Gold prices fall over 1%

REUTERS

Gold prices fell more than 1 percent on Monday as easing fears of a wider Middle East conflict boosted investors' risk appetite, lowering bullion's safe-haven demand.Spot gold was down 1.5 percent at $2,354.61 per ounce, as of 1103 GMT. US gold futures fell 1.9 percent to $2,368.90.

Worries of ongoing tensions between Iran and Israel becoming an all-out war fading a little bit has stopped safe-haven trade that supported gold prices, said Ricardo Evangelista, senior analyst at ActivTrades.

Tehran downplayed Israel's retaliatory drone strike against Iran, in what appeared to be a move aimed at averting regional escalation.Gold reached $2,417.59 per ounce in the previous session, approaching the April 12 record high of $2,431.29 as investors sought refuge in the metal's safe-haven, while global stocks plummeted.

Yet, as the new week began, equities regained some ground and oil prices, along with bonds, fell slightly, indicating a shift away from the defensive stance adopted by investors ahead of the weekend.

The US personal consumption expenditures (PCE) report due on Friday may confirm prevailing fears of persistent inflation, potentially postponing interest rate cuts - a negative outlook for gold, Evangelista said.

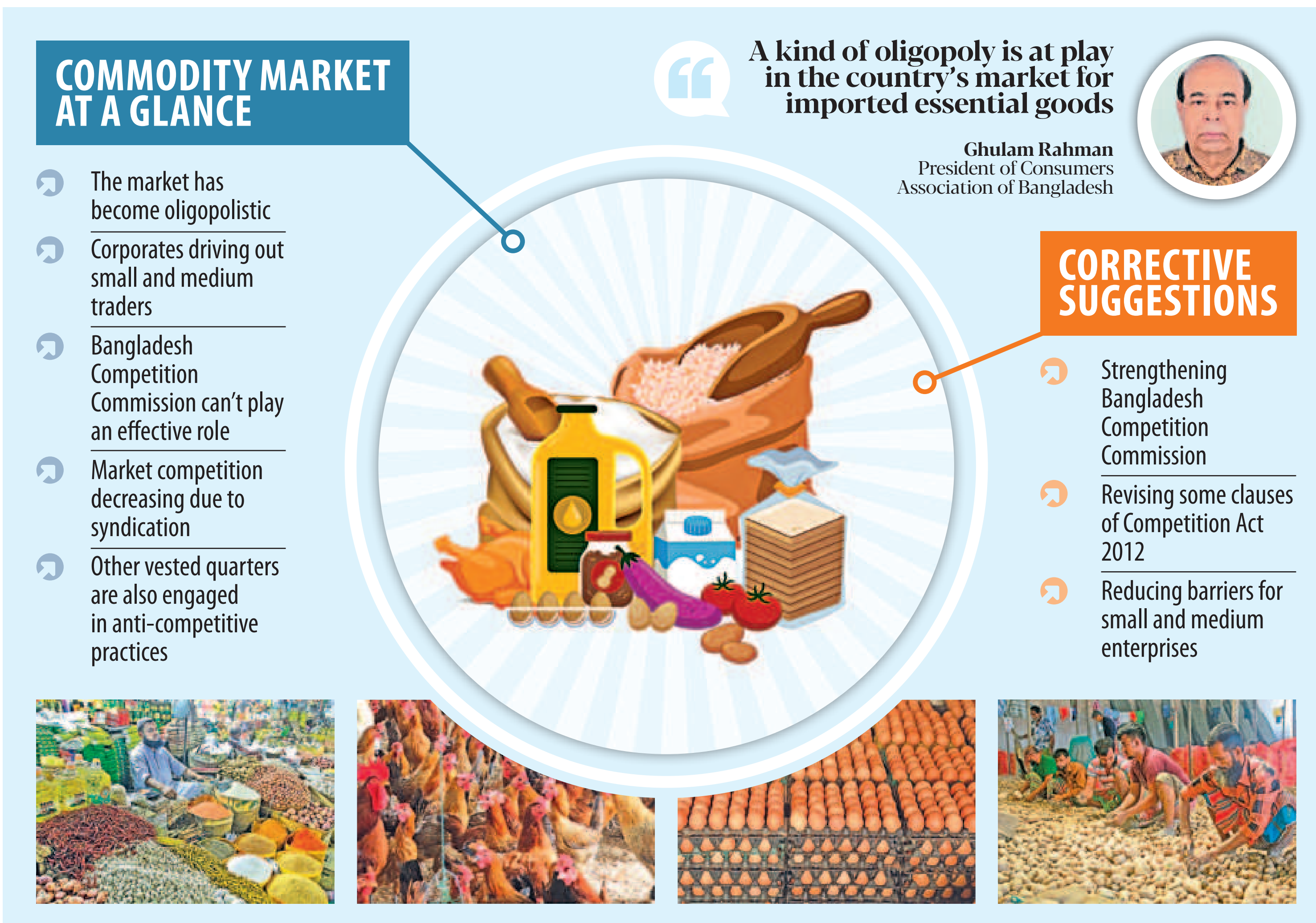
Citi research anticipates gold and silver to surge in the second half of 2024

Progress on bringing down inflation has "stalled" this year, Federal Reserve of Chicago President Austan Goolsbee said, echoing other Fed officials who believe that rates will need to stay high for longer to get price pressures under control again.US stocks ended mixed on Friday, with the tech-heavy Nasdaq posting its biggest weekly decline since October 2022.

Looking ahead, Citi research anticipates gold and silver to surge in the second half of 2024, reaching $2,500 and $30-$32 per ounce, respectively, despite a possible temporary pullback before the end of the second quarter.

Spot silver fell 3.4 percent to $27.68 per ounce, platinum lost 0.7 percent to $925.05, and palladium was down 1.6 percent at $1,009.65.

Is commodity market competitive? Experts have different views



SUKANTA HALDER

Syndication has become a buzzword among consumers in Bangladesh, particularly in relation to the abnormal price hike of essential commodities over the past several years.

Onion prices surged by about Tk 100 per kilogramme overnight in early December last year as traders started stockpiling the bulb following news that India had banned its exports till March 2024.

However, the prices eased in subsequent weeks as the government conducted market drives that found and penalised numerous traders across the country for hoarding the crop.

Consumers have also blamed businesses for over-profiting by using collusive efforts to induce sudden spikes in the prices of potatoes, chicken, beef, eggs, edible oil, sugar, and even dates in recent times.

Market analysts agree with this accusation, saying that it results from a lack of competition.

"A kind of oligopoly is at play in the country's market for imported essential goods," said Ghulam Rahman, president of the Consumers Association of Bangladesh.

"Competition is decreasing day-by-day due to the market mechanisms of some big companies. As a result, many small-and-medium traders have been driven out of the market," he added.

Citing a previous study, Mustafizur Rahman, distinguished fellow of the Centre for Policy Dialogue (CPD), said certain businesspeople are importing products using separate trade licences under different names.

In reality, just four or five businesses are importing significant quantities of essential products although documents show more than 50 traders are operating in the market, he added.

Rahman also said there are many barriers to entry for small and medium enterprises.

"The government should address these issues so that they do not face any problems in entering the market," he added.

Selim Raihan, a professor of economics at the University of Dhaka, said the Bangladesh Competition Commission (BCC) cannot effectively regulate the market as it is not properly empowered.

He alleged that certain business groups that engage in anti-competitive practices do so with the help of influential government officials.

"That is why the government never takes any effective action against them," Raihan added.

Part: 3
Commodity conundrum

Towfiqul Islam Khan, senior research fellow of the CPD, said unlike the large corporates, small-and-medium traders are struggling to continue imports in the face of the ongoing US dollar crunch.

"Therefore, these big companies are gradually gaining more control over the market. This is not really helpful for the overall ecosystem," he added.

Mohammed Helal Uddin, another economics professor at the University of Dhaka, said the number of commodity importers and marketers will keep decreasing considering the effects of economies of scale and economies of scope.

Economies of scale posits that companies obtain cost advantages when producing a larger number of goods as the per-unit production cost decreases while output increases.

"So, big firms with large production capacities can enjoy such benefits," he said.

Meanwhile, economies of scope suggests that companies can avail cost advantages by producing a variety of related products.

"As such, big firms with diversified product lines enjoy this benefit as well," added Helal, who has authored various studies on competition in the edible oil and sugar markets in Bangladesh.

He also said a few players will remain dominant in such sectors, particularly the edible oil and sugar markets, as small-and-medium traders lack the technology and efficiency to keep up with large corporates.

"What is important is to see whether these firms are engaged in competitive practices," he said.

"But if the number of players increases while their efficiency does not improve, then product costs will rise," Helal added.

AK Enamul Haque, a professor of economics at East West University, said advancements in technology have helped decrease the overall input costs involved with mass production.

As a result, average commodity prices, namely that of edible oil, are being kept comparatively lower thanks to the presence of big players in the market.

"So, edible oil prices would increase if we shut the big refiners," he said, adding that big firms make good profits from their high sales volume and not the per unit price.

Haque also believes there has been no collusion among major commodity processors.

"We can say there is collusion when the market share of each player remains static for several years. In our country, the market share is not fixed. So, it is hard to believe there is collusion," he said.

READ MORE ON B2

Aziz Mohammad Bhai raises stake in Olympic

Buys 27 lakh shares

STAR BUSINESS REPORT

Aziz Mohammad Bhai, chairman of Olympic Industries Ltd, has completed purchasing 27 lakh new shares of the company at prevailing market price through the Dhaka Stock Exchange (DSE).

With the purchase, he now holds 17 percent shares of the company as of June 2023.

The value of the 3.37 crore shares he presently owns stands at Tk 499 crore, according to a posting of Olympic Industries on the DSE website yesterday.

Of the 19.99 crore shares of the company, directors and sponsors now hold 44.66 percent shares, foreign shareholders 23.96 percent, general investors 11.51 percent and institutional investors 19.87 percent as on June 30 of 2023.

The largest biscuit maker in Bangladesh made a profit of Tk 155.6 crore in the 2022-23 fiscal year ending on June 30, up 29 percent year-on-year, according to the company's annual report for 2023.

The share price of Olympic has been experiencing a falling trend. In the last one year, its highest price was Tk 176.8 on April 26 of 2023 and the lowest Tk 141.2 on November 27 same year.

Today, Olympic shares ended the day at Tk 148, down 0.54 percent from the previous day.

The stock investors feel encouraged when an owner purchases shares of a company amid a price falling trend, said Mohammad Emran Hasan, managing director and chief executive officer of Investit Asset Management.

"When a sponsor purchases shares of his/her own company, it means the person has confidence in the company's stocks and it gives confidence to the small investors."

The investors who have available cash should invest ideal money on the stock market during a falling trend, because within a few months the prices will rise again, he said.

Malaysia to build massive chip design park

AFP, *Kuala Lumpur*

Malaysia's leader on Monday announced plans to build a massive semiconductor design park, aiming to boost the Southeast Asian nation's role in the global chip industry.

A prominent player in the semiconductor industry for decades, Malaysia accounts an estimated 13 percent of global back-end manufacturing, according to German tech giant Bosch.

Now it wants to go beyond production and emerge as a chip design powerhouse too, Prime Minister Anwar Ibrahim said Monday.

"I am pleased to announce the largest IC (integrated circuit) Design Park in Southeast Asia, that will house world-class anchor tenants and collaborate with global companies such as Arm," Anwar said in a speech, referring to the British chip design giant.

The park will be located in Selangor state, he said, without offering any details on costs and timelines. AFP has reached out to Arm for comment.

The project would mark a significant step for Malaysia, which has long been a chip manufacturing hub, with its northern island of Penang home to a number of facilities and is often dubbed the country's Silicon Valley.

Tensions between Washington and Beijing over advanced tech, especially semiconductors, in recent years have forced many firms to look into relocating their manufacturing from China to other countries including Malaysia, Vietnam and India.

Large private firms fail to set climate targets: report

AFP, *Paris*

Only 40 of the world's 100 largest private firms have set net-zero carbon emissions targets to fight climate change, according to a report released Monday, lagging far behind public companies.

But for the world to meet the 2015 Paris Agreement to limit global warming 1.5 degree Celsius, all companies need to reduce their planet-heating emissions, the report by the group Net Zero Tracker noted.

The lack of market and reputational pressures on private firms compared to those publicly-listed, along with an absence of regulation are to blame for their slow uptake of climate commitments, John Lange of Net Zero Tracker told AFP.

"I think things are changing on all three of those fronts," he added.

The report compared 200 of the world's largest public and private companies based on their reported emissions reductions strategies and net-zero targets.

It found that only 40 of the 100 private firms assessed had net zero targets, compared to 70 of 100 publicly-listed companies.

Of the private companies that have set targets, just eight have published plans on how they will meet them.

"A pledge without a plan is not a pledge, it is a naked PR stunt," the report said.

Only two firms -- furnishing giant Ikea and US engineering giant Bechtel -- ruled out using controversial carbon credits to achieve their net-zero goals, the report said.

READ MORE ON B2

Souring China dreams force Western financial companies to cut costs

REUTERS, *Hong Kong*

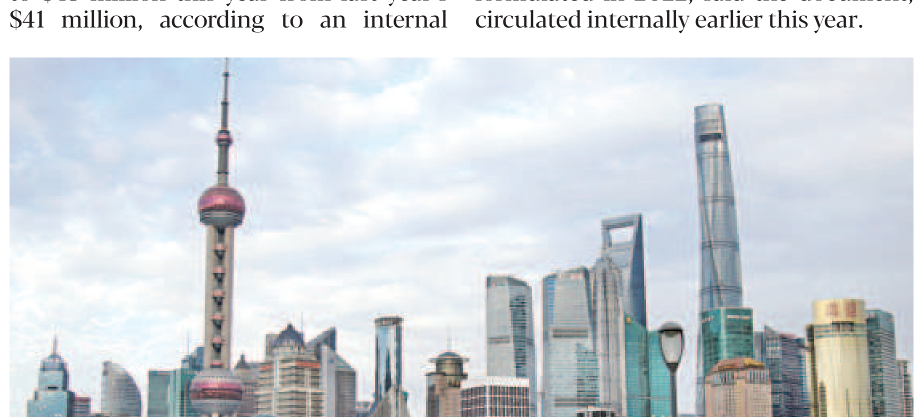
Just a few years ago, lucrative business prospects in China on the back of a booming economy led to a scramble among Western financial firms, from investment banking to asset management, to expand their footprints and source talent from across the world.

But as doubts grow about China's economic recovery and its markets lag global peers, many of the financial firms are taking a hit on their earnings and are reining in their ambitions for what was a key piece of their global growth strategy.

From the beginning of this year, a growing list of Western financial firms, including Fidelity International Ltd (FIL), Morgan Stanley , and Legal & General have either sharply cut China-focused jobs or have shelved expansion plans. More companies are expected to follow suit soon as a tepid deals pipeline and lacklustre asset generation weigh on expenses and revenues, according to senior executives at foreign financial firms, headhunters, and analysts.

The souring of the China allure for Western financial firms comes at a time when Beijing has been ramping up efforts to lure more foreign capital to revive the domestic economy amid persisting geopolitical tensions.Fund company FIL, which is cutting 16 percent of its 120-strong China team, for example, expects its loss in the country to widen to $45 million this year from last year's $41 million, according to an internal document seen by Reuters.

The headcount plan of FIL has been "significantly reduced" for the next four to five years compared to the business plan formulated in 2022, said the document, circulated internally earlier this year.



People visit the Bund in front of Shanghai's financial district of Pudong. As doubts grow about China's economic recovery, many firms are taking a hit on their earnings and are reining in their ambitions for what was a key piece of their global growth strategy.

PHOTO: REUTERS/FILE

In response to a Reuters request for comment, FIL said in a statement the firm remained focused on growing its mutual fund business in China and continued to plan "a range of scenarios" in the current market environment.

"Earlier in 2024 we also boosted our registered capital and opened a Beijing branch office, in addition to our Shanghai and Dalian offices," FIL said, without comment specifically on its earnings outlook and headcount reduction plans.

In investment banking, Morgan Stanley and HSBC are the latest to cut dozens of investment banking jobs in the Asia Pacific region, most of them focusing on China deals.The bulk of the Wall Street banks' China-focused investment bankers are based in Hong Kong.

"We are hearing some more investment banks and securities firms in Hong Kong (are) already looking at staff scale reduction," said Sid Sibal, vice president Greater China and head of Hong Kong, at recruitment firm Hudson.

Over the last one year, Goldman Sachs, JPMorgan Chase & Co, Citigroup and Bank of America, among others, have cut China-focused investment banking jobs. Despite some banks paying out low or zero annual bonuses, voluntary attrition

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