

# Trump victory to reverberate through global economy



## ANALYSIS

REUTERS, Frankfurt

Donald Trump's victory in the race to become the next US president will have economic consequences for the rest of the world that are likely to be deep and quite immediate.

If Trump enacts just a fraction of his pledges - from higher trade tariffs to deregulation, more oil drilling and more demands on America's NATO partners - the strain on government finances, inflation, economic growth and interest rates will be felt in every corner of the world.

Trump recaptured the White House on Wednesday by securing more than the 270 Electoral College votes needed to win the presidency, Edison Research projected.

His Republican Party also secured

the customer, so tariffs are likely to be inflationary for US buyers, forcing the Fed to keep interest rates high for longer or to even reverse course and hike borrowing costs once again.

This will be even more likely if Trump keeps his spending and tax pledges, which could increase the US debt by \$7.75 trillion through 2035, according to the non-partisan Committee for a Responsible Federal Budget.

"Most damage would be done under a universal import tariff," ABN Amro's Rogier Quaedyvlieg said. "If the ultimate implementation is non-universal, the hit to the global economy would be significantly weaker."

"The full Trump package, including a universal package, would likely hit the global economy hard."

For emerging markets relying on dollar funding, such a policy mix will make borrowing more expensive, dealing a double blow on top of the lost exports.

The same forces that could push up US



The government procurement process for the current Aman harvest will begin on November 17 and continue until mid-March. The photo was taken from Islampur village of Tetulia in Panchagarh on Tuesday.

PHOTO: HABIBUR RAHMAN

## Govt raises paddy, rice purchase rates for current Aman season

### STAR BUSINESS REPORT

The government will pay higher prices to buy paddy and rice during the current Aman season, the harvest of which has already begun in rural areas.

Amid rice prices edging up in local markets and concerns over the paddy output, this decision was made by the Food Planning and Monitoring Committee (FPMC) yesterday.

Farmers will receive Tk 33 per kilogramme for paddy if they supply the grain to public warehouses following specific quality standards. This price is 10 percent higher than what they received for selling their produce to the food directorate during the previous Aman procurement.

Besides, the government will purchase parboiled rice, the most widely consumed grain in Bangladesh, from millers at a 7 percent higher rate of Tk 47 per kilogramme.

This decision comes at a time when staple

food prices have been rising, exceeding last year's levels. There is also concern about reduced Aman yields due to decreased cultivation areas and crop damage caused by repeated flooding in the eastern region.

Yesterday, the FPMC, an inter-ministerial committee responsible for monitoring the country's overall food situation and advising on food security policies, decided to purchase 3.5 lakh tonnes of paddy this season.

Finance and Commerce Adviser Salehuddin Ahmed chaired the meeting at the secretariat.

This target is 75 percent higher than the original purchase of 2 lakh tonnes during the Aman harvest in 2023.

However, the government has reduced its parboiled rice purchase plan for this year to 5.5 lakh tonnes, a 14 percent decrease from the 6.4 lakh tonnes bought by the Directorate General of Food during the previous Aman season.

Besides, the food ministry will purchase 1

lakh tonnes of sunned rice this year at Tk 45 per kilogramme.

The procurement process for the current Aman harvest will begin on November 17 and continue until mid-March, according to a statement from the food ministry.

The food ministry purchased 21.6 lakh tonnes of rice domestically in FY24, an 11.3 percent increase from the previous year.

During the current FY25, the government has a food budget to procure 19.33 lakh tonnes from domestically grown food grains out of its total procurement plan of 29.83 lakh tonnes, according to the finance ministry.

The government has allocated Tk 16,678 crore to buy rice and wheat from the domestic and international markets to carry out various social safety net schemes.

The allocation to buy food grains is 6 percent higher from the revised budget of the previous year.



Import duties, including a 10 percent universal tariff on imports from all foreign countries and a 60 percent tariff on imports from China, are a key plank of Trump's policies and likely to have the biggest global impact.

PHOTO: AFP/FIELD

the Senate and may even win the House of Representatives, which would make it easier for the president to legislate his proposals and push through key appointments.

"Trump's fiscal pledges are seriously troublesome - for the US economy and for global financial markets - as they promise to vastly expand an already excessive deficit at the same time as he threatens to undermine key institutions," Erik Nielsen, UniCredit's Group Chief Economics Advisor, said.

"One must conclude that Trump poses a serious - and so far vastly under-appreciated - threat to the US Treasury market and thereby to global financial stability," Nielsen said.

Import duties, including a 10 percent universal tariff on imports from all foreign countries and a 60 percent tariff on imports from China, are a key plank of Trump's policies and likely to have the biggest global impact.

Tariffs inhibit global trade, lower growth for exporters, and weigh on public finances for all parties involved. They are likely to raise inflation in the United States, forcing the US Federal Reserve to act with tighter monetary policy.

The International Monetary Fund has already characterised global growth as weak, with most nations producing "feeble" expansion. A further hit to global trade is likely to present a downside risk to its 3.2 percent GDP growth projection for next year.

Firms mostly pass import costs onto

inflation could weigh on prices elsewhere, especially if Trump slaps oversized duties on China as he has promised.

As the world's largest exporter, China is desperate to resurrect growth, so it may seek new markets for goods squeezed out of the US and dump products elsewhere, especially Europe.

Central banks are likely to react quickly as business sentiment, especially for trade-reliant open economies, will deteriorate quickly.

"Even before a fall in the surveys, the ECB could be tempted to accelerate its rate cuts to a 2 percent neutral rate and, once the US tariff policies become clearer, it would be reasonable to cut rates to below neutral," JP Morgan's Greg Fuzesi said.

Governments are also likely to retaliate against any US import duty, inhibiting trade further and cutting deeper into global growth.

High Fed rates and lower borrowing costs elsewhere would also boost the dollar - as evidenced by the 1.5 percent drop in the value of the euro and the yen overnight - dealing even more pain to emerging markets since over 60 percent of international debt is denominated in dollars.

Mexico could be the hardest hit given Trump's rhetoric on closing the border, which comes against an already deteriorating domestic outlook.

"Mexico is most at risk," TS Lombard's Jon Harrison said as the Mexican peso fell 3 percent against the dollar.

## Kohinoor Chemicals' profit surges 35% in FY24

### STAR BUSINESS REPORT

Kohinoor Chemicals Company (Bangladesh) saw its profit grow for the fiscal year (FY) that ended on June 30, 2024, and the company has recommended both cash and stock dividends.

The company's profit was up 35 percent year-on-year at Tk 50.95 crore for FY24.

The profit growth drove the earnings per share to Tk 15.12 from Tk 11.19 in the prior year, as per a Dhaka Stock Exchange (DSE) disclosure.

The company's stock saw a 2.68 percent uptick, trading at Tk 555.7 on the DSE floor yesterday.

Kohinoor's board recommended a 50 percent cash dividend alongside a 10 percent stock dividend for FY24.

Kohinoor's net operating cash flow per share stood at Tk 28.67, a substantial turnaround from Tk 27.64 in the negative last year.

The improvement in cash flow stemmed from reduced inventory and increased trade payables, according to the company.

## Stocks break gaining streak

### STAR BUSINESS REPORT

The benchmark index of the Dhaka Stock Exchange (DSE) fell yesterday, breaking a three-day gaining streak as investors cautiously traded on selective shares to pocket short-term gains amid price fluctuations.

The DSEX shed 17.93 points, or 0.33 percent, from the previous day to close at 5,347.

The other two indices of the DSE showcased a mixed performance, with the DSES index for Shariah-based companies marginally rising by 0.99 points to 1,192 while the DS30 index for blue-chip firms shed 0.01 points to 1,967.

Of the issues that changed hands on the DSE floor, 85 scrips saw a price hike, 281 closed lower and 33 did not witness any price movement.

The day's turnover, which indicates the total value of shares traded, stood at Tk 651 crore, a decrease of 22.44 percent compared to the previous day's trading session.

The pharmaceuticals sector dominated the turnover chart, accounting for 19.10 percent of the total.

Meanwhile, block trades contributed 2.7 percent of the overall market turnover. Orion Pharma Ltd emerged as the most traded

share, with a turnover of Tk 25.5 crore.

Large-cap sectors posted mixed performances, according to the daily market update by BRAC EPL Stock Brokerage.

Engineering experienced the highest gain of 2.45 percent followed by non-bank financial institutions with 0.89 percent, pharmaceuticals with 0.31 percent, and fuel and power with 0.12 percent.

However, some sectors failed to manage gains, with food and allied posting a 0.43 percent fall while banking lost 0.45 percent and telecommunications shed 0.67 percent.

The Chittagong Stock Exchange (CSE) saw a similar trend as the CSE All Share Price Index (CASPI), the key index of the port city bourse, dipped by 2.69 points to settle at 14,879.

Shares of Beacon Pharmaceuticals, Padma Oil Company, Orion Pharma, Islami Bank Bangladesh, Beximco Pharmaceuticals, Orion Infusion, Midland Bank, Prime Bank, Jamuna Oil Company and Best Holdings drew investors the most, according to the daily market update by LankaBangla Financial Portal.

None of the companies saw a double-digit growth in share price. Drug maker Beacon Pharmaceuticals made the highest gain of 4.36 points.

## Trump win sees dollar, stocks soar

### REUTERS

Donald Trump's surprisingly comprehensive victory in the US Presidential election has electrified the US dollar - possibly to his own chagrin - and the US currency is eyeing its biggest one-day gain in two years.

Even before official results were in, Trump's virtually assured win across key swing states and in the popular vote nationwide looks far more resounding than the tight race predicted by opinion polls and betting markets only yesterday. His Republican party also took the Senate as expected, but a clean sweep of Congress was still in the mix as the House remains too close to call and may return to Democrats.

Both stock futures, and Treasury yields jumped immediately on unfolding result, the seeming clarity of which was a relief to some who feared days or even weeks of political and legal wrangling over contested votes.

Small cap stocks captured by the

Russell 2000 have so far proven the biggest equity index winners - soaring almost 6 percent ahead of Wednesday's bell.

S&P500 and tech-led Nasdaq futures were both up more almost 2 percent and, significantly, the clear result saw the the VIX 'fear index' of



PHOTO: REUTERS/FIELD

equity volatility plunged to its lowest in more than month - back below historical averages.

Wary of another fiscal stimulus via Trump's promised tax cuts on top of an already 6 percent of GDP budget deficit, Treasury were whacked - with the benchmark 10-year yield hitting its highest since

July just shy of 4.5 percent.

However, the still-live chance of Democrat-dominated House and resulting gridlock plus the likelihood on Thursday of a second Federal Reserve interest rate cut of the year, limited Treasury losses for now.

Though investors braced for volatile trading this week as voting was underway in an extremely tight US presidential election.

The fate of the House may now dictate the extent of further bond market losses from here - with the lingering chance 'Red sweep' underscoring tax cut speculation.

Ebbing US crude prices, in part due to Trump's enthusiasm for drilling more oil but also on rising domestic inventories and the higher dollar, also cosseted bruised bonds to some degree.

Other so-called Trump trades reacted as expected, with Bitcoin gaining as much as 8 percent to new record highs as the results emerged and digital currency punters cheered a likely soft touch on crypto market regulation from the next president.

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