↑
Loose flour (kg)	Tk 55-Tk 58	-2.59 ↓	54.79 ↑
Lentil (kg)	Tk 95-Tk 100	0	0
Soybean (litre)	Tk 170-Tk 175	1.47 ↑	15.77 ↑
Potato (kg)	Tk 20-Tk 25	7.14 ↑	12.5 ↑
Onion (kg)	Tk 35-Tk 40	15.38 ↑	7.14 ↑
Egg (4 pcs)	Tk 45-Tk 50	1.06 ↑	33.8 ↑

SOURCE: TCB

Md Nurul Azim, deputy managing director of South Bangla Agriculture and Commerce (SBAC) Bank, and Anisul Islam, managing director of CloudWell Digital Services -- a subsidiary of PayWell, exchanged signed documents of an agreement on digital services at the bank's head office in Dhaka recently. Among others, Mohammad Shafiul Azam, head of alternative delivery channel of the bank, Md Feroj Chowdhury, head of agent banking, and Mohammad Kudratullah, chief operating officer of PayWell, were present.

PHOTO: SBAC BANK

US business activity accelerates

REUTERS, *Washington*

US business activity gained steam in March as orders rebounded for the first time in six months, according to a survey on Friday, which also suggested that inflation could continue to slow gradually.

S&P Global said its flash US Composite PMI Output Index, which tracks the manufacturing and services sectors, increased to 53.3 this month. That was the highest reading since last May and followed a final reading of 50.1 in February.

It was the second straight month that the PMI remained above 50, indicating growth in the private sector. A measure of new orders received by private businesses jumped to 51.2 from 48.5 in February. It was the first time since September that business in general reported growth in new orders.

"March has so far witnessed an encouraging resurgence of economic growth," said Chris Williamson, chief business economist at S&P Global Market Intelligence.

The rise in orders was concentrated in the services sector, with orders in manufacturing still weak, though off the prior months' low levels. A recent tightening in financial conditions in the aftermath of the failure of two regional banks casts a shadow over the outlook for order growth. There are fears that the resulting tightening of lending standards by banks could make credit less available to households and businesses.

Federal Reserve Chair Jerome also alluded to this, telling reporters on Wednesday that "the events of the last two weeks are likely to result in some tightening of credit conditions for households and businesses, and thereby weigh on demand on the labor market and inflation."

The Fed raised its benchmark overnight interest rate by a quarter of a percentage point, but indicated it was on the verge of pausing further increases in borrowing costs, in a nod to the recent financial market stress.

The survey's measure of prices paid by businesses for inputs dipped to 59.8 from 60.4 in February. According to S&P Global, while raw material and supplier price hikes had eased, firms reported that higher wage bills pushed up cost burdens.

Even as they complained about higher labor costs, businesses increased headcount this month.

Services, which account for a large share of the economy, are driving overall domestic inflation. The survey's flash services sector PMI increased to 53.8 this month, the highest level since last April, from 50.6 in February. Economists polled by Reuters had forecast the services PMI rising to 50.5.

The survey's flash manufacturing PMI climbed to a still-subdued 49.3 from 47.3 in February. It has now contracted for five straight months. Economists had forecast the index at 47. New orders dropped for the sixth consecutive month, though the pace of decline slowed.

Bank of England raises rates for 11th time

Says inflation set to fade

REUTERS, *London*

The Bank of England (BoE) raised interest rates for the 11th time in a row on Thursday, but said a surprise resurgence in inflation would probably fade fast, prompting speculation it had ended its run of hikes.

Sounding more upbeat about the outlook for Britain's sluggish economy but noting the risks posed by turmoil among global banks, the BoE's nine rate-setters voted 7-2 in favour of a 25 basis-point increase in Bank Rate to 4.25 per cent, as expected by economists polled by Reuters.

This rate rise extends a run of increases that began in December 2021, although it was the Monetary Policy Committee's (MPC) smallest increase since June.

Investors priced in one more quarter-point rate hike, probably at the BoE's next meeting on May 11, pushing up sterling moderately against the dollar. But many economists said the central bank might have already reached the end of its tightening cycle.

BoE Governor Andrew Bailey was non-committal when asked about the latest rate rise. "We don't know whether it's going to be the peak," he told broadcasters.

"What I can tell you is that we've seen signs of inflation really peaking now. But of course, it's far too high.... We need to see it starting to come down progressively and get back to target."

The BoE - which is trying to reconcile the weak economic outlook and anxieties about global banks with stubborn inflation - repeated a message it gave last month that suggested raising rates was less urgent.

"The MPC will continue to monitor closely indications of persistent inflationary pressures, including the tightness of labour market conditions and the behaviour of wage growth and services inflation," the BoE said.

"If there were to be evidence of more persistent pressures, then further tightening of monetary policy would be required."

Bailey and his colleagues last month dropped language saying that they were ready to act forcefully on rates if needed.

Gurpreet Gill, a strategist at Goldman Sachs Asset Management, said strong growth in domestically generated inflation - typically higher pay deals - was behind the hike.

"But we continue to see a case for a pause after today given the expected drag on growth from past policy tightening and recent financial market volatility."

In Thursday's statement, the BoE said price growth was on course to fall more sharply than it previously thought in the April-June period, despite data on Wednesday showing a surprise jump in inflation to 10.4 per cent in February.

Some of that increase was due to often volatile clothing prices which could prove less persistent, it said.

Ross Walker, head of global economics at NatWest Markets, said "the MPC does not seem remotely fazed" by Wednesday's inflation surprise and was confident wage pressures would ease.

"The overall tone of the March minutes seems mildly dovish," he said.

The BoE said inflation in the second quarter would be lower than the BoE forecast last month, helped by the government's extension of state subsidies to lower households' utility bills and a fall in international energy prices.

People walk outside the Bank of England in the City of London financial district in London on March 23.

PHOTO: REUTERS