Dollar gets its mojo back – but only by default

REUTERS, *London*

While it's tempting to assume the dollar's long-lost "safety" bid has returned since the weekend Iran attacks, it's not as clear-cut as it seems and owes more to relative energy plays. Yet the implications of the market response may be just as powerful.

Ever since Donald Trump's return to the White House last year, the dollar has waned even during periods of market anxiety and volatility, due in large part to US economic policy uncertainty and both domestic and geopolitical upheaval.

Reversing years of dollar over-valuation is a key tenet of the Trump administration's economic plan. But the greenback's diminished haven role in times of global political or financial stress suggests foreign investors - already up to their eyeballs in US assets - have changed their behaviour.

So it was remarkable that the dollar jumped across the board after last weekend's extraordinary bombing campaign by US and Israeli forces against Iranian targets, including the assassination of Supreme Leader Ali Khamenei and the wave of regional violence that's followed.

The crux of the move hinged more on the inevitable energy price dynamics rather than any dash for dollars per se. In fact, it was more a default move out of the currencies of economies worst hit by an outsized and protracted energy price squeeze.

DOLLARS BY DEFAULT

With the US now a net exporter of total petroleum and energy products in general, the initial 10 percent surge in world oil prices on Monday hurt other major currencies much more due to fears of a major demand hit if the supply hiatus persists for several weeks or even months.

That's why other traditional havens such as Japan's yen , caught no safety bid this time around and plunged over 1 percent against the dollar on Monday given Japan's big energy import bill and the fact that about a third of its energy imports comes through the Strait of Hormuz.

A man looks at an electronic display board showing the exchange rates between the yen and major world currencies, including a rate against US dollar, along a street in Tokyo yesterday. PHOTO: AFP

China too is a big consumer of oil now stuck in those contentious waterways, particularly deeply discounted Iranian crude that's sanctioned in the West and now also in limbo. The recently high-flying yuan turned tail on Monday and dropped 0.8 percent as the situation unfolded.

"This isn't a friendly outcome for the Northern Asian currencies," said Societe Generale currency strategist Kit Juckes, adding that the most important indication from Trump so far has been that the US action will take weeks, not days.

For Europe, the calculation is compounded by its exposure to natural gas after the shipping attacks effectively closed the Hormuz route, a conduit for 20 percent of worldwide liquefied natural gas shipments and up to 30 percent of crude oil.

Benchmark European gas prices surged by almost 50 percent at one point on Monday to their highest in more than a year, closing up 35 percent and prompting the European Union's gas supply group to schedule an emergency meeting for Wednesday.

A line chart of the price of the European gas benchmark contract in euros per megawatt hours (MWh) since October 1, showing increasing volatility since January.

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The US supplied 58 percent of the European Union's LNG last year. Qatar, which accounted for 6 percent of the bloc's imports, shut down its production plants on Monday after attacks from Iran.

The euro fell 1 percent against the dollar to its lowest in more than a month.

The Swiss franc's long-standing and often unwelcome haven status remains in play - but it's complicated by the Swiss National Bank's battle against deflation and its restated commitment to intervene to sell francs to cap the unit.

READY RECKONERS?

As to the overall economic hit from an oil spike worldwide, Barclays economists assume every sustained $10 per barrel rise in crude prices takes up to 0.2 percentage point off global growth. And if a wave of forecasts of $100-plus per barrel were to prove accurate, then that could well bite.

As it stands, however, Monday's net Brent crude price rise of $5 to $77 per barrel will be a much more modest blow - and the moves so far would barely have any significant demand impacts on the US itself.

Calculations then turn to whether oil price pressure becomes an economic depressant or inflation aggravator. With US core inflation running above 3 percent, that could argue for more focus on the latter and for keeping US interest rates high through the year - another support for the dollar.

But, as so often with Middle East conflicts, the initial ready-reckoners on global economic hits all hinge on duration of conflict and the energy supply disruption.

Handloom fair begins in Dhaka on March 8

STAR BUSINESS DESK

A 10-day exhibition and fair celebrating Bangladesh's traditional handloom industry will be held from March 8 to March 17, 2026, at the Bengal Foundation.

Khandaker Abdul Muktadir, minister for textiles and jute, is expected to inaugurate the event as chief guest, according to a press release.

The Bangladesh Handloom Board with support from the Bengal Foundation will organise the fair.

It will remain open to visitors from 12:00pm (noon) to 9:00pm throughout the event.

A total of 15 stalls will be set up to facilitate the direct sale of products manufactured by marginal weavers to consumers.

The products on display will include Jamdani, Katan, Manipuri and Tangail sarees; lungis and gamchas from Sirajganj; Khadi from Cumilla; bedsheets from Kumarkhali in Kushtia; Rajshahi silk; and traditional attire from the hill districts.

Visitors will not only have the opportunity to purchase products but also gain insight into the rich heritage of Bangladesh's handloom sector.

Highlights of the exhibition will include hand-spun Dhakai Muslin yarn made from Phuti Karpas cotton -- the historic raw material of the famed Dhakai Muslin -- along with demonstrations of yarn winding and the weaving process.

Recovered Dhakai Muslin sarees and scarves, samples of Phuti Karpas cotton, seeds and plants, as well as approximately 150-year-old Jamdani and Tangail sarees, will also be showcased.

In addition, geographical indication (GI)-registered handloom products, the life cycle of silk, historical documents and archaeological evidence related to Bangladesh's handloom industry, narratives of yarn-making, various natural dyes and different types of handloom machinery will be displayed at the fair.

Md Shariful Alam, state minister for textiles and jute, and Bilquis Jahan Rimi, secretary to the ministry, among others, are also expected to attend the event.

RANGS eMART rolls out Eid campaign

STAR BUSINESS DESK

RANGS eMART yesterday launched its special Eid campaign, titled "Eid Utshob Protidin", marking the upcoming Eid-ul-Fitr -- one of the largest religious festivals for Muslims -- with a host of attractive deals and customer benefits.

Yeamin Sharif Chowdhury, divisional director (electronics) of RANCON Holdings Limited, inaugurated the campaign as the chief guest at the RANGS eMART showroom in Gulshan-2, according to a press release.

Speaking at the event, Chowdhury said, "This campaign aims to make the joy of Eid even more special for our customers. Through 'Eid Utshob Protidin', customers can purchase leading global brands with exciting offers and enjoy new surprises every day."

He added that customers will enjoy attractive deals on authentic products from renowned international brands, including LG, Hitachi, Samsung, Bosch, Haier, Whirlpool and Panasonic.

Under the campaign, customers can avail discounts of up to 48 percent, daily surprise gifts, additional bank offers and a 24-month zero percent EMI facility.

The campaign also showcases an extensive range of products from leading global brands, positioning RANGS eMART as a comprehensive one-stop destination for electronics. Customers will also receive installation services within 24 hours of purchase.

Sardar Khaled, executive director of RANGS eMART, said, "Our goal is to ensure an easy, convenient and affordable shopping experience for our customers. With this objective in mind, we have ensured the availability of products across all electronics categories."

PHOTO: RANGS EMART

Yeamin Sharif Chowdhury, divisional director (electronics) of RANCON Holdings Limited, and Sardar Khaled, executive director of RANGS eMART, attend the launching ceremony of the Eid campaign, titled "Eid Utshob Protidin" at the latter's showroom in Gulshan-2, Dhaka yesterday.

"Additionally, we have made the discounts, bank offers and EMI facilities even more attractive under this campaign," he added.

Iraz Siddiqui, chief operating officer; Md Shariful Islam, general manager (category management); Golam Azam Khan, head of sales; Raihan Ahmed, head of product and brand; and Mahmudul Islam Raz, brand manager, among other senior officials, were also present.

Mercantile Bank opens relocated Subarna Char branch

Mati Ul Hasan, managing director of Mercantile Bank PLC, inaugurates the bank's relocated Subarna Char branch virtually from its head office in Dhaka recently. PHOTO: MERCANTILE BANK

STAR BUSINESS DESK

Mercantile Bank PLC recently opened its relocated Subarna Char branch at Anowara-Ismail Tower, Haris Chowdhury Bazar in Charjabbar, Noakhali, to provide modern banking services in a more spacious setting.

Mati Ul Hasan, managing director of Mercantile Bank PLC, inaugurated the branch virtually at a ceremony held at the bank's head office in Dhaka as the chief guest, according to a press release.

Md Zakir Hossain, Shamim Ahmed, Ashim Kumar Saha, Md Zahid Hossain, Tapash Chandra Paul, and Shah Md Sohel Khurshid, deputy managing directors of the bank, attended the inaugural ceremony.

Md Aliullah, senior vice-president and head of the branches division; Mohammad Salah Uddin, head of the Cumilla zonal office; and Nizam Uddin, head of the Subarna Char branch, along with local businessmen, customers, and other bank officials, were also present.

War exposes

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them for more than two-thirds of its energy consumption -- primarily for vehicles, heating and industry -- according to the International Energy Agency.

Only electricity generation has clearly decarbonised in recent years. Fossil fuels produced just 29 percent of the European Union's electricity last year, according to research group Ember.

Across Europe, political appetite for further investment in renewable energy for the wider economy has faded.

Countries are far short of global targets for shifting away from fossil fuels despite pledges under the 2015 Paris climate agreement, with some countries -- notably the United States -- even rolling back commitments.

The new war meanwhile drove up oil prices by about seven percent on Monday, while European gas prices skyrocketed by more than 30 percent.

For climate leaders, this highlights the need to get the transition back on track.

"The global transition is still too slow," United Nations climate chief Simon Stiell warned on LinkedIn.

Renewables, he wrote, are now "the obvious pathway to energy security and sovereignty".

Even if gas dependency has shifted from Russia to suppliers such as the United States, the fresh unrest exposes Europe's "continued reliance on imported fossil fuels traded on volatile global markets", said Simone Tagliapietra, a researcher at European think tank Bruegel.

"Rather than slowing down the low-carbon transition, the new tensions show that the deployment of clean, domestically produced energy sources should be accelerated," he said.

"Only by reducing structural dependence on oil and LNG imports can Europe durably shield its economy from recurrent external shocks."

Between 10 and 15 percent of Europe's gas imports come from Qatar.

European gas prices jumped after QatarEnergy, the state-owned energy company, announced a halt in LNG production following an Iranian drone attack.

"Historically, fossil fuels were promised to deliver... some form of freedom, some form of democracy, some form of growth, and above all, some form of security," said Pauline Heinrichs, a climate diplomacy specialist at King's College London.

"I think this illegal and unnecessary war is both a reminder that this is obviously false and, second, that this is, at least in security terms, an illusion."

Mideast war risks

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WHAT IMPACT ON THE GLOBAL ECONOMY?

According to economists at Natixis bank, a prolonged disruption of traffic in the Strait of Hormuz "would have major implications for markets, but also for inflation dynamics and overall economic stability".

They added that "China would be particularly affected by this war."

Cyrille Poirier-Coutansais, director of the research department at the French Navy's Centre for Strategic Studies, agreed that China is particularly dependent upon oil shipped through the Strait of Hormuz.

"The question is whether there will be enough fuel to keep the world's factory running," he told AFP.

For the economist Sylvain Bersinger the impact on Europe will likely be less than the 2022 gas shock, which would help France in particular to avoid a recession.

In a sign of declining investor confidence, the interest rate on European sovereign bonds climbed on Monday.

The yield on 10-year German government bonds, the benchmark in the eurozone, stood at 2.70 percent in afternoon trading, compared with 2.64 percent on Friday.

WHAT RISKS IN A LONG WAR?

The intensity and duration of the conflict will be key in determining its impact.

"In a prolonged conflict, the combination of higher energy costs, disrupted logistics, and a generalised confidence shock would constitute a meaningful drag on global trade volumes at precisely the moment the world economy was still digesting the inflationary and growth consequences of the tariff shock," said economists at ING bank.

Coface's Nizard said they estimated that "an increase of roughly 15 dollars in the price of Brent over a prolonged period could shave about 0.2 percentage points off global growth and add almost half a point to inflation."

These are "not insignificant" effects in a context of "fairly fragile global economic growth", he added.

Gulf conflict tightens

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Then there is still the risk of mines, he added.

Insurance specialists are also scrutinising the contracts for ships currently stuck in the Gulf. Some contracts do indeed provide compensation in the event they get stuck due to a conflict, particularly for perishable cargoes.

Insurers are also closely monitoring the possible spread of the conflict to other seas and will no doubt adjust their insurance policies accordingly.

Eyssautier-Verlingue's Jaunaux pointed to the Red Sea, where the Iran-backed Houthis, which control large swathes of Yemen, carried out attacks last year on ships they considered to be linked to Israel.

The eastern Mediterranean could also be affected: Cyprus's president said on Monday that an Iranian drone had crashed on a British base located on the island.

Greece announced shortly afterwards that it was sending two frigates and F-16 fighter jets to Cyprus, one of the member states of the European Union.