

Tumbling US dollar a boon to risk assets

REUTERS, New York

Cooling US inflation is accelerating a decline in the dollar, and risk assets around the world stand to benefit.

The dollar is down nearly 13 per cent against a basket of currencies from last year's two-decade high and stands at its lowest level in 15 months. Its decline quickened after the US reported softer-than-expected inflation data on Wednesday, supporting views that the Federal Reserve is nearing the end of its interest rate-hiking cycle.

Because the dollar is a linchpin of the global financial system, a wide range of assets stand to benefit if it continues falling.

Weakness in the dollar can be a boon to some US companies, as a weaker currency makes exports more competitive abroad and makes it cheaper for multinationals to convert foreign profits back into dollars.

The US technology sector, which includes some of the big growth companies that have led markets higher this year, generates just over 50 per cent of its revenues overseas, an analysis of Russell 1000 companies by Bespoke Investment Group showed.

Raw materials, which are priced in dollars, become more affordable to foreign buyers when the dollar declines. The S&P/Goldman Sachs Commodity Index is up 4.6 per cent this month, on pace for its best month since October.

Emerging markets benefit as well, because a falling US currency makes debt denominated in dollars easier to service. The MSCI International Emerging Market Currency Index is up 2.4 per cent this year.



"For markets, the weaker dollar and its underlying driver, weaker inflation, is a balm for everything, especially for assets outside the US," said Alvise Marino, foreign exchange strategist at Credit Suisse.

The greenback's tumble has come as US Treasury yields eased in recent days, dulling the dollar's allure while boosting a wide range of other currencies, from the Japanese yen to the Mexican peso.

"That sound you hear is the breaking of technical levels across the foreign exchange markets," said Karl Schamotta, chief market strategist at Corpay. "The dollar is plunging toward levels that prevailed before the Fed started hiking, and we're seeing risk-sensitive currencies melt up on a global basis."

A continued fall in the dollar could boost profits for foreign exchange strategies such as the dollar-funded carry trade, which involves the sale of dollars to buy a higher-yielding currency, allowing the investor to pocket the difference.


The dollar's decline has already made the strategy a profitable one this year: An investor selling dollars and buying the Colombian peso would have collected 25 per cent year-to-date, while the Polish zloty has yielded 13 per cent, data from Corpay showed.

Pareesh Upadhyaya, director of fixed income and currency strategy at Amundi US, is bearish on the dollar while betting on gains in the Kazakhstan tenge, Uruguayan peso and Indian rupee.

"When you look at what's going on right now, the outlook for the dollar remains pretty bleak," said Upadhyaya, who expects carry trades to thrive if the dollar keeps falling.

In the world of monetary policy, the dollar's decline may be a relief to some countries, as it removes the urgency for them to support their falling currencies.

Among them is Japan. The greenback has tumbled 3 per cent against the yen this week and is set for its biggest weekly fall against the Japanese currency since January. Yen weakness has been problematic for Japan's import-reliant economy and raised expectations Japan would again intervene in markets to support its currency after doing so for the first time since 1998 last year.



MAJOR PORTFOLIOS


- » E-commerce: Tk **227**cr
- » Agent banking: Tk **561**cr
- » SME: Tk **12,633**cr
- » Corporate: Tk **35,119**cr
- » RMG: Tk **9,027**cr
- » Retail: Tk **22,772**cr

UCB: AT A GLANCE

- » Number of branches and sub-branches: **369**
- » Number of CRMs and ATMs: **670+**
- » Daily average transaction thru CRM/ATMs: Tk **61**cr
- » Number of agent banking outlets: **564**
- » Number of credit cards: **72,700**
- » Credit card loan outstanding: Tk **400**cr
- » Number of POS: **18,622**
- » Daily average transaction thru POS: Tk **9**cr
- » Number of airport lounges: **7**
- » Number of e-commerce merchants: **3,400**

We will increase focus on our retail and SMEs segment. At present, corporate clients account for 70 per cent of our exposure, while SMEs and Shariah-based finance the rest.

Arif Qaudri
MD and CEO of United Commercial Bank



UCB to widen retail, SME lending

SOHEL PARVEZ

On June 29, United Commercial Bank PLC completed 40 years of its operation. Marking the anniversary, Arif Qaudri, managing director and chief executive officer of UCB, talked about the bank's achievements and future plans as well as the challenges confronting the banking sector, among other issues, during an interview with The Daily Star recently.

DS: It was heartening to see UCB celebrate its 40th anniversary recently. How was the journey?

Qaudri: UCB is one of the largest banks in Bangladesh and has a presence across the country. We have a strong network. This presence has allowed us to serve a diverse range of customers and contribute to the growth and development of the communities we operate in.

We have consistently focused on adopting advanced technologies and modern banking practices to make our services more convenient and accessible to our customers.

UCB has not been affected much by the dollar crisis, which started last year. And we have not failed to keep our word when it comes to settling letters of credit (LCs). It was possible as we started rationing LC opening in line with the projected inflows of foreign currencies. We reached a comfortable position in March.

At this point, we are not opening the LCs as much as we did earlier. But we are trying to keep our all clients satisfied.

Going forward, we will increase focus on our retail and SMEs segment. At present, corporate clients account for 70

per cent of our exposure, while it is 25 per cent for SMEs and 5 per cent for retail and Shariah-based finance.

We will increase the pie of retail and SME financing to 40 per cent and keep corporate financing at 60 per cent.



Arif Qaudri

We are educating SMEs and trying to reduce documentation procedures for them without compromising compliance requirements. We are providing a portion of loans to SMEs without collateral.

DS: UCB showed a good performance in 2022 in terms of profit. What were the reasons and which sectors drove the earnings?

Qaudri: UCB demonstrated impressive resilience and growth potential in terms of revenue and profitability in both 2021 and 2022. The implementation of a 6 per cent and a 9 per cent interest cap on borrowing and lending presented a significant challenge to the industry's profitability.

However, we managed to achieve positive growth, building on the previous year's success. In 2022, UCB experienced an 18 per cent revenue growth and a 27 per cent increase in net profit-after-tax to Tk 402 crore.

Loans and advances witnessed a 16 per cent growth to Tk 46,860 crore.

As was the case for most banks, UCB's major source of income comes from interest earned on loans and advances. In 2022, our income from loans and advances grew 15 per cent, accompanied by satisfactory growth in interest income on government securities and commissions or fees.

Over the years, we have established a strong customer base in the garment sector and the service industry, which contribute a significant portion to our portfolio. Additionally, we have a large customer base in the SME sector, which also contributes to our profitability.

However, the current year has been tough because of the impact of the war in Ukraine and the drastic fall in imports. Besides, the tendency of some borrowers to repay loans has reduced this year. I think the overall situation in the banking sector was not good in the first six months of 2023.

DS: We see that the NPL ratio of UCB rose in 2021 and 2022 after a massive fall in the previous two years. What were the reasons?

Qaudri: In 2020, Bangladesh Bank advised scheduled banks to suspend adverse classification of loans and advances till December 31 of the same year in order to facilitate business activities following the coronavirus outbreak.

Complying the same, UCB did not make any new classification in 2020. This temporary relief negatively impacted the NPL position in the later part of the following year as non-performing

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Defining character of a relationship manager

MAMUN RASHID

Banking has become relationship manager (RM)-driven in Bangladesh over the last three decades whether it is corporate, commercial, or retail banking. Large clients in corporate or wealth management segments demand very personalised or structured product support backed by world-class service.

The role of an RM is very crucial in providing personalised financial services to both individual and institutional clients. In today's world, comprising a wide range of complex financial products, an RM should assume more responsibilities than just being a salesperson.

To start with, developing a deep understanding of each client's financial situation, risk appetite, investment objectives and financing needs is of utmost importance.

In the case of institutional clients, it is also imperative that the RM understands the industry in which the client is operating, stays updated with market trends, and has ideas about the challenges that they may be faced. It is through the acquisition of such knowledge that an RM will be able to provide valuable insights and tailored guidance to their clients.

The responsibilities of an RM don't end with providing a financial solution to a client. Rather, regularly reviewing and adjusting investment strategies to keep up with the evolving market conditions and client goals is another key duty.

Given the nature of their job, RMs play a vital role in helping clients achieve their financial aspirations. And as such, they need to possess the ability to build trust and create an environment of empathy.

With more than 25 years of banking credentials, I still identify myself as a humble RM. My esteemed clients whom I served in those days still are reciprocating by diverting a portion of their business to our consulting business. This is the beauty and incentive for an RM.

Today, I would like to remember a few exceptionally bright and committed RMs. They are not mere sales managers but ring-fencing managers for their banks through specially structured products and solutions. In fact, they all are a defining character for an RM in Bangladesh.

The name that came to my mind instantly was that of late Shams Zohan from Standard Chartered Bank. Zohan, who had a premature death in the early thirties due to leukaemia, even phoned central bank officials in Bangladesh from the hospital bed in Singapore, advocating for a client's case to remit money outside the country and repeatedly reassuring us.

I met Otish Asif Rahman, an RM at The City Bank Limited, at 1 am at a hospital in the capital, trying to convince the authority to keep the body of an esteemed client in its morgue as all of his children were abroad. Later I found out that Otish was rated by everyone in the deceased's family as a trusted adviser almost on all accounts.

While I have only cited two examples, I would appreciatively remember the brilliant RMs in the banking industry: Zaid Amin, Reza Ahmed, Mahbub-ur-Rahman, Naser Ezaz Bijoy and Abrar Anwar. They all will be remembered not because they served their clients well, but also, at times, cautioning the clients not to venture into uncharted territories or not to go for unrelated expansions.

They all went the extra mile and spent extra hours for their cross-border as well as local clients. It was not all about opening letters of credit and disbursement of emergency loans for them, but also how they should run businesses prudently with eyes on the future.

The author is an economic analyst

Russia plans to cut oil export

REUTERS, Moscow

Russian oil exports from western ports are set to fall by some 100,000-200,000 barrels per day next month from July levels, a sign Moscow is making good on its pledge for fresh supply cuts in tandem with Opec leader Saudi Arabia, two sources said on Friday, citing export plans.

Opec and major producers including Russia, together known as Opec+, have been cutting supply since November to support prices. Moscow this month pledged to cut exports by 500,000 bpd in August, while Saudi Arabia extended its 1 million bpd output cuts.

As Russia did not reveal the baseline for its cut, analysts and traders had said it would be difficult to monitor. But according to trading sources and Refinitiv Eikon data, the August cuts will deepen export reductions between

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India ties up with UAE to settle trade in rupee

REUTERS, New Delhi

India has signed an agreement with the United Arab Emirates that will allow it to settle trade in rupees instead of dollars, boosting India's efforts to cut transaction costs by eliminating dollar conversions.

During a visit by India's Prime Minister Narendra Modi to the UAE on Saturday, the two countries also agreed to set up a real-time payment link to facilitate easier cross-border money transfers.

The two agreements will enable "seamless cross-border transactions and payments, and foster greater economic cooperation", said a statement from the Reserve Bank of India on Saturday.

India, the world's third biggest oil importer and consumer and whose central bank last year announced a framework for settling global trade in rupees, currently pays for UAE oil in dollars.

Bilateral trade between the two countries was \$84.5 billion in the year from April 2022 to March 2023.

An official with knowledge of the details of the agreement said India could make its first rupee payment for UAE oil to Abu Dhabi National Oil Co (ADNOC), Reuters reported on Friday.

The Reserve Bank of India said the two central banks agreed to link India's Unified Payments Interface (UPI) and UAE's Instant Payment Platform (IPP).

Such arrangements, which are a growing trend in Asia, typically lower the cost of payments.

Modi landed in Abu Dhabi earlier on Saturday for a one-day visit and met President Sheikh Mohamed bin Zayed Al Nahyan.



UAE President Sheikh Mohamed bin Zayed Al Nahyan and Indian Prime Minister Narendra Modi meet during an official visit reception at Qasr Al Watan, Abu Dhabi yesterday.

PHOTO: REUTERS