



## Zero Coupon Bonds

### Jute Bags Rise

Attributes to Polythene Bags Fall



মিউচুয়াল ট্রাস্ট ব্যাংক লিমিটেড  
**Mutual Trust Bank Ltd.**

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### Metals Commentary

BNP Paribas Fortis/VM Group™ metals  
monthly report



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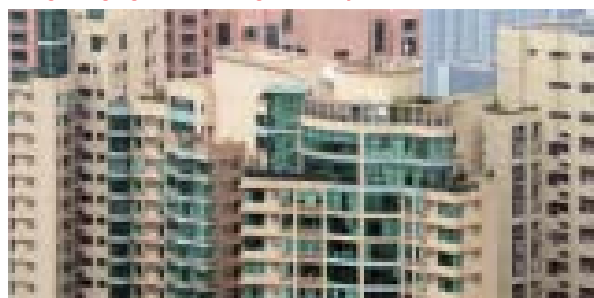
## INTERNATIONAL NEWS

### FINANCE AND ECONOMY

#### Wall Street eyes new catalyst

The earnings-driven rally observed at the last weeks of October appears to have run out of steam on Wall Street, leaving the market in search of a new catalyst heading into the final stretch of 2009. The main stock indexes remain near 12-month highs, but gains have been harder to achieve following the sizzling move since March of some 60 percent for the broad market. Wall Street has been pleasantly surprised by the strength of third-quarter corporate earnings. Analysts, though, say their ability to spark fresh gains appears to be diminished. The Dow Jones Industrial Average lost 0.24 percent for the week of October 18th to 24th so as to end at 9,972.18, as it hovered around the 10,000 level topped a week earlier. The Standard & Poor's 500 broad-market index shed 0.74 percent to 1,079.60 and the technology-rich NASDAQ composite drifted down 0.11 percent on the week to 2,154.47. In the coming month, investors will see more quarterly results and economic data including gross domestic product (GDP) for the third quarter, expected to show the economy expanded after four consecutive declines. (Source: AFP, New York)

#### Hong Kong tightens lending on luxury homes



Hong Kong's government has announced measures aimed at cooling the property market as low interest rates have spurred a dramatic surge in prices and fears of a possible bubble. The Hong Kong Monetary Authority said it had sent a circular to banks on Friday, the 23rd of October, telling them to cut the amount they lend to buyers of luxury homes with immediate effect. Loans on properties valued at HKD 20 million dollars (USD 2.6 million) or more would be capped at 60 percent, down from 70 percent. For cheaper properties the maximum loan would remain 70 percent but would be capped at 12 million dollars. The HKMA, Hong Kong's de facto central bank, also reminded banks to exercise prudence when valuing properties and calculating borrowers' ability to repay loans. "These are prudential measures designed in the interest of maintaining banking stability, to enhance banks' risk management on mortgage lending to high-end residential properties," HKMA chief executive Norman Chan said in a statement. (Source: AFP, Hong Kong)

#### US existing home sales surge 9.4pc

Existing US home sales surged 9.4 percent in September as consumers scrambled to take advantage of an expiring tax credit for first-time buyers, as showed by figures published on Friday, the 23rd of October. The National Association of Realtors said sales of previously owned homes and apartments jumped to a seasonally adjusted annual rate of 5.57 million units, well ahead of expectations for a pace of 5.35 million. The report showed sales at the highest level in over two years for the troubled sector at the epicenter of the global financial crisis. "Much of the momentum is from people responding to the first-time buyer tax credit, which is freeing many sellers to make a trade and buy another home," said association chief economist Lawrence Yun. "We are hopeful the tax credit will be extended and possibly expanded to more buyers, at least through the middle of next year, because the rising sales momentum needs to continue for a few additional quarters until we reach a point of a self-sustaining recovery." (Source: AFP, Washington)

#### Worst over' for airlines, says industry chief

The head of the airline industry body IATA said that the tough conditions suffered by carriers hit by the global economic crisis were improving. "The worst is over but the recovery will be a long story,"

Giovanni Bisignani, head of the International Air Transport Association (IATA), told reporters in New Delhi. He said the aviation industry had forecast a worldwide drop in revenues of USD 80 billion, from USD 535 billion in 2008 to USD 455 billions in 2009. "A drop of this dimension will not be easy to address. It will take three or four years to return to the old levels," he said. (Source: AFP, New Delhi)

#### China is launching its long-awaited NASDAQ-style stock market in the southern city of Shenzhen.



Twenty eight small- and medium-sized enterprises are expected to debut on the new exchange. It is designed to attract financing for new industries with the potential for high growth. Only recently have the economic conditions been judged right for mainland China to launch a new stock market - its third. The Growth Enterprise Market, or Gem as it is already being called, was in the planning for more than 10 years. It is designed to attract funding for the kind of innovative enterprises the government wants to nurture here - software companies, pharmaceutical firms and creative industries. Gem's focus on these new industries has drawn comparisons with New York's NASDAQ exchange, although with less than 30 expected to list in Shenzhen it is a fraction of the size of the US exchange which lists nearly 4,000 clients. China's financial industry regulator has warned investors that because there will be a small number of companies on the board they may be vulnerable to jumps and slumps. They are higher risk investments in part because their small size means it may be harder to work out whether or not they are genuine viable businesses. Many Chinese, though, may regard the higher risk as worth it if the potential returns are big enough. There are very few opportunities in China for people to invest, so the Gem will be a welcome new option for those keen to try their luck and make more money. (Source: Chris Hogg, BBC News, Shanghai)

#### US bank failures pass 100 mark for 2009

The number of US bank failures this year reached 106 as of the 23rd of October, when regulators closed seven more small banks, marking the highest annual level of failed institutions since 1992 during the savings and loan crisis. The number is expected to continue rising as the industry tries to get a handle on commercial real estate loans that will continue to deteriorate as more strip malls go vacant and condo developments remain stalled. The seven banks that were shuttered all had assets under \$350 million. The largest bank failure in the current crisis was Washington Mutual, which had assets of \$307 billion when it was shuttered in September 2008. Federal Deposit Insurance Corp said the banks that were closed down were Partners Bank in Florida, American United Bank in Georgia, Hillcrest Bank Florida, Flagship National Bank in Florida, Bank of Elmwood in Wisconsin, Riverview Community Bank in Minnesota, and First Dupage Bank in Illinois. Those failures brought the number of closings past 100 for the year and are the first time the annual number of closures has reached that level since 1992 when 181 banks failed. There were 25 bank failures in 2008, up from three in 2007. (Source: Reuters, Washington)

#### Goldman Sachs Q3 profits surge to USD 3.19 billion

Financial services major Goldman Sachs reported a nearly four-fold jump in third quarter profits at USD 3.19 billion, primarily boosted by trading and investment segments. The good show by Goldman Sachs comes a day after rival JPMorgan Chase posted a robust third-quarter performance, indicating that the battered financial sector is on the revival path. JPMorgan posted profits of USD 3.6 billion in the September quarter. Goldman Sachs, one of the most



profitable Wall Street firms, raked in profits of USD 3.19 billion, about four-fold higher compared to the year-ago period. In the comparable quarter, it was at USD 845 million. During the third quarter, the entity's net revenues from investment banking was USD 899 million while that from Trading and Principal Investments touched USD 10.03 billion, Goldman Sachs said in a statement. However, the latest quarter profits are lower than that of USD 3.44 billion in the second quarter. The financial services major raked in revenues to the tune of USD 12.37 billion in the third quarter, nearly double compared to USD 6.04 billion in the same period a year ago. Goldman Sachs which is caught in a storm over exorbitant pay packets, said compensation and benefits expenses stood at USD 5.35 billion in the September quarter. The figure is much higher than USD 2.9 billion incurred in the year-ago period. (Source: Agencies, New York)

### Russia is out of recession

Russia is out of recession and its economy will grow by two percent in the fourth quarter owing to a rise in oil prices, Finance Minister Alexei Kudrin was quoted as saying on Saturday, the 24th of October. "We now see that the Russian economy is starting to grow... it is out of recession," Kudrin told the Interfax news agency. "In the fourth quarter, we already expect growth above two percent, mainly due to rising oil prices," he added. "As long as oil prices range between USD 70 and USD 80 per barrel, there will be growth," the finance minister said, claiming any drop off would be a result of market "speculation." Kudrin said that is why the government had made its growth forecasts based on oil prices remaining at USD 58 to USD 60 - oil accounts for around 60 percent of Russia's total exports.

The Russian economy, which is also driven by exports of gas and other commodities, was badly hit by the global financial crisis after enjoying years of strong growth but officials have said the worst of the crisis might be over. (Source: AFP, Moscow)

### Maruti sees quarterly profit jump 93pc



India's largest carmaker Maruti Suzuki reported Saturday that its quarterly net profit had soared 93 percent year-on-year, amid signs pointing to a reviving domestic economy. Maruti, majority owned by Japan's Suzuki Motor Corp, reported net profit of 5.7 billion rupees (USD 123 million) in the second financial quarter to September 30, broadly in line with market expectations. Net sales jumped 47 percent to 70.5 billion rupees. The car manufacturer attributed the profit increase partly to government stimulus measures aimed at boosting a slowing economy that have put more money into the hands of India's increasingly affluent middle class. "Demand has been driven by government stimulus," Maruti Suzuki India Ltd said in a statement issued in New Delhi. It also attributed the rise in sales to aggressive monetary easing by India's central bank to help shield the economy from the impact of the global financial crisis that has made consumer loan costs cheaper. Nearly four-fifths of cars in India are purchased using loans. In recent months India's carmakers have seen demand for vehicles pick up on lower interest rates and stimulus packages from the government targeted at boosting an industry which was hit hard by the global downturn. (Source: AFP, New Delhi)

### China's overseas investment nearly triples in Q3

China's overseas investment in non-financial sectors nearly tripled in the third quarter from the same period last year, the government said on Tuesday, the 27th of October, as the Asian giant rebounded from

the global crisis. Investment in mining, manufacturing and other non-financial sectors reached USD 20.5 billion from July to September, up 190.4 percent on-year, the commerce ministry said in a statement on its website. That compared with a total of USD 32.9 billion pumped into overseas non-financial sectors in the first nine months of 2009, an increase of 0.5 percent on the same period a year ago, it said. (Source: AFP, Beijing)

### India's Jet Airways reports loss, shares plummet

Jet Airways, India's second-biggest domestic airline, reported, a second-quarter net loss blamed on low air traffic, a strike by pilots and overcapacity. The airline posted a net loss of 4.06 billion rupees (USD 88 million) for the quarter ending September, from a loss of 3.84 billion rupees a year earlier. Jet shares fell 36.4 rupees or 9.05 percent to 365.8 on the Mumbai stock exchange on Tuesday, the 27th of October. "The company suffered losses mainly from lower yields, due to intense competition and overcapacity," Jet executive director Saroj Dutta said in a statement to the Mumbai stock exchange.

Revenues for the quarter fell 25 percent to 23.2 billion rupees. Jet said disruptions in September due to a pilots' strike also contributed to the losses. Jet's pilots went on a five-day walk-out, taking mass sick leave after the management sacked two senior pilots for setting up an unrecognized trade union. Thousands of Jet customers were forced to change their travel plans in one of the biggest aviation disruptions in India in recent years, affecting hundreds of domestic and international services. (Source: AFP, Mumbai)

## POLITICS

### Obama urges banks to unfreeze credit for small businesses



P-02

President Barack Obama urged US banks to unfreeze credit for small businesses, calling them "the engine" of the country's economy. "Small businesses have always been the engine of our economy - creating 65 percent of all new jobs over the past decade and a half - and they must be at the forefront of our recovery," Obama said in his weekly radio address. He added that it was time for large American banks that received government assistance at the height of the current economic crisis "to stand by creditworthy small businesses, and make the loans they need to open their doors, grow their operations, and create new jobs." The president recalled that his administration had already provided USD 5 billion worth of tax relief to small businesses and guaranteed some of Small Business Administration loans up to 90 percent, which has supported nearly USD 13 billion in new lending to more than 33,000 businesses. But he argued that more needed to be done by private banks, particularly now that the situation in the financial sector has stabilized. (Source: AFP, Washington)

### Asia mulls common position in G20

Asian countries should club together to boost their influence on the global financial stage and find "coordinated positions" ahead of key world meetings, a summit statement said Sunday, the 25th of October. Leaders of 16 countries agreed at the East Asia Summit (EAS) in Thailand that they should try to work out how to increase their influence in important decision-making bodies like the G20. (Source: AFP, Thailand)

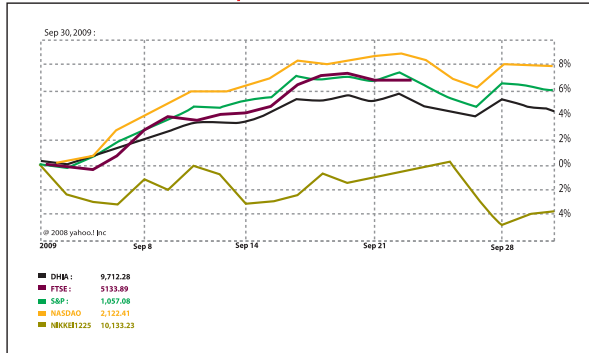


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## INTERNATIONAL CAPITAL MARKETS

### SELECTED GLOBAL INDICES

#### Global Indices Round-up



US stocks fell slightly on Wednesday, the 30th of September, after a surprising contraction in an index of Midwest business activity, but buying of technology bellwethers like Cisco Systems Inc at the end of a strong quarter limited losses. For the month, the Dow rose 2.27% the S&P 500 added 3.6% and the NASDAQ climbed 5.6%. These monthly gains ran counter to the historic trends showing September to be a miserable month for U.S. stock market. Even so, the Dow - up 15% - marked its best quarterly performance since the fourth quarter of 1998, while the S&P 500 notched its second straight quarterly advance of 15%. The NASDAQ gained 15.7% for the third quarter. Volume was heavy on the New York Stock Exchange, where about 1.77 billion shares changed hands, above last year's estimated daily average of 1.49 billion. On the NASDAQ, about 2.76 billion shares traded, above last year's daily average of 2.28 billion. Declining shares outnumbered advancing ones by a ratio of about 3 to 2 on the NYSE, while on the NASDAQ, more than eight stocks fell for every five that rose. European shares look set to finish the third quarter with their best performance in nearly a decade on expectations of economic recovery. German unemployment fell for a third consecutive month in September. U.S. non-farm payrolls data is due on Friday and will do much to dictate market direction in the short-term before the third quarter company earnings seasons gets into gear. The FTSE closed at 5,133.89 on the last trading day of the month, a 4.58% increase from the previous month. The CAC 40, too, gained ground over last month, closing at 3,795.41, a 3.88% increase. Over in Asia, the Hong Kong HANG SENG closed at 20,955.25, a 5.62% increase from last month. India's SENSEX was also up by a significant 7.62% from August. Equities rose in early trade on October 1st, led by top telecoms firm Bharti, which rallied more than 11 per cent a day after its proposed \$24 billion deal with South Africa's MTN collapsed, removing worries over a likely impact on earnings. However analysts believe that the broader market was weighed down by a surprise drop in manufacturing in the U.S. heartland that raised concerns about the strength of a global. The BSE Sensex crossed 17,000-point level on the 30th of September for the first time since May last year. Japan's Nikkei share average hit its lowest close in two months on Thursday, the 1st of October, with shares of exporters hurt by a stronger yen, while uncertainty about the policies of the country's new government dampened investor confidence. The benchmark Nikkei N225 began the second half of Japan's fiscal year on a weak note, sliding 5.41% to 9,978.64, its lowest finish since July 24. (Source: Yahoo! Finance and Reuters)

P-03

### INTERNATIONAL MARKET MOVEMENTS

INDEX	VALUE (AS of Sep 30th)	1 MONTH AGO (AS of Aug 31st)	CHANGE	% CHANGE
DJIA	9,712.28	9,496.28	216.00	2.27%
S&P 500	1,057.08	1,020.62	36.46	3.57%
NASDAQ	2,122.41	2,009.06	113.35	5.64%
FTSE 100	5,133.89	4,908.90	224.99	4.58%
CAC 40	3,795.41	3,653.54	141.87	3.88%
NIKKEI 225	9,978.64	10,549.64	-571	(5.41%)
BSE SENSEX	17,101.76	15,891.05	1,210.71	7.62%
HANG SENG	20,955.25	19,840.27	1,114.98	5.62%



## এমটিবি কৃষি

কৃষি কাজে ঘাটতি পূঁজি সরবরাহে  
আপনার পাশে আছে  
মিউচুয়াল ট্রাস্ট ব্যাংকের  
কৃষি ঋণ প্রকল্প।



মিউচুয়াল ট্রাস্ট ব্যাংক লিমিটেড  
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যোগাযোগ করুন :  
মিউচুয়াল ট্রাস্ট ব্যাংকের যে কোন শাখা  
অথবা এসএমই সার্ভিস সেন্টারে  
ফোন: ৮৮০ (২) ৯৫৬ ৬১৮১, ০১৭-১১৯৫ ১৮১০



## COMMODITIES REVIEW

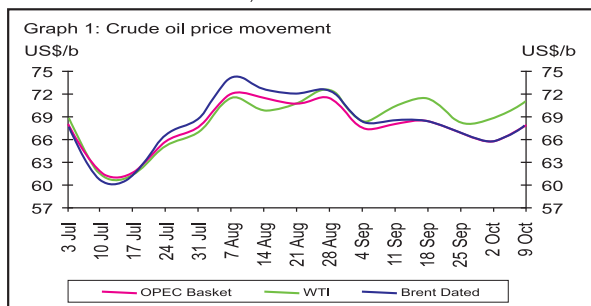
### CRUDE OIL PRICE MOVEMENTS - EXTRACTED FROM "OPEC MONTHLY OIL MARKET REPORT™"

#### OPEC Reference Basket

A sharp fall in Chinese equity markets along with bearish reports on increasing supply have triggered technical sell-offs in the futures markets and exerted pressure on crude prices in early September. Appreciation of the US dollar resulting from worries over potential bank failures have also contributed to the downward price movement. Following these developments, the OPEC Basket fell to \$67.56/b in the week ended 4 September from \$71.42/b in the previous week. Over the same period, WTI and Dated Brent crude prices also slipped to \$68.36/b and \$68.33/b respectively from \$72.48/b and \$72.39/b (See Graph 1). Dubai crude plunged to \$68.29/b from \$71.44/b. Market circumstances improved later on, amid mixed reports on US jobless claims and unemployment rates, increasing demand projection by the IEA, US dollar depreciation and surging equity prices. A pledge by G-20 leaders to keep stimulus measures in place for longer as well as draft rules from China which would allow more foreign portfolio investments have also provided support for crude prices. OPEC Reference Basket later on rose by 84¢ and reached \$70.27/b on 17 September from \$66.03/b on 4 September. WTI and Brent crude also soared to \$72.59/b and \$70.77/b respectively from \$67.88/b and \$65.65/b early September. Similarly, Dubai crude increased to \$70.55/b from \$67.00/b on 4 September.

In the latter part of September, crude oil prices fell again amid stock building in the US and concerns about demand growth. Equity markets also lost some of the previous gains, prompting investors to trim their riskier portfolio assets. These developments have caused the OPEC Reference Basket to slide to \$64/b on 28 September from above \$70/b on the 17th of the same month. WTI and Dated Brent crude prices also slipped \$66.86/b and \$65.19/b respectively from \$72.59/b and \$70.77/b during the same period. Dubai benchmark crude fell to over \$63.92/b from \$70.55/b on 17 September.

Market sentiment improved significantly in early October following an upward revision by the IMF to world economic growth for 2010 and projected increase in demand for the latter part of 2009 and 2010. A sharp depreciation of the US dollar against other major currencies and crude stock draws also underpinned persisting market sentiment and lifted crude prices. In the first week of October,



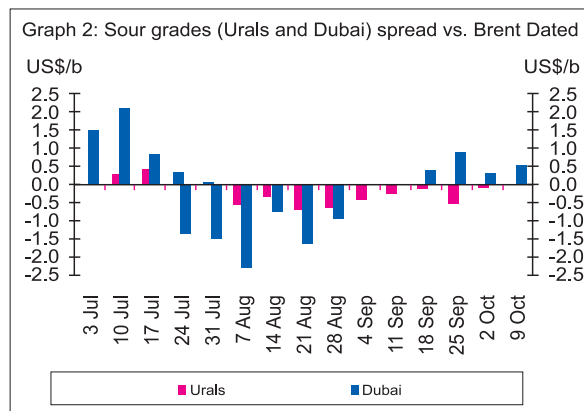
WTI crude prices surged to over \$70/b. With growing optimism on economic growth and the positive impact on demand, the recent market strength is expected to consolidate further. However, it is worth noting that ample current distillate stocks across the world may cap any sharp upward movement in crude prices. In the spot market, US crude differentials for both light sweet and medium sour grades were weak in September. This was attributed to

stock draws at Cushing, Oklahoma, which led to higher prices for WTI futures and slowing demand from refiners due to low refining margins and seasonal maintenance. Light Louisiana Sweet crude differentials which typically used to be sold at \$3/b above the WTI futures contract, fell to below \$1/b in September. Mars sour crude, which was trading at close to parity to WTI in recent months, weakened in September and the differentials fell to minus \$4/b versus WTI crude. Furthermore, following the stock draws at Cushing, the spread between WTI and Brent crude widened in favor of WTI crude. The premium reached over \$4/b in late September (see Graph 1). Following these developments, the US refiners switched their attention to the other side of the Atlantic, trying to bring in further arbitrage barrels from Europe. Market sentiment for West African crude, especially from Nigeria, was also relatively weak in September due to ample supplies and less interest from American refiners. Differentials for Nigerian benchmark Qua Iboe crude against Dated BFOE dropped from around \$1.90/b in the latter part of August to about \$1.20/b in September. Middle East crude was trading at a discount in the first decade of September. However, differentials improved from 10 September onward after Saudi Arabia kept its supply curb to Asia for October. Similarly, Middle East crude received support from Taiwan's CPC which favored Iraqi Basrah Light crude oil for November loading over Russian Urals. Additionally, Abu Dhabi's announcement to keep November supplies at 15% below term contract volume has also given support to Middle East crude differentials in the latter part of September.

#### The sour/sweet crude spread

Upon the completion of the North Sea field maintenance and increasing supply as well as refinery run cuts by European refiners, Brent crude market sentiment eased compared to the previous month and differentials widened in the spot market. Despite these bearish developments, Brent crude spread against Urals remained around 30¢ in third week of September and narrowed again in early October (see Graph 2). Urals crude is especially strong in the Northwest Europe market, selling at almost parity to Dated BFOE. Urals crude

P-04



continues to see better than typical performance, as the grade has benefited from a lower level of Middle east crude

to the region. Looking ahead, the market for Urals is likely to remain strong amid tight supplies of medium-sour crude. Bearish developments for Brent crude have also narrowed the Dubai and Brent crude oil spread in early September. The spread between Dubai and Brent crude gradually rose from minus 4¢ in early September to over 80¢/b in favor of Dubai crude oil. The persisting spread between a physical barrel of Dubai and Brent crude along with the narrowing spread of the Brent/Dubai swaps market (EFS) would encourage traders to continue to export western barrels to Asia. This situation would exert pressure on Middle East crude



differentials in the future and could also increase the risk of further arbitrage cargoes from West Africa to Asia.

	Aug 09		Sep 09		Change		Year-to-Date	
	2008	2009	2008	2009	Sep/Aug	2008	2009	
OPEC Reference Basket	71.35	67.17	67.17	67.17	-4.18	108.10	56.60	
Arab Light	71.42	67.64	67.64	67.64	-3.78	108.99	56.88	
Basrah Light	70.73	67.30	67.30	67.30	-3.43	105.30	56.05	
Bonny Light	73.84	68.74	68.74	68.74	-5.10	114.50	58.96	
Es Sider	72.89	67.44	67.44	67.44	-5.45	110.45	57.05	
Girassol	72.66	67.69	67.69	67.69	-4.97	109.11	57.45	
Iran Heavy	71.53	66.43	66.43	66.43	-5.10	104.92	55.95	
Kuwait Export	70.97	66.45	66.45	66.45	-4.52	104.61	56.26	
Marine	72.02	68.44	68.44	68.44	-3.58	108.30	57.94	
Merey	65.78	62.88	62.88	62.88	-2.90	-	51.65	
Murban	73.51	69.79	69.79	69.79	-3.72	113.08	59.35	
Oriente	65.26	63.67	63.67	63.67	-1.59	99.16	51.35	
Saharan Blend	72.94	67.84	67.84	67.84	-5.10	112.93	58.04	
Other Crudes								
Minas	75.88	70.25	70.25	70.25	-5.63	114.41	60.32	
Dubai	71.36	67.74	67.74	67.74	-3.62	107.25	57.27	
Isthmus	71.04	67.16	67.16	67.16	-3.88	108.93	56.44	
T.J. Light	69.83	66.22	66.22	66.22	-3.61	105.73	55.29	
Brent	72.84	67.39	67.39	67.39	-5.45	111.19	57.35	
W Texas Intermediate	71.05	69.34	69.34	69.34	-1.71	113.53	57.13	
Urals	72.27	67.09	67.09	67.09	-5.18	108.14	56.83	
Differentials								
WTI/Brent	-1.79	1.95	3.74	2.34	-0.22			
Brent/Dubai	1.48	-0.35	-1.83	3.94	0.08			

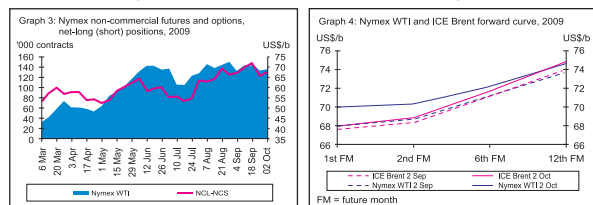
Note: As per the request of Venezuela and as approved by the 11th ECB, the Venezuelan crude BCF-17 has been replaced by Merey as of 2009. ORB has been revised as of this date.  
Source: Platt's, Direct Communication and Secretariat's assessments.

**The oil futures market**

Futures market sentiment remained volatile in September Bearish developments in equity markets, rising Russian crude exports, appreciation of the US dollar and rising worries from potential bank failures have led to technical sell-offs in the futures market early September and put downward pressure on prices. Following these developments netlong positions of non commercial players on the Nymex plummeted from over 138,000 contracts on 25 August to 29,000 contracts on 8 September (see Graph 3). Market circumstances improved later on, heightening the bullish perception of market participants. This situation encouraged traders to buy further futures contracts. Noncommercial net-long positions rose by 20,000 to near 149,000 contracts on the week ended 22 September. In the last week of September, bearish developments in US equities encouraged market participants to reduce their long positions and exerted pressure on prices. However, market sentiment improved significantly in early October following the IMF's upward revision to 2010 world economic growth. Increasing demand projections for 2010 would possibly pursue traders to increase long positions and to provide support for crude prices in the future.

P-05

Market developments also affected both absolute prices of WTI



Nymex WTI	1st FM	2nd FM	3rd FM	6th FM	12th FM
2 Sep 2009	68.05	68.68	69.33	71.12	73.70
2 Oct 2009	69.95	70.33	70.78	72.17	74.65
ICE Brent	1st FM	2nd FM	3rd FM	6th FM	12th FM
2 Sep 2009	67.66	68.37	69.10	71.04	73.96
2 Oct 2009	68.07	68.86	69.57	71.62	74.68

FM = future month

and Brent crude, as well as inter month and inter-crude spreads on both sides of Atlantic Basin. The absolute price level of the

first month on Nymex rose to \$69.95/b on 2 October from \$68.05/b on the same date in September. The intermonth spread between the front month WTI contract versus the 12th month also narrowed to \$4.70/b in early October from about \$5.65/b in early September (see Graph 4). The European futures market also followed a similar trend and the absolute price level of the first month on ICE soared to \$74.68/b on 2 October from \$67.66/b on 2 September. However, the inter-month spread between the Brent front-month versus Brent 12th month widened to \$6.61/b in early October from about \$6.30/b in early September. Meanwhile, as Graph 4 shows, the contango level especially for WTI crude in nearby months has narrowed significantly in recent weeks, which is likely to reduce incentives for further crude stockbuilding.

Editor-in-Chief: Hasan M. Qabazard, Director, Research Division email: hqabazard@opec.org  
Editor: Mohammad Alipour-Jeddi, Head, Petroleum Studies Department email: majeddi@opec.org Analysts: Safar Keramati email: skeramati@opec.org

**METALS COMMENTARY - EXTRACTED FROM BNP PARIBAS FORTIS/VM GROUP™ METALS MONTHLY REPORT**

**Introduction**

The dollar tumbled in September/October amid growing discussions on the future of the US currency's global role. We consider ourselves dollar bulls



**BNP PARIBAS**  
**FORTIS**

compared to most of the market but there's no denying there has been a shift in global perceptions recently. The dollar's decline looks set to continue while the US government's budget is apparently in considerable turmoil and destined to get worse, but a short-term reversal is surely likely at some point; metals prices (especially gold and silver) will react accordingly.

**Gold News**

**Oct 19th:** Russia's gold reserves rose to 19.0 Moz in September, up 0.41 Moz or 12.9t from September's level. The country has increased its reserves by 71.4t this year

**Oct 16th:** The CME group said it would accept gold (with a value up to \$200m) as collateral to cover margin requirements on all of its exchange products. Previously only debt instruments or equities were accepted.

**Sept 26th:** With the end of the second Central Bank Gold Agreement (CBGA) we estimate that total sales in its final year were about 157t, with the biggest seller being France, at 92t.

**Analysis**

**Investment-led strength on dollar anxiety**

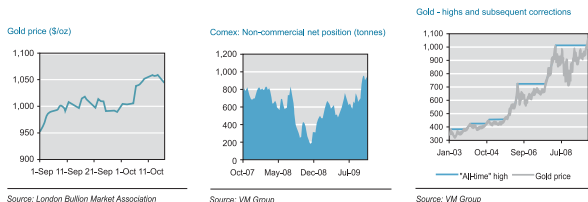
Gold reached hit a new all-time high in October on 6th, 7th, 8th, 9th, 12th October, and then again on 20th October when it fixed at \$1,061.75/oz. Looking back at the history of the gold price since 2003, over 1,714 trading days gold hit a new high (post-2003 . the 1980 high of \$850/oz would remain so until 3rd January 2008) on 178 of those days (mostly from 2002 onwards), testament to the strength of its bull run. But many of those highs lasted just one or a few days. There were five occasions it hit a new high which would not be seen again for months . on 5th February 2003 (when it took 149 days for the high to be beaten); 1st April 2004 (141 days); 2nd December 2004 (195 days); 12th May 2006 (341 days); and 17th March 2008 (382 days). After those highs had been reached, gold fell back, at its worst by 16%, 12%, 9%, 23% and 30% respectively. This is the kind of correction of which many analysts, including ourselves are fearful. If this was to occur, then from the current high of \$1,061.75/oz, gold would fall back to a price of between \$746/oz and \$966/oz. The time span for this to happen hitherto has been



44, 25, 44, 104, and 157 trading days after the peak, giving us a time somewhere between mid December 2009 and May 2010. Yet history never repeats itself exactly. For one thing, we don't yet know whether we have seen the peak of this current spurt higher. Gold only beat its March 2008 peak in September, and so has been setting new highs for about 25 trading days. On previous occasions when it had beaten a long-standing high, it took much longer until it topped out, 143 trading days before the 1st April 2004 peak, 165 trading days before the 12th May 2006 high and 124 trading days before 17th March 2008 peak. Only the peak seen on 2nd December 2004 arrived quickly, arriving 29 days after the 1st April 2004 peak had finally been beaten.

**Outlook**

There are important internal dynamics, such as weak Indian imports and even weaker central bank sales, but all the action right now is investor-led and based on larger financial flows, most importantly the suggestion that the dollar is losing its global currency status. It's premature to put much faith in that however; if the dollar regains esteem gold could get savaged, but perhaps not yet.



**Silver News**

**Oct 14th:** Pan American Silver, the Canadian miner, bid \$626m for Canadian exploration company Aquiline Resources, whose directors have supported the approach. Aquiline's major deposit is a silver one in Navidad, Argentina, together with a gold/silver deposit (Calcatreu) in the same country and a gold deposit in Peru.

**Oct 14th:** The world's largest silver miner, Fresnillo, saw production (attributable) rise to 9.75 Moz in Q3 2009, up 9.3% from Q2 2009. The company said it was on target for full year production of 40.1 Moz.

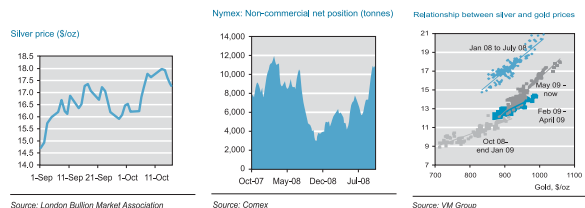
**Analysis Silver begins to catch up**

It might seem a bit odd to say silver is under-performing, when during October it rose 7.9% (to 20th October), compared with gold, which managed 6.6% during the same first three weeks of the month. Moreover, silver has popped over \$18/oz in intra-day trading. But if we were looking at the period since both metals' previous peak, back on September 17th, gold to its latest peak on the 20th October gained 4.2%, whereas silver in that same period gained just 3.2%. This is not the normal pattern when both metals are charging higher. One possible explanation for silver being less strong than gold is that base metal prices over that period fell by 2.7% (judged by the LME's LMEX index of key base metals), and of course silver is to an extent a key industrial metal. Some support for this explanation also derives from platinum, another industrial precious metal, which managed only a 1.2% gain in that period. But this theory is undermined somewhat by palladium, which rose 8% during that period. And silver has done worse since than base metals or the PGMs. However, the strongest explanation for gold relatively outpacing silver is that when the US currency comes under hostile attack, gold really comes into its own, and others tend to lag behind. ETF investment in silver has been relatively quiet. Total (two US, one Swiss and one UK) holdings by 13th October were 11,191t, lower than they were at the start of August and 124.3t off their mid-August peak. This was primarily because of a 128t sell-off in the market-leading BGI ETF in late September. Comex has seen more spectacular gains, up to 7,356t (of non-commercial net

long) by 13th October, more than 3,000t higher than the position in mid-August. However even there, the position was only 200t higher than on 22nd September.

**Outlook**

Silver is clearly enjoying the precious metal rally but ETF and futures data suggests it hasn't seen as much investor interest as might have been expected. This might mean it is poised for another leap higher, or that the market is getting wary at these high prices. We don't think a correction in the industrial metals will knock it much lower, so long as gold holds up.



**Aluminum News**

**Oct 13th:** Aluminum stocks held at Japanese ports totaled 169,900t at the end of September, down 11.6% from a month earlier and the lowest since records began, about 14 years ago.

**Oct 5th:** Rio Tinto will sell an 80% stake in Ghana's only bauxite mine to Chinese minerals group Bosai.

**Sept 28th:** Western world unwrought aluminum stocks rose to 1,232 Mt in August, from 1,179 Mt in July, according to the International Aluminum Institute.

**Analysis Not all bad news**

Aluminum has been characterized by growing stocks and rising production for much of 2009, while demand has remained weak everywhere besides China. But now there are hints of improving demand, with physical premiums on the rise and orders for and shipments of aluminum in the US improving. LME warehouse stocks have also declined modestly but steadily since mid-September, falling 2% to 4,58 Mt as at 19th October, while cancelled warrants are more than 90,000t, as at 16th October, implying that further metal might be due to leave the warehouses. Will this turn out to be the beginning of the long awaited restocking phase, who knows? Maybe it could even be an indication of recovery in real demand, then the aluminum price could strengthen yet further, since immediate metal availability is limited due to much of it being held in term financing deals or off-market. The improving mood was voiced by Alcoa, which estimated that demand would improve by 11% in 2H 2009, not excluding restocking of working inventories of end-users. It also said that it is seeing modest sales increase in global truck and trailer and automotive segments for the second half, while at the same time putting up prices by 2% on alloy coil and flat sheet items. This is price supportive, but could be undermined by the rapid rise in production capacity, mainly in China. Although the differential between the Shanghai price over the LME price has remained steady at \$300/t-\$390/t, suggesting that Chinese demand is robust, in our view a tipping point will be reached before long, where Chinese supply will soon outweigh demand and prices will need yet again to correct. This risk will be even greater if smelters in the rest of the world restart idled capacity; but at current prices of \$1,800/t-\$1,900/t the temptation to do that will be strong.

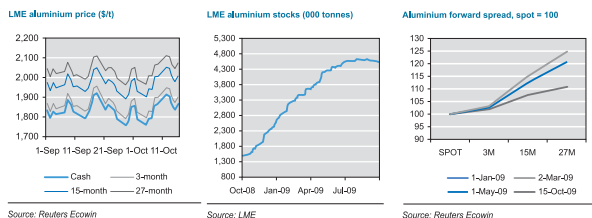
**Outlook**

In the short-term we expect to see the aluminum price behave positively to any continuing signs of economic recovery, but this is supported by the lack of immediate metal availability, despite total visible stocks near 6 Mt and an estimated half that held off-market. But the price will almost certainly come under further





pressure in 2010, as we expect the surplus to widen further. Everything hinges on demand recovery rising sufficiently strongly to offset that likely over-supply.



**Copper**  
News

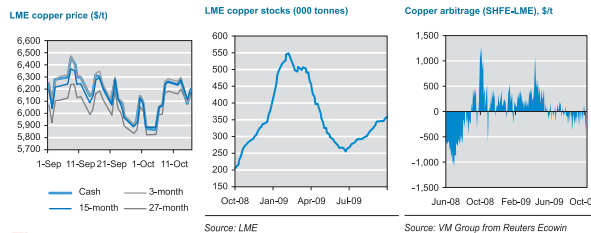
**Oct 13th:** Chile's Escondido averted a strike, after workers accepted a wage offer from BHP Billiton. The reverse happened at BHP's Spence mine in Chile, where workers opted to strike. Spence produced 164,671t of copper in 2008.  
**Oct 9th:** The International Copper Study Group (ICSG) forecast the refined copper market will be in surplus of about 370,000t in 2009, with weak demand eclipsing a decline in production. The ICSG expects the surplus to rise to around 540,000t in 2010.  
**Oct 7th:** BHP Billiton Olympic Dam copper, gold and uranium mine in Australia shut down an automated ore haulage system due to mechanical failure.

**Analysis**  
Chinese imports spring a surprise

China surprised the copper market in October, with data showing that its imports of unwrought copper and copper products in September increased 22% month-on-month from August, to 399,052t. July and August had seen import volumes decline, month by month, and the market consensus was that September would see the third consecutive monthly slide. The fact that import volumes reversed indicates clearly that Chinese demand is still healthy, especially considering the high copper price and negative differential between Shanghai and LME copper price (including VAT). The copper price reacted positively to the news but was capped by further gains in LME warehouse stocks, which suggests that demand outside of China is still very weak. LME warehouse stocks have now risen by 39% since their low in mid-July, to more than 357,000t as of 19th October. In contrast Shanghai stocks have dropped to 100,217t from 104,248t in mid-September. We do not expect to see an appreciable pick-up in OECD copper demand in Q4 2009, and therefore Chinese demand will be crucial in determining price strength in the short-term. We estimate an apparent copper surplus of nearly 300,000t in 2009 and perhaps half that in 2010 as demand conditions improve and copper supply is hit by mine-supply disruptions. It is a fine balancing act, one where China's amassed off-market copper stocks, probably some 1 Mt will have the final word.

**Outlook**

Whether the larger than expected Chinese imports will kick-start another run up in the copper price is unclear, but what they do imply, unless its import volumes collapse is a price floor of above \$5,500/t until OECD recovery gets underway. We do not see this happening until 1H 2010, so producer discipline will be critical in ensuring that the surplus does not increase further. Price behavior since August has been range-bound between \$5,800/t-\$6,500/t, and has been capped by rising LME inventories, slack OECD demand, and supported by Chinese demand and the readiness of speculative investment to step in when a price weakness is perceived. We see this as the big-picture dynamic for the rest of this year.



**Tin**  
News

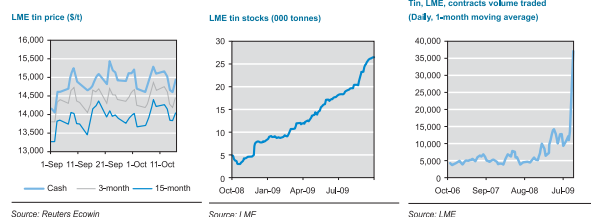
**Oct 14th:** Seven Indonesian tin smelters will restart operations, after shutting in August 2009 due to lack of feedstock, following the government crackdown on illegal tin ore mining. Indonesian tin exports were 7,755.3t in September, down 29% month-on-month.  
**Oct 9th:** The Democratic Republic of Congo asked metals groups AMC and Traxys to resume purchases of tin ore, after backing an industry effort to ensure revenues from the sector do not fund conflict. AMC suspended purchases of the ore from the DRC in September; Traxys stopped sourcing minerals from the region in May.  
**Oct 6th:** Bolivia's Vinto smelter will increase refined tin output to 10,500t in 2009 and begin a major expansion in 2010, raising production capacity by a theoretical 27,000t/y. Vinto produced 9,544t of refined tin in 2008.

**Analysis**  
Indonesian uncertainties persist

The South Bangka government of Indonesia announced on 8th Oct that small-scale tin miners could resume production, after completing all permits, following a protest over recent government action against small-scale smelting. The restart of these mines and smelters, which have been closed since August, will weigh upon the tin price in the short-term. The Bangka-Belitung Timah Sejahtera consortium smelters could represent a return of some 2,800t/month of tin production capacity, but will run at 30% capacity for the time being. We expect Indonesia's refined tin exports will nevertheless be boosted as a consequence of these small-scale re-starts. Indonesia's tin exports dropped 29% year-on-year and 8.2% month-on-month in September, to 7,755t. Refined tin exports from Indonesia in January to September this year stood at 75,552t, compared with 75,535t in the same period in 2008. Ultimately, 2009 overall could see Indonesia's total tin exports are likely to be under 100,000t, in any normal circumstances this would be taken as a bullish signal for tin prices, but such is the depressed state of global tin demand that it will probably be shrugged off. We estimate world tin consumption is likely to fall by about 9% year-on-year in 2009, to 320,000t, due primarily to weakness in the electronics sector. In 2H 2009 demand has picked up in both solders and tin chemicals, while tinplate demand has remained relatively steady throughout the recession. However, we still believe that the tin market is over-supplied, as implied by rising LME inventories, which have climbed steadily since June, and falling cancelled warrants.

**Outlook**

We forecast a 20,000t tin supply surplus in 2009, but expect the price to find support from shortage of physical metal available for prompt delivery, due to a dominant position holding more than 90% of warrants on the LME. How this unwinds, or is sustained, in the coming months will be a factor in the price movement.



P-07



## Steel News

**Oct 12th:** Global steel demand will rise 9.2% to 1.206bn tonnes in 2010, recovering after this year's 8.6% decline, according to the World Steel Association.

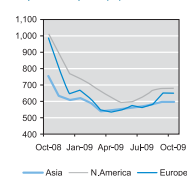
## Analysis Chinese surplus raises tensions

The US Commerce Department's (USCD) investigation into imports of Chinese seamless and alloy steel pipes, prompted by allegations from the US Steel Corporation and the United Steelworkers trade union that these pipes are being dumped onto the US market, could pose a problem for China and perhaps US economic recovery. If the USCD rules that dumping is happening, then these steel pipe imports could face a 100% import duty. The EU imposed a 39.2% duty on these same products on 8th October 2009. China has already warned that the imposition of a severe import tax would be regarded as a serious act of trade protectionism. The USCD will need to determine whether the pipes are being sold at less than normal value or are being subsidized by the Chinese government. The US International Trade Commission must decide whether US producers are being harmed by the imports. A decision by the US authorities is likely in early November, with the USCD planning to make its preliminary determination on countervailing duties in December and on antidumping duties in February. China's annual steel capacity is expected to top 700 Mt by the end of this year, with production of around 570 Mt of crude steel in 2009, 70 Mt above government targets. This has overshot the actual level of China's demand and resulted in large steel inventories, running into tens of millions of tonnes of various steel products, including pipes. China's steel sector is very keen to offload this surplus overseas. Consequently, Chinese domestic steel prices have fallen by as much as 20% from their August 2009 highs, with the price for 400 series hot-rolled steel rebar (20mm, Shanghai) down at Yuan 3,490/t (\$511/t), from Yuan 4,650/t (\$681/t) and seamless steel pipe (Shanghai, 219 x 6mm) at Yuan 4,575/t (\$670/t), from Yuan 5,200/y (\$761/t). That price weakness would become more serious and extended if the USCD does impose a prohibitive duty on imported Chinese steel pipes, while a riposte from China could damage US interests.

## Outlook

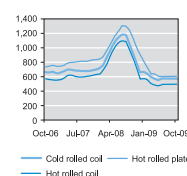
The international steel community must be wary and maintain production in line with demand, or suffer the same problem as the Chinese steel sector. Some US steel makers have restarted capacity and raised prices on the back of the now expired cash for clunkers, scheme and low inventories, but they have found it well nigh impossible to impose these higher prices on customers. More idled capacity is being brought back online and we believe that prices could fall further.

Composite steel prices (\$/t)



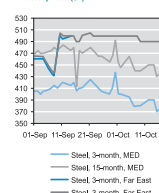
Source: MEPs, Reuters Ecowin

Steel products, world prices (\$/t)



Source: MEPs, Reuters Ecowin  
Note: "World" is average of Asia, N. America, and Europe

LME steel prices (\$/t)



Source: Reuters Ecowin

## Plastics News

**Oct 8th:** Total Petrochemicals will restart part of its steam cracker at Carling- Saint Avold in France that has been shut since an explosion in July. Full operations will resume by mid-December. The plant produces 170,000t/y of polyethylene.

**Oct 8th:** Ford researchers are working to develop 100% petroleum-free automotive plastics to make cars totally bio-degradable.

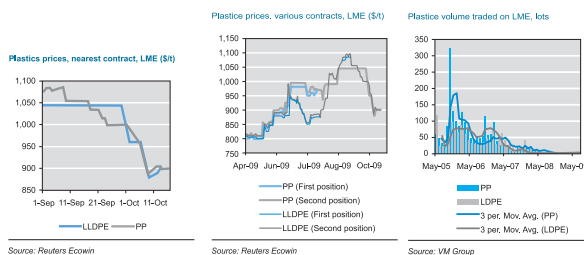
## Analysis Oversupply knocks prices

After the Chinese National Holiday, buyers of polyethylene (PE) and polypropylene (PP) have returned to the market with a vengeance, restocking inventory levels. However, we are cautious that the rise in prices will be sustainable, due to the flood of additional supply that has come online over the past few months from China and the Middle East. New plants in China and the Middle East will add about 2.6 Mt/y of polyethylene and 1.65 Mt/y of polypropylene over the next six months, which in a market where demand is still weak spells trouble. In the US, the recession and rising global supply has forced US petrochemicals producers to axe capacity. Businesses are still running down inventories, but polymer resin (polyethylene and polypropylene) export prices from the US Gulf have increased on the strength of Asian demand. We do not expect this to last. Overcapacity will crimp prices over the next 15 months unless supply is cut. By 2010, the world ethylene market could have a surplus of 17 Mt with operating rates in the US at around 75% in 2010, up from around 70% in 2009. We believe that production rates will need to be cut by as much as 3-3.5 Mt/y in order to balance the market, while a similar situation faces the polyethylene market, which is oversupplied by about 15% above demand in 2009. Asian linear low-density polyethylene price have therefore fallen to \$1,165/t for from \$1,245/t a month ago, while polypropylene prices have also decreased to \$1,080/t from \$1,145/t a month ago. Likewise the LME PP and LL contracts have both fallen, with the former down by 16% to \$905/t over the same period and the latter down by 14% to \$900/t.

## Outlook

The petrochemicals industry is cautiously optimistic, with financial results showing an improvement in Q2 over Q1, assisted by the US government's stimulus program and the completion of destocking in China. However, over production is rife and new capacity additions will weigh on prices over the short to medium term. This is already occurring and will be the trend for the remainder of 2009.

P-08



Source: Reuters Ecowin

Source: Reuters Ecowin

Source: VM Group

Analyst: Carl Firman  
VM Group  
Tel: +44 20 7569 5930  
Email: carl@vmgroup.co.uk

Analyst: Gary Mead  
VM Group  
Tel: +44 20 7569 5930  
Email: Gary@vmgroup.co.uk

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you can bank on us



# INTERNATIONAL ECONOMIC FORECASTS - WELLS FARGO SECURITIES ECONOMICS GROUP™ REPORT

## U.S. OVERVIEW

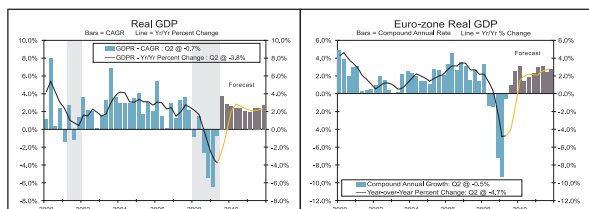
### "The Recovery Will Be Agonizingly Slow"

So it indeed has been. As this short quote from the Executive Summary of our 2009 Annual Outlook (published in December 2008) neatly summarized, the economic recovery faces a number of secular challenges that will alter the pace and composition of growth. For many decision-makers, the outlook for 2010 suggests continued change and adjustment to an altered reality of more government/less private sector contributions to growth, greater caution/less leverage for consumer spending, greater prudence/less speculation in lending and the importance of exports in moving the U.S. economy.

Even though our outlook for continued growth in the overall economy would suggest a normal cycle, the underlying forces in this economy are anything but normal. Much of the near-term gain in growth reflects federal, not private spending; foreign buying via exports, not domestic spending and production to rebuild inventories, not for new final sales. These odd characteristics of our growth in the short term give rise to questions about the sustainability of the recovery over time.

Finally, our outlook is framed, as it has been for two years, by the character of America's evolving credit cycle. This credit cycle will not be a repeat of the past. We are still searching for that new balance in private and public leverage. We have not yet defined the limits of federal fiscal and monetary support. We are unsure of continued foreign purchases of U.S. securities and what price foreign investors might be willing to pay.

P-09



Source: U.S. Department of Commerce, IHS Global Insight and Wells Fargo Securities, LLC

## INTERNATIONAL OVERVIEW

### Is Coordinated Policy Easing Still Appropriate?

Leaders of the G-20 countries recently agreed to "avoid any premature withdrawal of stimulus" in order to secure a "durable recovery." Policy stimulus may be appropriate for many advanced economies, which probably will experience sluggish upturns due to further deleveraging, and we expect that most major central banks will maintain their respective policy rates at extremely low levels through much of next year. However, bona fide recoveries appear to be taking hold in many parts of the developing world, and it is no longer apparent that continued policy accommodation remains in the best long-run economic interests of many of these countries.

Consider Brazil, for example. Although the Brazilian inflation rate has trended lower since the end of last year, we project that it will begin to rise again in mid-2010 as growth strengthens and commodity prices trend higher. With budding inflationary pressures, continued policy accommodation would not be appropriate. The Reserve Bank of Australia recently surprised most investors by hiking its main policy rate by 25 bps, and central banks in many developing countries will likely begin their own tightening cycles early next year as well. We do not mean to imply that developing countries will slam on the brakes, thereby threatening to derail the incipient global recovery. Inflation is generally benign at present, and there is no need for excessive

tightening. However, policy will need to become less accommodative in many developing countries or inflation could become a major problem again.

### Recovery-The Initial Push

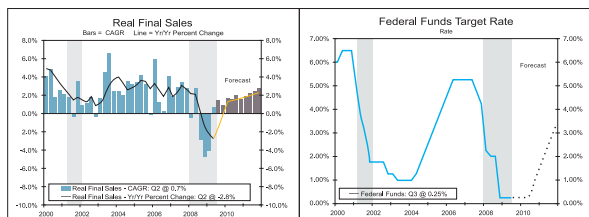
Real final sales, our measure of underlying demand, remains sub par in the outlook with a gain of just more than one percent in the second half of this year and 1.4 percent in 2010 compared to 2.5 percent in 2007. This weakness primarily reflects sub par consumer spending of just 1.0 percent for next year. Currently, federal spending, net exports and inventory rebuilding have provided the initial push into recovery for the economy. Fiscal stimulus dollars continue to flow freely and we estimate that federal spending will grow 2.8 percent on average during the last half of this year and 2.6 percent next year. Net exports are expected to add to growth by just less than half a percent after adding one percent during the past two years. Finally, inventory rebuilding will add nearly two percent to growth in the second half of this year and roughly one percent next year.

### Real Final Demand, Headwinds Limit Sustainability

As evidenced by recent data on jobs, orders and vehicle sales, once the stimulus runs its course, we are left searching for the sustainable growth at a pace typical of the V-shaped recoveries of the past. We find none. September's employment report highlighted the underlying weakness in household's earned income as jobs fell, hours worked declined and earnings growth continued to slow. Our view is that the American consumer is unlikely to reassert her usual role as spender of last resort and instead move forward at a more deliberate pace given the headwinds of wealth rebuilding, more limited credit, as well as the aging of the baby boomers. We postulate a household saving rate of eight percent over the next two years. Factory orders slipped in August with the biggest weakness in transportation orders. The recovery in business equipment investment is expected to start in the fourth quarter of this year, with strength in technology goods. Light vehicle sales dropped sharply to only a 6.8 million rate in September compared to 10.2 million in August with the Cash for Clunkers program. This suggests that the sustainable pace of household spending, post-stimulus is far less than the optimists in the V-shaped recovery camp hope for. This increases our caution on estimates of final demand when other stimulus measures, such as aid to state and local governments and the \$8,000 tax credit for first-time homebuyers expire. While we are forecasting a substantial deceleration in overall growth, we do not expect a double dip. Overall growth is expected to remain in positive territory throughout the forecast period thanks mostly to continued narrowing in the trade deficit and increases in federal government outlays. Private domestic demand should gradually build momentum, but there are a number of hurdles that need to be overcome before robust growth returns to the private sector. Recent data indicate that delinquency rates are surging for prime and sub prime mortgages. What evidence do we have that attitudes have changed? From the Senior Loan Officer Survey, we note that the net percentage of banks tightening standards on C&I loans to large and medium sized firms remains in the range associated with prior recessions. For consumer loans the net percent tightening remains higher than the last recession. Prudence appears to be evident on both the demand and supply side of the credit markets. Unfortunately we are only now entering the exit period for monetary policy from its support for Treasuries and by next March from mortgage-backed and asset-backed securities. This will be a test for the economy, the financial markets, the Fed and the Obama administration as well. How well will the economy adjust back to freely traded markets and how well will policymakers, both domestic and



foreign, accept the markets' judgment? We await new data.



**Policy Priorities Beginning to Shift in Some Countries**

When the global economy fell off a cliff last autumn, governments in most major economies were quick to enact stimulus programs, both monetary and fiscal, to prevent a total worldwide collapse in economic activity. Their efforts largely succeeded. Although the global economy has suffered its deepest recession in decades, a catastrophe (i.e., another Great Depression) was averted. Indeed, recent monthly indicators suggest that a tentative global recovery is starting to take hold.

The leaders of the G-20 nations met recently in Pittsburgh and congratulated themselves on a job well done. They also pledged to "avoid any premature withdrawal of stimulus" in order to secure a "durable recovery." It will be interesting to see whether that commitment actually remains in place in the quarters ahead. When the global economy is teetering at the precipice, it is relatively easy to get leaders to agree that stimulus is needed. Now that the immediate crisis has passed and policy priorities are starting to diverge somewhat, achieving consensus may be more difficult. The group of countries most likely to require continued macroeconomic stimulus is the western economies. Financial systems in many western economies became very leveraged earlier this decade, and economic growth could continue to be held back by continued deleveraging. Although the worst is probably over for the Euro-zone, we project that real GDP growth in continental Europe will remain lackluster throughout most of next year (see the chart on the front page). Both the U.S. and U.K. economies will likely grow at a sluggish pace next year also. If stimulus is withdrawn prematurely, these economies could conceivably roll back into recession. (A "double dip" recession is not our forecast, however.)

In contrast, bona fide recoveries appear to be underway in many developing economies. (The major exception to this statement would be Eastern Europe, which was very highly geared and which subsequently plunged into deep recession.) For example, Chinese industrial production has returned to double-digit growth rates recently (see below). Although the emerging world surely would experience a renewed slowdown if a number of major economies were to slide back into recession, continued stimulus may no longer be appropriate for many developing economies. Addressing inflation could become a policy priority again for some of these countries. Take Brazil, for example. The overall rate of CPI inflation in Brazil has trended lower since the end of 2008, and it likely will drift lower over the next few months. However, we project that it will begin to pick up again by mid-2010 as Brazilian economic growth strengthens and as commodity prices continue to grind higher. Will Brazilian authorities continue to sanction further stimulus if inflation threatens to head higher? Probably not. Some analysts look for the Brazilian central bank to hike rates early next year, and central banks in some other large developing countries probably will follow suit as well.

As recently shown by Australia, an advanced economy that is also a G-20 member, rate hikes in some countries could begin fairly soon. The Reserve Bank of Australia surprised most investors on October 6 when it lifted its main policy rate by 25 basis points. The Australian economy escaped relatively unscathed from last autumn's global financial crisis, and recoveries in many of the country's major trading partners in Asia

will continue to boost the country's exports.

We do not mean to imply that developing countries will slam on the brakes, thereby threatening to derail the incipient global recovery. Inflation is generally benign at present, and there is no need for excessive tightening. Very low interest rates may no longer be appropriate in many parts of the developing world, and central banks in these countries likely will begin to withdraw excess stimulus well in order to ensure that inflation does not become a major problem again. As rates rise, central banks in these countries likely will resist some of the upward pressure on their currencies via exchange market intervention.

**Wells Fargo International Economic Forecast**

(Year-over-Year Percent Change)

	GDP			CPI		
	2009	2010	2011	2009	2010	2011
Global (PPP weights)	-0.9%	-3.7%	-3.9%	-2.7%	-3.6%	-3.9%
Global (Market Exchange Rates)	-2.1%	-2.5%	-2.7%	n/a	n/a	n/a
<b>Advanced Economies<sup>1</sup></b>						
United States	-2.4%	2.4%	2.2%	-0.4%	1.6%	2.0%
Eurozone	-3.8%	1.9%	2.5%	0.3%	1.1%	1.7%
United Kingdom	-4.4%	1.9%	2.4%	2.2%	2.3%	2.8%
Japan	-5.9%	1.8%	1.6%	-1.3%	-0.7%	0.5%
Korea	-1.0%	3.9%	3.5%	2.7%	2.8%	2.9%
Canada	-2.5%	2.1%	2.7%	0.2%	1.6%	1.9%
<b>Developing Economies<sup>1</sup></b>						
China	2.2%	5.3%	5.7%	6.4%	6.4%	6.4%
India	8.4%	8.8%	9.0%	-0.8%	1.3%	2.0%
Mexico	5.8%	7.0%	8.0%	10.9%	9.4%	6.8%
Brazil	-7.0%	2.2%	2.5%	5.3%	3.6%	3.9%
Russia	0.2%	3.5%	3.6%	4.9%	4.9%	5.1%
Russia	-8.0%	2.4%	3.0%	12.1%	8.1%	9.2%

Forecast as of: October 7, 2009  
<sup>1</sup> Aggregated Using PPP Weights

**Wells Fargo International Interest Rate Forecast**

(End of Quarter Rates)

	3-Month LIBOR												10-Year Bond															
	2009						2010						2009						2010									
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2									
U.S.	0.30%	0.35%	0.40%	0.60%	1.40%	1.90%	2.40%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	0.30%	0.35%	0.40%	0.60%	1.40%	1.90%	2.40%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%
Japan	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.35%	1.30%	1.30%	1.35%	1.45%	1.55%	1.65%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.35%	1.30%	1.30%	1.35%	1.45%	1.55%	1.65%	
Euroland	0.70%	0.70%	1.00%	1.40%	2.00%	2.75%	3.20%	3.25%	3.30%	3.60%	3.90%	4.25%	4.40%	4.45%	0.70%	0.70%	1.00%	1.40%	2.00%	2.75%	3.20%	3.25%	3.30%	3.60%	3.90%	4.25%	4.40%	4.45%
U.K.	0.60%	0.60%	0.65%	0.90%	1.45%	2.20%	3.20%	3.50%	3.60%	3.90%	4.20%	4.50%	4.60%	4.70%	0.60%	0.60%	0.65%	0.90%	1.45%	2.20%	3.20%	3.50%	3.60%	3.90%	4.20%	4.50%	4.60%	4.70%
Canada	0.50%	0.50%	0.60%	1.00%	2.00%	3.00%	3.75%	3.30%	3.40%	3.60%	4.00%	4.30%	4.40%	4.45%	0.50%	0.50%	0.60%	1.00%	2.00%	3.00%	3.75%	3.30%	3.40%	3.60%	4.00%	4.30%	4.40%	4.45%

Forecast as of: October 7, 2009

# NATIONAL ECONOMIC INDICATORS

**Foreign Exchange Reserve:**

The Foreign Exchange Reserve as of October 27, 2009, was registered at USD 9,558.91 from US\$ 9,362.57 million, reported on September 30, 2009, a 2.10% growth. At the end of June'09, the reserve was US\$ 7,470.96 million. The year-over-year increase in October 27, 2009 is also quite significant (76.16%) as the foreign exchange reserve on October 27, 2008, was at US\$ 5,426.31 million.

**Exchange Rate Movements:**

The average Taka-Dollar exchange rate of BDT 69,1498 reported as on October 27, 2009, has increased slightly from the previous month's exchange rate of BDT 69.06, as reported on September 30, 2009. On a year-over-year basis, the exchange rate has experienced an increase from the October 27, 2009 figure of BDT 68.5921 showing that Dollar has become stronger against the Taka in FY2009.

**Wage Earner's Remittance:**

Bangladesh received US\$ 887.57 million as inward foreign remittance in September 2009 registering 11.76% growth over



year-over-year. The remittance for the quarter July - September 2009 stood at US\$ 2,708.10 million, a 15.89% increase, year-over-year.

**Import:**

Import figures in August 2009 was US\$ 1,582.1 million as compared to US\$ 2084.6 million in August, 2008, a -24.11% decrease year-over-over. Imports for the quarter July - September 2009 stood at US\$ 3,308.50, a -20.39% decrease year-over-year.

**Export:**

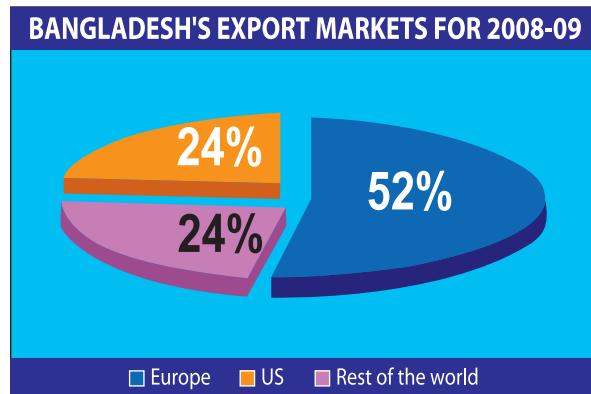
Export figure for August 2009, is reported as US\$ 1,367.79 million, a slight 0.71% increase from the previous year. Yet, the quarterly figure was reported at US\$ 2,808.15 million, a -3.29% decrease from the previous year.

**Investments in National Savings Certificates**

The August 2009 figure of sales of National Savings Certificates was reported as BDT 764.06 crore, a significant increase from August 2008 figure of BDT 154.11 crore. The quarterly figure stood at BDT 1,678.64 crore. The total certificates outstanding for August 2009 were BDT 51469.43 crore, a 10.14% increase from the figure reported on the previous year.

cars to be branded locally. Industries Minister Dilip Barua formally unveiled the USD 2 billion investment plan, and termed it as a good sign for Bangladesh amid a sluggish foreign investment flow. If the plant is set up in time, it will be the first-ever car making venture in Bangladesh. (Source: The Daily Star)

**Govt. to explore African and Central Asian markets**



Bangladesh is going to explore business opportunities in 10 African and three Central Asian countries soon in a bid to reduce its dependence on Europe and the US markets. "We are collecting data of Bangladesh's exports to 10 African and three Central Asian countries in line with a directive of the Prime Minister's Office," a senior Bangladesh Bank official said. The African countries are Kenya, Mali, Mauritius, Nigeria, South Africa, Sudan, Sierra Leone, Tanzania, Uganda and Zambia, while Kazakhstan, Kyrgyzstan and Uzbekistan are the three Central Asian countries. According to government officials, the prime minister will hold bilateral meetings with these countries to boost Bangladesh's trade with them, especially exports. The country exported goods worth USD15.56 billion in fiscal 2008-09, according to Export Promotion Bureau. Of the amount, USD 8.2 billion came from Europe and nearly USD 4 billion from the US. Most of the remaining exports were destined to Asia, Australia and Canada. African countries still remain almost untapped. (Source: The Daily Star)

**Industrial output hampered from gas crisis**

A severe gas crisis continues to take a toll on Bangladesh's industrial output, said industry insiders, pointing to more than 30 percent production loss. A Matin Chowdhury, managing director of Rahim Spinning Mills Limited, said he has been forced to go at least 30 percent below his output capacity by the inadequate supply of gas. "Export orders of readymade garment (RMG) from international buyers are aplenty, but we cannot take all the orders, as we know we will not be able to supply the items in time because of the scarcity in gas supply to industrial units," said Chowdhury. Textile and RMG products account for more than 80 percent of the annual national exports. Maintenance of adequate gas pressure and providing other utility services to the industrial plants should be government's first priority, especially the spinners, are now in lobbying for an improved situation. Presently, there are 5000 industrial connections under Titas Gas, while such 1000 connections under other gas distribution companies. (Source: The Financial Express)

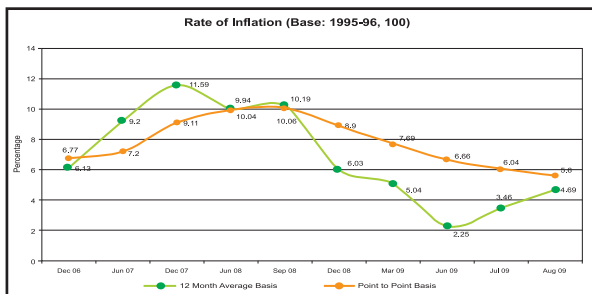
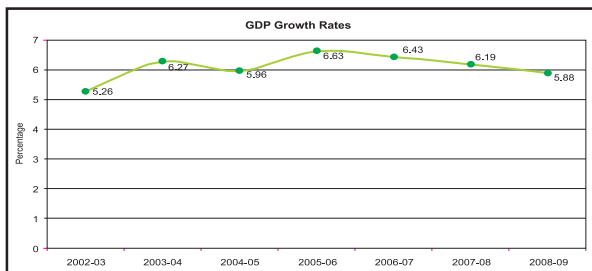
**Housing Fair raises BDT 3 billion spot**

A four-day real estate fair wrapped up in Chittagong recording BDT 3 billion in spot bookings. The figure is four times higher than the previous year. Forty real estate firms and 60 construction materials companies from Dhaka and Chittagong took part in the seventh BD-RED Abasan Meja 2009. Bangladesh Real Estate Directory (BD-RED) had organized the fair at the Institution of Engineers, Bangladesh (IEB) Chittagong centre. BD-RED Chief Executive Md Yeasen Khan said the turnout was "quite satisfactory" as the fair pulled in more than 30,000 visitors.

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Recent Exchange Rate Information 1 November, 2009		
Currency	Buying	Selling
USD	69.15	69.15
Cross Rates		
SEK	9.77	9.78
JPY	0.76	0.76
GBP	113.18	113.22
EUR	101.65	101.68
CAD	63.99	64.02
AUD	62.01	62.06

USD/BDT Rates (based on inter-bank transaction)



# NATIONAL NEWS

## FINANCE AND ECONOMY

**Bangladesh to become carmaker**

Bangladesh is set to become an automaker by the next two years, as a South Korean investment company yesterday announced a plan to invest USD 2 billion for setting up a Korean brand car manufacturing plant in the country. The proposed car unit is expected to go into production by 2012, targeting to make 50,000 Korean Tagaz brand cars a year, and sell those in both local and international markets. The plant will also manufacture



The participants have received BDT 300 crore in spot orders this year, higher than the previous year's BDT 75 crore. It is expected to get further bookings for plots and flats of BDT 100 crore later as many failed to place orders due to a time constraint. The participants expressed satisfactions over spot sales but some buyers resented the increasing prices of plots and flats. "We sold 50 plots and 15 flats," said Nazmul Hossain, Chittagong branch in-charge of Amin Mohammad Lands Development Ltd. The company has 22,000 plots in 11 projects in Dhaka and Sylhet, 60 flats in Chittagong and commercial spaces for 300 businesses in Cox's Bazar. Hirajheel Property Development (Pvt.) Company Ltd joined the fair with 4,000 plots in its Basumati Abasik Prakalpa on 1,000 bighas in Baridhara, Dhaka. Eastern Bank Limited offered BDT 3 lakh to BDT 75 lakh in home loans for intended customers with an interest of 13.5 percent which was an exclusive offer for this fair. (Source: The Financial Express)

### Open sky for Chittagong airport likely



The government considers opening up Chittagong Shah Amanat International Airport to international flights, aiming to make it a regional hub in future. "Adoption of an open sky policy for the Chittagong airport is now under our active consideration. We want that it turns a major aviation hub in South Asia," Hedayetullah Al Mamoon, civil aviation and tourism secretary informed. He said a feasibility study is underway to evaluate the policy. He expects that such a policy will have a positive impact on trade and commerce at the port city besides attracting foreign tourists to visit the world's longest unbroken sea beach in Cox's Bazar. The airport in Chittagong, which was modernized earlier this decade at a cost of more than BDT 500 crore, has a capacity to handle as many as 3 million passengers and nearly 6,000 tonnes of cargo a year, as its runway allows wide bodied aircraft to land. But much of its potential remains untapped due to scanty air movement at the port city. Analysts linked the under-utilization of the airport to a lack of infrastructure and poor air traffic, which discourages airlines to fly. They said problems with Departure Control System (DCS), refueling, cargo handling and flight catering remain. Domestic carriers Biman, GMG, United and two foreign airlines - Air Arabia and Oman Air are presently operating flights from the airport. Thai Airways once began flights from the port city but discontinued operations in 2008. Officials of the Civil Aviation Authority, Bangladesh (CAAB) however said it will improve facilities to lure more airlines to use the port. (Source: The Daily Star)

### Banks permitted to raise capital through debt instruments

The central bank has permitted banks to raise capital through debt instruments instead of issuing only rights and bonus shares, following bankers' demand. The new product, called subordinated debt, is designed to help banks boost their paid-up capital, in line with a Basel II requirement, said Bangladesh Bank officials. In finance, this instrument is also known as subordinated loan, bond or debenture. "Banks' cost of capital will come down significantly thanks to the new product," said KM Abdul Wadud, deputy general manager for BB's Banking Regulation and Policy Department. The issuance of rights and bonus shares costs banks heavily because of 40 percent tax, besides a reduction in a bank's earnings per share, he said. BB officials said the move

would boost the capital market as well. The interest rate on the debt instrument is expected to be more than 12 percent, the current rate for savings certificate. The debt of its kind is referred to as subordinate because debt providers (lenders) have a subordinate status in relationship to the normal debt. A typical example for this will be when a promoter of a company invests money in the form of debt, rather than in the form of stock. The banks will have to seek approval from BB to issue and repay the debt. The central bank also issued a set of guidelines on subordinated debt. BB said a bank would be eligible to issue subordinated debt, which has composite CAMELS rating 2 and BB Rating Grade 2. (Source: The Daily Star)

### Banks must separate merchant bank wing

Bangladesh Bank (BB) has instructed the commercial banks to conduct merchant banking operation through forming separate subsidiary companies in order to reduce risk of investment and bring transparency in the merchant banking business. BB issued a circular in this regard directing that such subsidiary companies should follow the relevant applicable rules and regulations of the Securities & Exchange Commission (SEC) regulating merchant banking business. According to the circular banks that already have merchant banking unit or division must separate that wing into a subsidiary company by January 2010. There are 31 registered merchant banks and 238 brokerage houses operating in the country. The subsidiary company will not be allowed to purchase the parent company or of listed company shares by using own portfolio or its customer accounts where directors of the subsidiary or its parent company or their family members are involved. The merchant banking subsidiaries would have to attach its financial report in the annual financial statement of its parent company. In case of purchase of more than 15% share of any company with loans from respective bank subsidiary company have to take approval from BB. According to the BB, Janata Bank, BRAC Bank, City Bank, Premier Bank and Mutual Trust Bank have meantime received approvals to form subsidiary companies for conducting merchant banking business but among those only two banks have merchant banking registration. (Source: AIMS)

### Biman's Hajj flight takes off ground

The first hajj flight of the year of state-owned Biman Bangladesh Airlines took off carrying some 518 pilgrims on board to Saudi Arabia from Zia International Airport. Civil Aviation and Tourism Minister GM Quader and Religious Affairs State Minister Md Shahjahan Miah saw off the pilgrims at the airport. The ministers assured the hajjis of a hassle free journey to the holy land and wished them safe return. Biman will carry 38,634 of 58,634 Bangladeshi pilgrims, who intend to perform the Hajj in 2009. As many as 8,043 pilgrims have applied for performing the holy rituals under government management and the rest under private arrangements. Saudia, the Saudi Arabian Airlines, will carry the rest 20,000 pilgrims from Bangladesh, a Biman official said. (Source: The Daily Star)

### WiMax Internet service launched

Augure Wireless Broadband Bangladesh Limited has become the first company in Bangladesh to commercially launch WiMax Internet service in the country, ending a yearlong wait. The company formally announced commencing of its Internet service under the name 'Qubee'. Initially, this Qubee service would be available for residential and business customers in Gulshan, Banani, Baridhara, Mirpur and Uttara area of the capital, Augure authority said, adding that the coverage would be expanded to Dhanmondi and Motijheel area of the city on November 1. "We are hoping to reach all the divisional headquarters of Bangladesh by January 2010", Chief Executive Officer of Augure Bangladesh Jerry Mobbs said on the eve of the launching. Earlier, the company went for trial launching of its WiMax operation in July this year. Currently it is operating through 39 base stations set up across the city. (Source: The Financial Express)



### AB Bank launches its first ATM booth

President and Managing Director of AB Bank Ltd Kaiser A Chowdhury inaugurating the first ATM booth of the bank at its Board Bazar branch. AB Bank under the CBL network has launched its first ATM (automated teller machine) at its Board Bazar branch. AB Bank Ltd has taken the initiative to expand its arena in electronic payment system. A multilateral agreement in this connection was signed between Euronet Worldwide and AB Bank Ltd for the establishment of "Cash Link Bangladesh Ltd (CBL)" which is already active by acquiring Electronic Transactions Network (ETN) with six member banks. All Visa cardholders, local or international, will be able to avail themselves of the 24-hour cash withdrawal facility from this ATM. AB Bank has plans to establish ATM network throughout the country in the near future. (Source: The Financial Express)

### 20pc rise in food grain output probable by using IT software

The country's annual food grain production can be increased by 20 per cent from its present level through the use of IT software in fertilizer recommendation, Secretary to the Ministry of Agriculture CQK Mustaq Ahmed said recently. "The country's present production level of 20 million tons would increase by 4 million tons to 24 million tons with the use of the newly-innovated Digital Fertilizer Recommendation Software," he said at the launching ceremony of the pilot phase of the system. eGeneration Ltd, a leading local software company has developed this software for Soil Resource Development Institute of the Ministry of Agriculture through which farmers can select different fertilizers and their precise dosage for different crops through a digital platform. (Source: The Financial Express)

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### Cox's Bazar airport set for expansion

The government has moved to expand the runway of Cox's Bazar airport, aiming to upgrade it to international standards and offer foreign holidaymakers a hassle-free trip to the world's longest unbroken sea beach. "We have taken steps to expand the runway at Cox's Bazar airport and develop other facilities," GM Quader, the civil aviation and tourism minister, cited recently. To upgrade the airport, its runway will be expanded from 6,775 feet to 9,000 feet long and the width from 125 feet to 200 feet. "We want to declare the Cox's Bazar airport as an international airport after the runway is expanded. Now we aim to begin work as soon as possible," said Quader. In the second phase of development, the terminal building and other necessary facilities will be established, he added. For the past several years, the inflow of foreign tourists to one of the low cost tourism destination of Bangladesh more than doubled according to the civil aviation and tourism ministry. The majority comes to visit Cox's Bazar, the Sundarbans and Sylhet. Operators said the developed airport would enable foreigners to fly direct to the beach town. (Source: The Daily Star)

### CDBL looks to go public next year

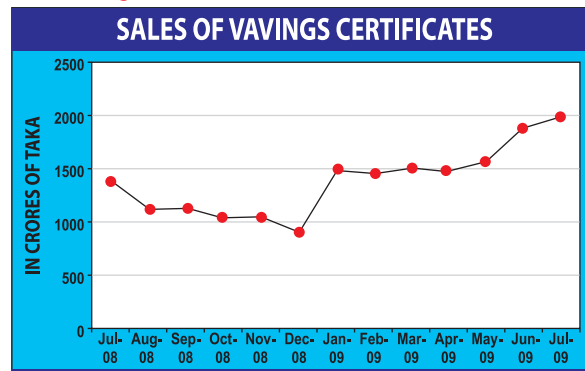
Central Depository Bangladesh Limited (CDBL), which operates electronic share transactions centrally, now plans to go public soon after its annual general meeting in December. "Almost every country's Central Depository System or CDS operator in the world is listed on bourses. Our operator, CDBL, is a profitable entity and the stakeholders are now thinking about initial public offerings," Rakibur Rahman, a member of the CDBL board of directors, said, also the Dhaka Stock Exchange president, said such IPO will cater to quality share needs of the market crying for new issues, to some extent. (Source: The Daily Star)

### BB to inject BDT 2 billion into housing scheme

Bangladesh Bank Housing Refinance Scheme, a popular housing project, is going to get BDT 2 billion in fresh fund, as it has nearly exhausted the entire amount of BDT 5 billion. "It's a good project. We're going to inject BDT 2 billion into the project ... it'll continue," Bangladesh Bank Governor Atiur Rahman told

the news agency. The fresh fund is being pumped into the project amid increasing demand for the housing loan by the middle class. The central bank launched the refinancing scheme initially with BDT 3 billion for housing loan in fiscal 2007-08. Later, the fund was increased to BDT 5 billion. Under the scheme, borrowers are entitled to loans of up to BDT 2 million at a 9 percent interest rate for 20 years. (Source: The Daily Star)

### More savings certificates as banks cut rate



Sales of savings certificates increased by 43.80 percent in the first month of current fiscal year as the interest rate on bank deposit fell drastically. The sales of such certificates rose by 2.52 percent in the same month last year. Finance ministry officials said the government expenditure on account of payment of interest would go up as a result. Savings certificates worth BDT 1,998 crore were sold in July of the current fiscal year, while the amount was BDT 1,389 crore in the same month last year. According to statistics, average sales were about BDT 1,200 crore per month last fiscal year. A Bangladesh Bank official said savings certificates have started attracting people from the last fiscal year. The sales increased by about 14 percent in the last fiscal year as the interest rate on bank deposits fell substantially. (Source: The Daily Star)

### Chittagong giants requested to offload shares

On the back of a bull-run market, the Securities and Exchange Commission (SEC) chief urged Chittagong-based entrepreneurs to list their companies, as there is a shortage of quality shares. "Here in Chittagong, many big entrepreneurs are running their businesses. They can raise funds from the market or offload a portion of their shares in the stock exchange," Ziaul Haque Khondker said. Inaugurating the Third CSE Capital Market Fair at the Chittagong Club auditorium, he said his organization will extend all out support to maintain the capital market growth. Chittagong Stock Exchange organized the two-day fair. Although some big companies from the region such as S Alam Group and BSRM are listed, there are many others yet to be listed. PHP, KDS, Mostafa Group and BSA are some of the big Chittagong giants that are not listed with the stock exchanges, although they often borrow from the banking sector or other financiers. A supply of high quality shares is necessary to bring stability in the market. (Source: The Daily Star)

### New rice expected to tame Monga

Days when Monga (seasonal and localized famine) used to stalk the landless farm laborers and marginal farmers of five northern districts during the lean period of October-November each year are expected to decline. BRRI dhan-33 and BINA dhan-7 much to the relief of over 37 lakh hard-hit poor. Both the high yielding rice varieties (HYVs) mature in 115 days and can be harvested at least a month before the other HYV BR11 that farmers have been growing so far during aman season. Early harvesting of the new varieties this year in as much as 44,000 hectares of land in the five Monga-prone districts of



greater Rangpur has successfully absorbed the farm laborers and marginal farmers, who otherwise remain unemployed due to lack of farm activities in this lean period of the year. The five districts are Rangpur, Gaibandha, Lalmonirhat, Kurigram and Nilphamari. Previously, farm laborers had to remain idle for lack of on-farm jobs when aman paddy plantation ends by mid-September, and Monga forced a large number of them to leave for other districts in search of employment. By early October, marginal farmers also used to exhaust their stock of paddy for family consumption, and this forced them to starve or sell land for buying food. (Source: The Daily Star)

#### **Participation in large sub-regional power, energy projects finalized**

Bangladesh has finalized its participation in a number of large sub-regional power and energy projects that would enable it to secure sustained supply of electricity and fuel along with four other regional countries, officials in the Prime Minister's Office (PMO) said. India, Nepal, Bhutan and Myanmar are involved in the projects to be implemented at an estimated cost of USD 3.0 billion. The projects of regional interest have recently been approved at a meeting, held at the PMO with Principal Secretary Abdul Karim in the chair. The government secretaries representing major ministries and divisions attended the meeting. Some other projects, aimed at boosting sub-regional cooperation and strengthening its connectivity in the areas of communication, tourism, water resources and telecommunications have also been approved at the meeting, officials said. The Economic Relations Division under the Ministry of Finance (MoF), as per a decision taken at the meeting, has, in the meanwhile, approached the global lenders like the World Bank and the Asian Development Bank for providing financial support to the projects, according to MoF officials. The meeting was held following Prime Minister Sheikh Hasina's directive given at a high-level meeting in late August to finalize projects of sub-regional interest to strengthen cooperation with neighboring countries. (Source: The Daily Star)

#### **Sky rail to be planned for Dhaka**

Prime Minister Sheikh Hasina stated her government plans to construct elevated and underground railways, flyovers, orbital waterways, and circular roads in and around the capital to ease traffic congestion and to solve transport problems. She has directed the communications ministry to speed up tendering for the contract to construct an elevated expressway in the capital. Communications Minister Syed Abul Hossain also said the government has taken steps to purchase 30 railcars to introduce commuter train service in efforts to ease traffic congestion in the city. Besides, it plans to have magnetic trains plying Dhaka-Chittagong route. Bangladesh Railway will soon commission a feasibility study to that end. About tender process for the expressway contract, Abul Hossain said the prime minister has instructed them to get things moving even if it takes relaxing of some rules and regulations. The instructions came after a summary of the project was sent to her. (Source: The Daily Star)

#### **Adidas to invest USD 100m in country**

The World's second largest sports goods maker Adidas will invest USD 100 million to set up a footwear manufacturing plant in Bangladesh, exclusively targeting fast-growing local market, officials said Wednesday. The plant will be the largest footwear manufacturing unit in Bangladesh and the single biggest foreign investment by a German company, said a top official of Bangladesh-German Chamber of Commerce and Industry (BGCCI). "The company plans to start constructing the factory in January 2010. I know that Adidas will invest USD 100 million in the state-of-the-art plant. But the location for the project has not been decided yet," he said, preferring secrecy. However, Adidas and its partners in Bangladesh are still finalizing the details of the joint venture. In the 2008-9 financial year Bangladeshi companies exported footwear worth USD 187 million, recording a decent growth of 10 per cent despite the global recession. (Source: The Financial Express)

#### **IBBL receives best Islamic financial institution award**

Global Finance, a US-based financial magazine, awarded Islami Bank Bangladesh Limited as the best Islamic financial institution in Bangladesh for 2009, the bank said in a statement.

IBBL Vice Chairman Yousif Abdullah Al-Rajhi received the award on behalf of IBBL from Joseph D Giarraputo, president and publisher of Global Finance at a function at Istanbul in Turkey recently. IBBL Deputy Managing Director and Head of Investment Wing Mohammad Abdul Mannan were present at the function while chief executive officers and representatives from different leading banks and financial Institutes of the world took part in the prize-giving ceremony. (Source: The Financial Express)

#### **E-passport instead of MRP**

A parliamentary body asked the government to cancel machine-readable passport (MRP) project and introduce electronic passports instead to save public money. The parliamentary body said electronic passports will be used worldwide after machine-readable passports become invalid in 2014. It is undesirable to spend several hundred crores of taka for issuing two types of passport. The Executive Committee of the National Economic Council in March approved a Tk 3,50 billion project on machine-readable passports and visa under the home ministry. Bangladesh has to introduce MRPs by April 2010 to comply with the International Civil Aviation Organisation requirements. If it fails to become an ICAO member, Bangladeshi citizens' access to the international labor market and visas could be hindered. The committee said the government would have to spend a big amount again for issuing electronic passports after the MRPs become invalid across the globe. All developed countries in the world have already introduced electronic passports.

## POLITICS

#### **Govt. urged to run EPB, Bol under private management**

Industrial entrepreneurs called upon the government to run Export Promotion Bureau (EPB) and Board of Investment (BoI) under private management, as they said these business promotion bodies are unable to perform under public management. They also expressed concerns over the high cost of business and the risks of losing competitiveness due to poor infrastructure and performance of Chittagong Port. They were speaking at a seminar on 'Current Investment Scenario and Way Forward', organized by the Bangladesh Chamber of Industries (BCI) at its office in Dhaka. FBCCI President Annisul Huq said entrepreneurs are not going for expansion, which reflects that investment is not coming to the economy. A major negative indicator of the economy is the declining import of capital machinery, as no new investment is taking place and entrepreneurs are not expanding operations. (Source: The Daily Star)

#### **Faruk urges duty-free market access to developed countries**

Commerce Minister Col (Retd.) Faruk Khan conveyed to the WTO chief Bangladesh's concerns regarding duty and quota-free market access to the developed countries and sought equitable share of the global trade. The minister shared the concerns with World Trade Organization (WTO) Director General Pascal Lamy at a meeting in Dares Salaam, Tanzania. A message said the DG said that the World Trade Organization will provide Bangladesh with technical assistance in trade-related capacity building. He highlighted the adverse impact on Bangladesh's apparel sector of a faster reduction in tariffs for some tariff lines proposed for some other countries. In this connection, the minister said, "As a matter of principle, no LDC should receive less preferential treatment than a non-LDC." The minister requested the WTO Director General to disseminate these concerns to the WTO memberships to help raise their awareness and to protect the interests of the least-developed countries. DG Lamy, in response, said that he was fully aware of the predicaments faced by Bangladesh and other LDCs and assured the minister of all possible help on part of the WTO. (Source: The Financial Express)

#### **Govt. raises funding requirement for zero load shedding after 2010**

The government has raised the country's funding requirement by 58 per cent to USD 9.5 billion from the previous USD 6.0 billion to streamline the country's ailing power sector and ensure 'zero' load-shedding after 2010 and onwards.





Country will require investments worth USD 10 billion in next five years until 2014 for the additional generation of electricity, its transmission and distribution to make Bangladesh free from load-shedding, quoted by Bangladesh Power Development Board (BPDB) Chairman ASM Alamgir Kabir. (Source: The Daily Star)

**Prime Minister seeks cooperation in climate change battle**

Prime Minister Sheikh Hasina sought cooperation from the developed countries, including Swedish International Development Cooperation Agency (SIDA), to tackle challenges of global warming. The leader sought this cooperation when Director General of the SIDA Anders Nordstrom called on her in Stockholm, Sweden. Prime Minister Sheikh Hasina arrived in Stockholm to attend the European Development Days events in the capital of Sweden. During the meeting, they discussed Bangladesh's several development agendas and the upcoming international conference on climate change scheduled to be held in Denmark. In this context, she mentioned that an extensive research should be conducted to find out reasons behind the global climate change. Sheikh Hasina spoke about her government's precautions to face these challenges of the climate change, which included several measures. She said the third world countries like Bangladesh have become victims of the global warming although they have a little contribution to the environmental change. So, the developed countries have to come forward to solve the problems and increase their cooperation in coping with the situation. (Source: The Daily Star)

## DOMESTIC CAPITAL MARKETS REVIEW

### CAPITAL MARKETS - DSE (For the week Oct. 25th to Oct. 29th, 2009) Forth Coming IPO Approved By SEC

ICB Employees Provident Mutual Fund One: Scheme One Subscription Open : 22.11.09 # Subscription Close : 26.11.09

**R.N. Spinning Mills Limited**  
Subscription Open : Nov 22, 2009  
Subscription Close: Nov 26, 2009

**Golden Son Limited (RPO)**  
Subscription Open : Nov 08, 2009  
Subscription Close: Nov 12, 2009

**Dhaka Insurance Limited**  
Subscription Open : Dec 06, 2009  
Subscription Close: Dec 10, 2009

**Provati Insurance Company Ltd**  
Subscription Open : Nov 15, 2009  
Subscription Close: Nov 19, 2009

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	This week	Last week	% Change
Total Turnover for the Week (in Bd Tk.)	48,440,413,367	56,622,371,027	-14.47
Category A (89.96%)	43,883,727,367	50,461,012,027	
Category B (2.98%)	861,101,000	2,082,181,000	
Category G (0.00%)	0	0	
Category N (4.60%)	3,058,165,000	3,125,725,000	

	This week	Last week	% Change
Daily Average Turnover In Tk.	9,688,082,673	11,324,474,205	-14.45
Total Turnover volume	249,135,823	328,085,808	-24.06
Daily Average Volume	49,827,165	65617162	
Total Howla	701,614	861,196	-18.53
Daily Average Howla.	140,323	172,239	
Weighted Avg. Price Earning Ratio	19.54	19.35	0.97

	This week	Last week
Total no. of Issues	255	252
Advanced	91	107
Declined	150	135
Unchanged	1	1
Not Traded	13	9

**DSE 20**

	Current week	Last week
Opening day of this week	3317.93	3284.50
Closing day of this week	3364.26	3317.93
Change within a week (%)	1.40	1.02
Change within a week(Point)	46.33	33.43
<b>All share Price Index</b>		
	Current week	Last week
Opening day of this week	2,784.08	2,754.04
Closing day of this week	2,816.26	2,784.08
Change within a week (%)	1.16	1.09
Change within a week(Point)	32.18	30.04

**Top 10 Losers of the Week (by Closing Price of all Companies)**

Sl. No.	Names	Category	% Change	Deviation % High & Low	Turnover BDT (million)
1	CMC Kamal	Z	-36.11	48.15	0.10
2	Libra Infusions Limited	A	-33.47	40.70	0.44
3	Gulf Foods	B	-26.42	2.58	13.87
4	Northern Jute	Z	-23.96	23.13	0.30
5	Miracle Ind.	B	-18.29	38.89	67.31
6	Meghna PET	Z	-17.27	22.73	8.69
7	Chittagong Vegetable	Z	-14.17	25.49	0.35
8	Shaympur Sugar	Z	-13.71	25.49	4.15
9	Rahima Food	B	-12.37	24.39	24.79
10	Desh Garments	B	-11.76	38.25	3.81

Sl. No.	Names	Category	% Change	Deviation % High & Low	Turnover BDT (million)
1	Padma Oil Co.	A	16.99	16.13	528.15
2	BEXTEX Limited	A	11.90	12.94	4,047.22
3	Jamuna oil	A	9.67	13.24	2,783.33
4	Olympic Industries	A	9.50	12.63	170.56
5	Modern Dyeing	B	9.14	35.13	0.28
6	Renata Ltd	A	8.57	10.17	19.74
7	Jamuna Bank	A	8.48	15.51	326.97
8	Meghna Petroleum Limited	A	8.48	12.32	950.98
9	Uttara Finance	A	8.46	5.69	208.26
10	Fine Foods Limited	A	8.29	10.95	102.24



**Top 10 Companies by Turnover for this Week**

Sl. No.	Name	Category	Turnover in BDT (million)	Turnover Volume	% of Total Turnover	% Change
1	BEXTEX Limited	A	4,047.22	44,658,600	8.36	11.9
2	Titas Gas	A	3,520.00	4,841,350	7.27	1.98
3	BEXIMCO	A	2,948.94	9,506,800	6.09	4.59
4	Jamuna oil	A	2,783.33	6,858,000	5.75	9.67
5	DESCO	A	2,130.72	1,149,300	4.40	3.41
6	Summit Power	A	1,639.91	1,239,400	3.39	4.53
7	Aftab Automobiles	A	1,429.24	520,575	2.95	7.88
8	Navana CNG Limited	N	1,170.47	5,089,400	2.42	-2.65
9	Aims 1st M.F.	A	1,020.53	9,125,000	2.11	3.87
10	Meghna Petroleum Limited	A	950.98	3,434,900	1.96	8.48
<b>Total</b>			<b>21,641</b>	<b>116,423,325</b>	<b>45</b>	

**Top 10 Gainers by Closing Price (for the A Category)**

Sl. No.	Name	% Change	Deviation %	Value in BDT (million)	Volume
1	Padma Oil Co.	16.99	16.13	528.15	424,000
2	BEXTEX Limited	11.90	12.94	4,047.22	44,658,600
3	Jamuna oil	9.67	13.24	2,783.33	6,858,000
4	Olympic Industries	9.50	12.63	170.56	138,800
5	Renata Ltd.	8.57	10.17	19.74	2,260
6	Jamuna Bank	8.48	15.51	326.97	920,150
7	Meghna Petroleum Limited	8.48	12.32	950.98	3,434,900
8	Uttara Finance	8.46	5.69	208.26	164,850
9	Fine Foods Limited	8.29	10.95	102.24	1,511,500
10	Apex Adelchi Footwear	8.27	11.32	298.45	131,460

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**Top 10 Gainers by Closing Price (for the-B,G, N & Z Category)**

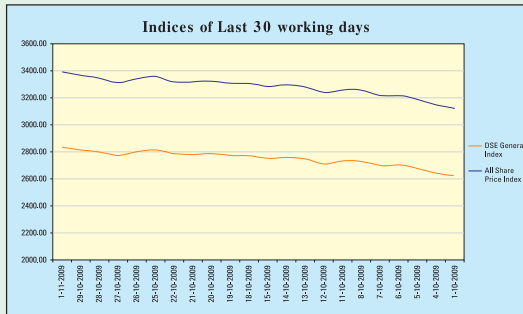
Sl. No.	Name	Category	% Change	Deviation % (High & low)	Value in BDT (million)	Volume
1	Aziz Pipes	Z	19.66	23.08	1.99	3,300
2	Modern Dyeing	B	9.14	35.13	0.28	480
3	Bay Leasing & Investment Ltd.	N	8.02	8.44	514.50	400,300
4	Aramit Cement	Z	6.82	11.69	8.69	21,400
5	Orion Infusion	Z	4.42	12.10	54.96	91,300
6	BSRM Steels Limited	Z	1.39	10.98	144.72	183,100
7	Safko Spinnings	Z	1.31	16.50	3.25	28,800
8	Grameen One: Scheme2	N	0.74	17.10	740.64	12,938,500
9	Lafarge Surma Cement	Z	0.68	3.65	81.14	169,700
10	Quasem Silk	Z	0.00	31.43	1.50	75,000

Market Capitalization (BDT billions)	Current week	Last week	% Change
Opening day of this week	1,438.32	1,414.79	
Closing day of this week	1,452.47	1,438.32	0.98

Other Information	Current week	Last week
% of DSE 20 Market Capitalization	10.65	10.76
% of Multinational Companies M Cap	15.91	16.15
% of total M Cap Under CDS Company	71.73	68.4



## Comparison of DSE Indices



### DSE Market Round Up

The DSE fell slightly from the high experienced in the middle of last month. Yet, the market rallied well to shake off shaking off credit tightening measures taken by market regulator. Moderate decline in liquidity flow observed where the average daily turnover declined by 14.4%. SEC's directive to stop margin loan on 28 securities and paper scripts prompted investors to sell overvalued stocks of textile, engineering, food and IT sector. Certain sectors such as cement, energy, tannery stocks advanced while bank, IT, ceramic, pharmaceuticals declined. Mutual Funds, although consisting only about 1% of the entire market cap, experienced an irrational jump with in the last week, but later declined due to margin loan halt by SEC. There were new corporate declarations yet most had unsatisfactory performance. AIMS Bangladesh reported that three new scripts-Dacca Dying, ICB AMCL 2nd MF & Islami insurance debuted on October 28 with first day gain of 531%, 166% and 362% respectively. The DSE General Index (DGEN) of the prime bourse hit an all time high of 3326.08 on October 20, 2009 and on the same day the daily turnover on the exchange also recorded its historical high of BDT 12.45 billion. Strong market activities prompted both retail and institutional investors to engage in aggressive trading as the glut liquidity situation is consistently increasing. Total turnover reached at BDT 48,440.41 million with 14.45% decrease from the last week's

BDT 56,622.37 million. Market capital rose by 1.26% and stood at BDT 1,141.21 billion (USD 16.64 billion) at the weekend. DSE-20 has moved downward by 4.74 points (0.21%) and closed at 2253.23 points against 2257.97 points. Last week weighted average Market PE was 19.54 which was 0.97% higher than previous week's 19.35. During the week, DSE General Price Index was above of both 9 and 18-day moving average line. (Source AIMS Weekly Market Review)

## CAPITAL MARKETS - CSE (For the week Sep. 27th to Oct. 1st, 2009)

### Weekly Summary

Total Turnover (BDT Million):	4,838.78
Volume of Share (No):	41,036,198
Total Contact(No)	103,446
Total Scrip Traded	190

### Category-wise turnover

Group	Turnover Value (BDT mil.)	% of Total
A	4,356.44	89.98
B	119.02	2.46
N	281.24	5.81
Z	82.08	1.7

### Script Performance in the Week

Advanced	61
Declined	121
No Change	5
Total Traded Issues	190

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### Top 10 Gainers of the Week (by Closing Price of all Companies)

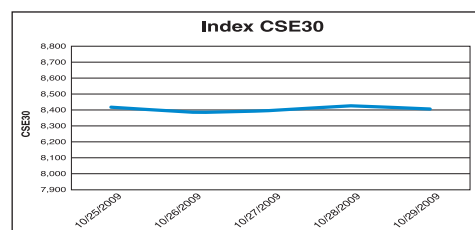
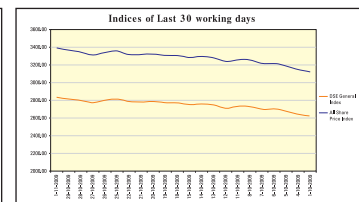
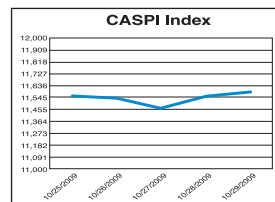
SI No.	Names	Category	Deviation % (High & Low)	Turnover BDT (million)
1	AZIZ PIPE	Z	-14.97%	0.02
2	JAMUNA OIL COMPANY LIMITED	A	-10.91%	169.27
3	MEGHNA PETROLEUM LIMITED	A	-9.98%	166.49
4	SUMMIT ALLIANCE PORT LTD.	A	-8.97%	25.62
5	JAMUNA BANK LTD.	A	-7.90%	11.30
6	PRIME FINANCE & INVESTMENT LTD.	A	-7.86%	10.88
7	S ALAM COLD ROLLED STEELS LTD.	A	-7.22%	156.71
8	PROGRESSIVE LIFE INSURANCE CO. LTD	A	-6.91%	0.29
9	CONFIDENCE CEMENT	A	-6.19%	8.44
10	RANGPUR FOUNDRY LTD.	A	-6.17%	3.11

### Top 10 Losers of the Week (by Closing Price of all Companies)

SI	Names	Category	Deviation % (High & Low)	Turnover BDT (million)
1	ISLAMI INSURANCE BANGLADESH LIMITED	N	12.52	
2	DACCA DYEING & MANUFACTURING CO	N	69.60	
3	ICB AMCL SECOND MUTUAL FUND	A	27.28	
4	GULF FOODS LIMITED.	B	24.49%	0.12
5	KAY & QUE (BD) LTD.	B	14.92%	0.03
6	SAMATA LEATHER COMPLEX	Z	14.04%	0.11
7	MIRACLE INDUSTRIES LTD.	B	13.95%	15.09
8	IBN SINA PHARMA	A	13.89%	0.09
9	ICB AMCL ISLAMIC MUTUAL FUND	A	12.30%	2.92
10	AIMS FIRST GUARANTEED MUTUAL FUND	A	12.18%	292.48

### Top 10 Companies by Turnover for this Week

SI No.	Names	Turnover BDT (million)	Volume
1	BEXTEX LTD	479.87	5,290,713
2	AIMS FIRST GUARANTEED MUTUAL FUND	292.48	11,312,166
3	BEXIMCO	285.90	920,582
4	BEXIMCO PHARMA	217.56	1,365,697
5	THE PREMIER BANK LTD.	171.34	547,679
6	JAMUNA OIL COMPANY LIMITED	169.27	418,300
7	TITAS GAS TRANSMISSION AND DISTRIBUTION COMPANY LTD	166.51	227,750
8	MEGHNA PETROLEUM LIMITED	166.49	605,110
9	GRAMEEN MUTUAL FUND ONE:SCHEME TWO	161.04	2,808,500
10	S ALAM COLD ROLLED STEELS	156.71	187,350

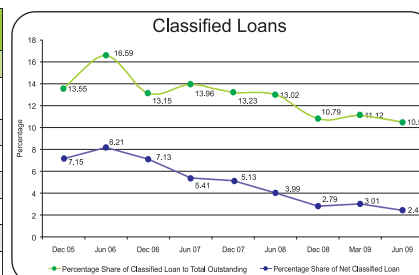




## BANKING AND FINANCIAL INDICATORS

	Percentage Change (%)					
	Aug 08	Jun 09	Aug 09	FY 08-09	FY 07-08	FY 06-07
Reserve Money (BDT billion)	528.35	693.90	685.31	31.45%	19.78%	17.67%
Broad Money (BDT billion)	2,548.59	2,965.00	3,036.06	19.17%	17.63%	17.02%
Net Credit to Government Sector (BDT billion)	462.64	581.85	547.71	24.04%	30.16%	13.96%
Credit to Other Public Sector (BDT billion)	119.03	124.40	128.29	6.94%	-33.36%	15.24%
Credit to Private Sector (BDT billion)	195.07	2,179.28	2,228.83	14.62%	24.94%	15.12%
Total Domestic Credit (BDT billion)	2,532.36	2,885.52	2,904.83	6.03%	20.91%	14.92%

L/C Opening and Settlement Statement (US\$ million)	Jul-Aug 08-09		Jul-Aug 09-10		Percentage Change (%)	
	Open	Sett.	Open	Sett.	Year over Year	
					Open	Sett.
Food Grains (Rice & Wheat)	98.77	97.94	259.85	47.37	163.09%	-51.63%
Capital Machinery	267.30	293.64	290.66	227.97	8.74%	-22.36%
Petroleum	489.55	435.32	360.97	236.53	-26.26%	-45.67%
Industrial Raw Materials	1,784.82	1,619.39	1,560.60	1282.41	-12.56%	-20.81%
Others	1,635.02	1,401.11	1,944.22	1454.39	18.91%	3.80%
<b>Total</b>	<b>4,275.46</b>	<b>3,847.40</b>	<b>4,416.30</b>	<b>3,248.67</b>	<b>3.29%</b>	<b>-15.56%</b>



YEARLY INTEREST RATES							
End of Period	Bank Rate	Call Money Market's Weighted Average Interest Rates on		Schedule Banks' Weighted Average Interest Rates on	Deposits	Advances	Spread
		Borrowing	Lending				
2009*	5.00	4.47	4.47				
2008	5.00	10.27	10.27	7.31	12.31	5.00	
2008	5.00	9.31	9.31	6.77	12.75	5.98	
2007	5.00	7.17	7.17	6.98	12.99		
2006	5.00	8.41	8.41	5.90	11.25	5.35	
2005	5.00	4.93	5.74	5.56	10.83	5.27	
2004	5.00	6.88	8.17	6.25	12.36	6.11	
2003	6.00	9.49	9.56	6.49	13.09	6.60	
2002	7.00	8.26	8.57	6.75	13.42	6.67	
2001	7.00	6.82	7.21	7.08	13.75	6.67	

\*: data up to month of August of FY 2009.

Source: Statistics Department, Bangladesh Bank

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Interest Rate Development *a													
Period	Treasury Bills			BGTB				Repo		Rev. Repo	Call Rate	Lending Rate	Deposit Rate
	91-Day	182-Day	364-Day	5-Year	10-Year	15-Year	20-Year	1-2 Day	1-2 Day				
<b>2008-09 *b</b>													
July	7.78	8.01	8.51	10.6	11.72	12.14	13.06	8.5	6.5	8.27	....	....	
August	....	....	....	10.6	11.72	12.14	13.07	8.5	6.5	9.88	....	....	
September	7.81	8.06	8.53	10.6	11.72	12.14	13.07	8.75	6.5	9.89	12.34	7.71	
October	7.87	8.08	8.56	10.6	11.72	12.14	13.04	8.75	6.5	7.64	....	....	
November	7.91	8.12	8.57	10.6	11.72	12.14	13.04	8.75	6.75	7.56	....	....	
December	7.91	8.16	8.58	10.6	11.72	12.14	13.02	8.75	6.75	10.42	12.31	7.31	
January	7.93	8.16	8.59	10.6	11.72	12.14	13	8.75	6.75	9.82	....	....	
February	....	8.16	8.6	10.6	11.72	12.14	12.99	8.75	6.75	9.25	....	....	
March	....	8.16	8.6	10.6	11.72	12.14	12.98	8.5	6.5	8.31	12.34	7.52	
April	6.53	7.48	8.31	9.97	11.68	11.79	11.48	....	....	1.95	....	....	
May	3.97	5.43	6.16	10.0	10.22	10.57	11.09	....	....	3.28	....	....	
June	3.54	4.24	5.96	9.21	10.05	10.09	10.07	....	....	1.79	11.87	7.01	
<b>2009-10 *c</b>													
July	1.86	3.75	5.01	8.2	9.42	9.39	8.97	....	....	1.08	....	....	
August	....	....	....	7.47	8.55	8.59	8.59	....	....	0.72	....	....	
September	2.05	3.5	4.33	7.49	8.43	8.8	....	8.5	....	4.64	....	....	

Source: MRP, DMD, Statistics Dept., Bangladesh Bank \*a Weighted Average Rate \*b Provisional \*c Revised .... Data Unavailable



*you can bank on us*

## FINANCIAL INSTITUTION OF THE MONTH



### Sonali Bank Limited

Sonali Bank Emerged as Nationalized Commercial Bank in 1972, following the Bangladesh Bank (Nationalization) Order No. 1972(PO No.26 of 1972). Sonali Bank charges lower interest rate on General Advances to contribute socio-economic development. The Bank is awarded with ICMAB Best Corporate Performance Award-2008 for achieving 1st Prize among nationalized commercial banks.



Bangladesh 2008

**SONALI BANK LIMITED**

Best Brand Award Receiving Bank in the "Financial Sector"

**S. A. Chowdhury**  
Managing Director

**Incorporation of the Bank:** 03 June, 2007

**Vision:** Socially committed leading banking institution with global presence.

**Mission:** Dedicated to extend a whole range of quality products that support divergent needs of people aiming at enriching their lives, creating value for the stakeholders and contributing towards socio-economic development of the country.

#### Branch Network

**Total Branches:** 1182 (Urban- 563, Rural-619)

**Overseas Branches:** India (2),

**Overseas Subsidiary: Sonali Exchange Company Inc. (SECI) in USA** (8 branches)

**Sonali Bank (UK) Ltd.** (6 branches)

**Representative Office:** Saudi Arabia (Jeddah & Riyadh); Kuwait (Safat)

**Remittance Delivery Network:** 663 Branches

**Authorized Dealer Branches:** 43 Branches

**Exchange Houses Abroad:** 50 Houses

#### Head Office

35-42,44 Motijheel C/A

Dhaka -1000

Bangladesh.

**Tel:** 9550426-31, 33, 34, 9552924

**Fax:** 88-02-9561410, 88-02-9552007

**E-mail:** CEO and MD: [ceosbl@link3.net](mailto:ceosbl@link3.net)

Foreign Remittance Management Division: [gmfrmd@link3.net](mailto:gmfrmd@link3.net)

**Website:** [www.sonalibank.com.bd](http://www.sonalibank.com.bd)

**SWIFT:** BSONBDDH

#### Credit Rating:

Entity Rating 2007(as Government supported entity)- AAA in Long Term and ST-1 in short run.

Entity Rating 2007(Stand alone rating as a Commercial Bank)- BBB in Long Term and ST-3 in short term.

**No of Employees:** 21,839 (as on Dec. 2008)

#### Banking Services Offered:

Industrial Project Financing, Trade Financing, International Trade Finance, Small and Medium Entrepreneurs Finance, Agro-based Project Financing, Rural Credit, Micro Credit, Home-bound Remittance, and Corresponding Banking.

#### Other Ancillary Services:

Treasury function on behalf of Bangladesh Bank, Payment of Pension, Govt. fee & tax collection through 58 nominated branches, and payment of different allowances in favor of Bangladesh Government.

#### Financials as reported on December, 2008

**Total Advances:** BDT 231166.6 million

**Total Deposits:** BDT 364386.0 million

**Paid-up Capital:** BDT 09.00 billion

**Authorized Capital:** BDT 10.00 billion



## ARTICLE OF THE MONTH

### Zero Coupon Bonds

A zero-coupon bond (also called a discount bond or deep discount bond) is a bond bought at a price lower than its face value, with the face value repaid at the time of maturity. It does not make periodic interest payments, or have so-called "coupons," hence the term zero-coupon bond. Investors earn return from the compounded interest all paid at maturity plus the difference between the discounted price of the bond and its par (or redemption) value. Examples of zero-coupon bonds include U.S. Treasury bills, U.S. savings bonds, long-term zero-coupon bonds, and any type of coupon bond that has been stripped of its coupons.

In contrast, an investor who has a regular bond receives income from coupon payments, which are usually made semi-annually. The investor also receives the principal or face value of the investment when the bond matures. Some zero coupon bonds are inflation indexed, so the amount of money that will be paid to the bond holder is calculated to have a set amount of purchasing power rather than a set amount of money, but the majority of zero coupon bonds pay a set amount of money known as the face value of the bond.

Zero coupon bonds may be long or short term investments. Long-term zero coupon maturity dates typically start at ten to fifteen years. The bonds can be held until maturity or sold on secondary bond markets. Short-term zero coupon bonds generally have maturities of less than one year and are called bills. The U.S. Treasury bill market is the most active and liquid debt market in the world.

#### Strip bonds

Zero coupon bonds have a duration equal to the bond's time to maturity, which makes them sensitive to any changes in the interest rates. Investment banks or dealers may separate coupons from the principal of coupon bonds, which is known as the residue, so that different investors may receive the principal and each of the coupon payments. This creates a supply of new zero coupon bonds.

The coupons and residue are sold separately to investors. Each of these investments then pays a single lump sum. This method of creating zero coupon bonds is known as stripping and the contracts are known as strip bonds. "STRIPS" stands for Separate Trading of Registered Interest and Principal Securities. Dealers normally purchase a block of high-quality and non-callable bonds—often government issues—to create strip bonds. A strip bond has no reinvestment risk because the payment to the investor only occurs at maturity. The impact of interest rate fluctuations on strip bonds, known as the bond duration, is higher than for a coupon bond. A zero coupon bond always has a duration equal to its maturity; a coupon bond always has a lower duration. Strip bonds are normally available from investment dealers maturing at terms up to 30 years. For some Canadian bonds the maturity may be over 90 years.

In Canada, investors may purchase packages of strip bonds, so that the cash flows are tailored to meet their needs in a single security. These packages may consist of a combination of interest (coupon) and/or principal strips.

In New Zealand, bonds are stripped first into two pieces—the coupons and the principal. The coupons may be traded as a unit

or further subdivided into the individual payment dates.

In most countries, strip bonds are primarily administered by a central bank or central securities depository. An alternative form is to use a custodian bank or trust company to hold the underlying security and a transfer agent/registrars to track ownership in the strip bonds and to administer the program. Physically created strip bonds (where the coupons are physically clipped and then traded separately) were created in the early days of stripping in Canada and the U.S., but have virtually disappeared due to the high costs and risks associated with them.

#### Uses

Pension funds and insurance companies like to own long maturity zero-coupon bonds because of the bonds' high duration. This high duration means that these bonds' prices are particularly sensitive to changes in the interest rate, and therefore offset, or immunize the interest rate risk of these firms' long-term liabilities. Yield curve traders and academics use zero-coupon bonds to precisely analyze the yield curve. This is because any fixed income security can be broken down into individual cashflows and viewed as an equivalent portfolio of zero-coupon bonds. Analysts can then price fixed income securities by discounting each individual cash flow by the appropriate discount rate implied by zero-coupon bonds.

#### Taxes

In the United States, the holder may be liable for imputed income (sometimes called phantom income), even though these bonds don't pay periodic interest. Because of this, zero coupon bonds subject to U.S. taxation should generally be held in tax-deferred retirement accounts, to avoid paying taxes on future income. Alternatively, when purchasing a zero coupon bond issued by a U.S. state or local government entity, the imputed interest is free of U.S. federal taxes, and in most cases, state and local taxes, too.

Zero coupon bonds were first introduced in 1960s, but they did not become popular until the 1980s. The use of these instruments was aided by an anomaly in the US tax system, which allowed for deduction of the discount on bonds relative to their par value. This rule ignored the compounding of interest, and led to significant tax-savings when the interest is high or the security has long maturity. Although the tax loopholes were closed quickly, the bonds themselves are desirable because of their simplicity.

In India, the tax on income from deep discount bonds can arise in two ways: interest or capital gains. It is also law that interest has to be shown on accrual basis for deep discount bonds issued after February 2002. This is as per CBDT circular No 2 of 2002 dated 15th February 2002.

#### References

1. Mishkin, Frederic S. (2007). *The Economics of Money, Banking, and Financial Markets* (Alternate Edition). New York: Addison Wesley.
2. "Zero Coupon Bonds". U.S. Securities and Exchanges Commission. <http://www.sec.gov/answers/zero.htm>. Retrieved 2009-10-26.



## CURRENT ISSUE

### JUTE BAGS RISE ATTRIBUTES TO POLYTHENE BAGS FALL

Polythene bags were introduced in Bangladesh nearly three decades ago. On a daily basis, nearly 10 million polythene bags were disposed of by Dhaka residents at that time. It was revealed that polythene bags used and dumped in Dhaka City was causing extreme health hazards like soil degradation, loss of agricultural land fertility, blocking up of drainage and sewerage systems, water logging and spread of harmful microbes and bacteria giving rise to epidemics. The Government then began enforcing a complete ban on the sale and use of polythene bags in the country earlier this decade as a measure to save the country from this environmental harm. Finally the cabinet accepted environment ministry's proposal to prohibit use



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and marketing of polythene bags in Dhaka city from January 1, 2002 leading to a country wide ban later. However, an exception to the ban was made for packaging of 14 items. They include biscuit, chanachur, bread, salt, vermicelli, medicine, flour, naphthalene, fertilizer, chocolate and milk powder. This decision backfired on the government because soon after, the market was once again flooded with this non-biodegradable environmental hazard, undoing the all the good work done through the initial ban. It was already hampering public sanitation, and after this regulation, it caused irreparable damage through its further use. The banning of polythene bags was looked at as a small, though significant step in mitigating environmental disaster that we dealt with those days.

Fast forward to the current times and it can be seen that a section of polythene manufacturers, in support with some dishonest traders are still supplying environmentally hazardous polythene bags to the shopkeepers at low prices. This is prevalent in different kitchen and fish markets of remote villages and markets throughout the country. Some shoppers still prefer using polythene shopping bags as they are cheap. However, the good news comes from that fact that due to an increase in eco-friendly activities on a global perspective, various European countries are set to ban polythene bags by 2010. Thus, demand for biodegradable bags on the global market will raise favoring exports of shopping jute bags from Bangladesh. Jute goods

makers export around 100,000 shopping bags a month on average to different countries. It is thought that an increase in exports will intensify the ban on use of polythene bags locally. This, in turn, would positively affect the jute sector in Bangladesh. It is thought that the next most convenient, cost-effective and eco-friendly alternative to polythene bags is jute. The handicraft marketing and exporting trust of Caritas Bangladesh, exported over 600,000 jute bags in 2008 to the other continents. Creation Private Limited, a jute goods maker, exports around 50,000 shopping bags to the same destinations a month. People close to the business informed that exporting 100,000 bag annually would have been unheard of even two years ago. On the potential of jute bag exports from Bangladesh, sector people predicted that polythene bags will go out of market totally by the following years, expecting to trigger up demand of Bangladeshi jute bags. On the other hand, more and more chain shops around the world are phasing out the use of polythene bags in their shops and using eco friendly natural fiber bags instead. However, local bag makers buy jute fabric from the domestic market at higher prices than what foreign importers pay for the same fabric from Bangladesh, a setback that makes the local industry less competitive than its rival, India. A senior government official said the UK based retail chain Tesco, requires around 1 million bags a month, which it currently purchases from India. Unlike in India, jute bag makers in Bangladesh do not get an export incentive. Fortunately, increasing orders are pushing bag manufacturers to expand their capacity. The sector people believe Bangladesh has every chance to strengthen its foothold and penetrate the billion dollar shopping bag market.



It has to be said that banning of polyethylene has achieved significant success with very little drawbacks. The city bins and garbage dumping sites are almost free from polythene bags. The city drains are no longer clogged and jute growers are particularly happy to see that demand for jute products in the domestic markets growing.



## CSR ACTIVITIES

### SCB sponsors scholarships for DU students

Standard Chartered Bank (SCB) is sponsoring the Governor Scholarship in partnership with DU Economics Department Alumni Association (DUEDAA). According to the agreement, SCB will provide financial assistance to 15 meritorious students from five sessions of DU Department of Economics.

### Pubali Bank donates to compile 'Children's Banglapedia'

As a part of corporate social responsibility (CSR), the board of directors of Pubali Bank Limited has recently donated Tk 0.3 million to Asiatic Society of Bangladesh (ASB) to compile a 'Children's Banglapedia' in three volumes.

### DBBL sets CSR benchmark

The bank, Dutch-Bangla Bank Ltd. (DBBL), as part of its corporate social responsibility (CSR) has donated more than Tk 10 crore to Dhaka University for constructing a research centre. This research centre, first of its kind in Bangladesh, aims to play a vital role in higher study in human and social sciences. Researchers and scholars from home and abroad will be awarded scholarships and fellowships for conducting higher study leading to MPhil and PhD degrees from the centre, which will be supervised by renowned teachers, scholars and researchers.

### Unilever reinforces its commitment to environment

Unilever Bangladesh Limited (UBL) has kicked off its tree plantation program. The aim of this program is to promote environmental care and raise environmental awareness. As a start, this year itself, the Company is planting 10,000 trees that will be scaled to higher numbers in the coming years.

### Nestlé's special focus on water resources

Nestlé Bangladesh- one of the leading global corporate giants working in the country, has emphasized on a 'Clean Drinking Water' project through which it has built up water fountains at a total of 18 schools in the rural areas of Gazipur district. Under this project, it has invested in the drilling of deep bore wells and constructed water tanks that store clean water, allowing the school children regular access to clean drinking water.

## APPOINTMENTS

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FINANCIAL INSTITUTIONS		
Name	Position	Organization
Rubel Aziz	Chairman (Re-elected)	Janata Insurance Company Ltd.
Ellen Goldstein	Resident Representative	The World Bank
Mafizuddin Sarker	Chairman	Bangladesh Leasing and Finance Companies Association (BLFCA)
Asad Khan	Vice-Chairman	
Abdul Latif Barabhuiya	DMD	EXIM Bank Ltd.
Md. Moniruzzaman	Head of Merchant Banking	IDLC Finance Ltd.

DIPLOMATIC APPOINTMENTS		
Name	Position	Organization
AKM Majibur Rahman Bhuyian	Ambassador	Bangladesh Embassy to Bhutan

FINANCIAL INSTITUTIONS		
Name	Position	Organization
Syed Yusuf Hossain	Chairman	Bangladesh Energy Regulatory Commission (BERC)
Brig. Gen.(Retd) M. Mofizur Rahman	Executive Director	International Business Forum of Bangladesh (IBFB)
Golam Mainuddin	Independent Director	Advanced Chemical Industries Ltd. (ACI)
Shihab Ahmad	Marketing Director	Banglalink
Kazi Salahuddin	President	South Asian Football Federation (SAFF)
Dr. Bandana Saha	Director General	Bangladesh Institute of Bank Management (BIBM)
A.T.M Rafique	Chairman	Padma Islami Life Insurance Ltd.
Abdur Rahman Bhuiyan	Vice Chairman	
Khaled Farazi	CEO	BRAC EPL Investments Ltd.
Pirjada Saifullah Chowdhury	Managing Director	Sonar Bangla Insurance Ltd.

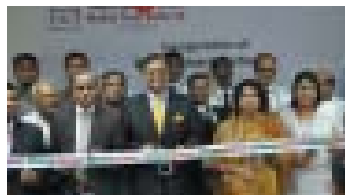




## MTB NEWS AND AFFAIRS

### MTB opens Brokerage House at Dhanmondi, Dhaka

Mutual Trust Bank Ltd (MTB) opened its brokerage house branch at



Green Taj Center, Plot # 81 New, Road # 8/A New, 1st Floor, Dhanmondi, Dhaka on October 19, 2009. MTB Director Yasmeen Haque inaugurated the branch at a simple ceremony. MTB Managing Director & CEO Anis A. Khan, capital

market investors, business personalities, dignitaries, and senior MTB officials attended the inaugural function.

### MTB Organizes Training on "Banker's Loans and Advances."

Mutual Trust Bank Limited (MTB) has recently organized a training program on Banker's Loans and Advances for the officers of the Bank. A total of 28 officers participated in the training course.

MTB Deputy Managing Director Md. Hashem Chowdhury inaugurated the course as chief guest while MTB Deputy Managing Director Md. Ahsan-uz Zaman was present as special guest. Principal of MTB Training Institute Md. Sirajul Haque chaired the inaugural function.



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### Remittance agreements: Habib Exchange, Abu Dhabi & Asia Exchange, Dubai

MTB has recently signed remittance agreements with Habib Exchange Company LLC and with Asia Exchange - both renowned remittance companies based in UAE. MTB MD & CEO, Mr. Anis A. Khan and Habib Exchange MD, Mr. Muhammad



Amin Bawa has signed the agreement on behalf of their respective institutions in a simple ceremony at the corporate head office of Habib Exchange in Abu Dhabi. Mr. Khan also signed a similar agreement with Asia

Exchange's General Manager, Mr. Adil N. Mithaiwala during his visit to their Deira Office in Dubai.

### MTB Celebrates 10th Founding Day with Blood Donation Program

Mutual Trust Bank Limited (MTB) commenced celebrating its 10th anniversary on October 24, 2009 through a voluntary blood donation program at Dhaka and Chittagong. MTB officials from various branches and offices of the bank across the country participated in the program. The collected blood from the program would be dedicated to save lives of severely ill patients. The bank has drawn up an elaborate program



including various Corporate Social Responsibility (CSR) programs to be held over one year starting from October 24, 2009 and ending on October 23, 2010 to mark MTB's 10th Founding Day.



## FINANCIAL GLOSSARY

### Gearing

The most common use of the term 'gearing' is to describe the level of a company's net debt (net of cash or cash equivalents) compared with its equity capital, and usually it is expressed as a percentage. So a company with gearing of 60 per cent has levels of debt that are 60 per cent of its equity capital. The gearing ratio shows how encumbered a company is with debt. Depending on the industry, a gearing ratio of 15% would be considered prudent while anything over 100% would be considered risky or 'highly geared'. 'Gearing' is also used in a related sense to refer to borrowings by an investment trust that boosts the return on capital and income via additional investment. When the trust is performing well shareholders enjoy an enhanced or 'geared profit'. However if the trust performs poorly then the loss is similarly exaggerated. Gearing can also refer to the ratio between a company's share price and its warrant price.

### Blue Chip

A company with a large market capitalization, stable earnings, consistent dividend record, and reputation as a reliable investment. There are no formal rules for joining the ranks of blue chips, and not necessarily any agreement about which companies belong to the club, but the companies that make up a country's leading stock index would commonly be regarded as blue chips. The term is believed to come from the gambling chip used in casinos.

### Option

An option that gives the buyer or holder the right but not the obligation to sell shares (or other financial instruments) at a fixed price on or before a given date. The seller or writer has the obligation to buy. Every put option has an exercise price, the price at which the holder is entitled to sell the shares to the option writer. If the price of the share falls below the exercise price, the option is said to be in the money and to have an intrinsic value that is equal to the difference between the two.

### Underwriter

A financial institution which, in return for a fee or commission, acts as an intermediary between a company and investors and agrees to purchase unsold shares in a new issue, if the issue is not fully subscribed. From the company's point of view, having its new issue underwritten is a form of insurance. It means that if an issue is priced too high and the market shuns it, the company can still be sure that it will raise the funds expected from the new issue. Security comes at a price and underwriters charge a fee for the back-up they provide.

### Dead Cat Bounce

A phrase used by traders to describe the phenomenon whereby a stock rallies modestly after a large fall, and often before dropping to new lows. The analogy is to a dead cat dropped out of the window. Even though completely dead, the cat will bounce a little bit before falling back to earth.

### Source:

[www.finance-glossary.com](http://www.finance-glossary.com)

# MTB Network

## Dhaka Division

- Principal Branch**  
Tel: 02-7113237, 02-7113238
- Panthapath Branch**  
Tel: 02-8613807, 02-8629887
- Babu Bazar Branch**  
Tel: 02-7314821, 02-7314822
- Sonargaon Branch**  
Tel: 038959-88105, 06723-88105
- Uttara Branch**  
Tel: 02-8924379, 02-8951474
- Progati Sarani Branch**  
Tel: 02-8411804, 02-8410948
- Sreenagar Branch**  
Tel: 038942-88222
- Pallabi Branch**  
Tel: 02-9016273, 02-8055630
- Dilkusha Branch**  
Tel: 02-7171301, 02-7171002  
02-7170137
- Dhanmondi Branch**  
Tel: 02-8155607, 02-8158334
- Bashundhara City Branch**  
Tel: 02-9124021, 02-9120982,  
02-9111440, 02-8121071
- Chandra Branch**  
Tel: 06822-51968
- Gulshan Branch**  
Tel: 02-8837840, 02-8832343  
02-9882473
- Savar Branch**  
Tel: 02-741452, 02-7741453
- Fulbaria Branch**  
Tel: 02-9559842, 02-9559867
- Madaripur Branch**  
Tel: 0661-62483, 0661-62482
- Dholaikhal Branch**  
Tel: 02-7172542, 02-7172602
- Aganagar Branch**  
Tel: 02-7762226, 02-7762227
- Narayanganj Branch**  
Tel: 02-7648209
- Banani Branch**  
Tel: 02-988-3831, 02-988-3861,  
0666-2685833, 0666-2629407
- Tongi Branch**  
Tel: 02-9816250, 02-9816251

## SME Service Centers

**Kaliganj Center**  
Tel: 01718883140

## Rajshahi Division

- Pabna Branch**  
Tel: 0731-51829, 0731-51830
- Joypurhat Branch**  
Tel: 0571-63584, 0571-63585
- Rangpur Branch**  
Tel: 0521-52325, 0521-52326

## Brokerage Houses

- Main Office**  
Tel: 02-9570563, 02-9568163
- Gulshan Office**  
Tel: 02-9895969, 066-62044390
- Pallabi Office**  
Tel: 02-9015919, 066-62607136
- Uttara Office**  
Tel: 044-76150106
- Narayanganj Office**  
Tel: 02-7648210
- Dhanmondi Office**  
Tel: Will be provided soon
- Progati Sarani Office**  
Tel: 02-8840507

## Sylhet Division

- Sylhet Branch**  
Tel: 0821-2830271, 0821-2830272,  
0821-716820
- Moulvi Bazar Branch**  
Tel: 0861-62840, 0861-62841

## Brokerage Houses

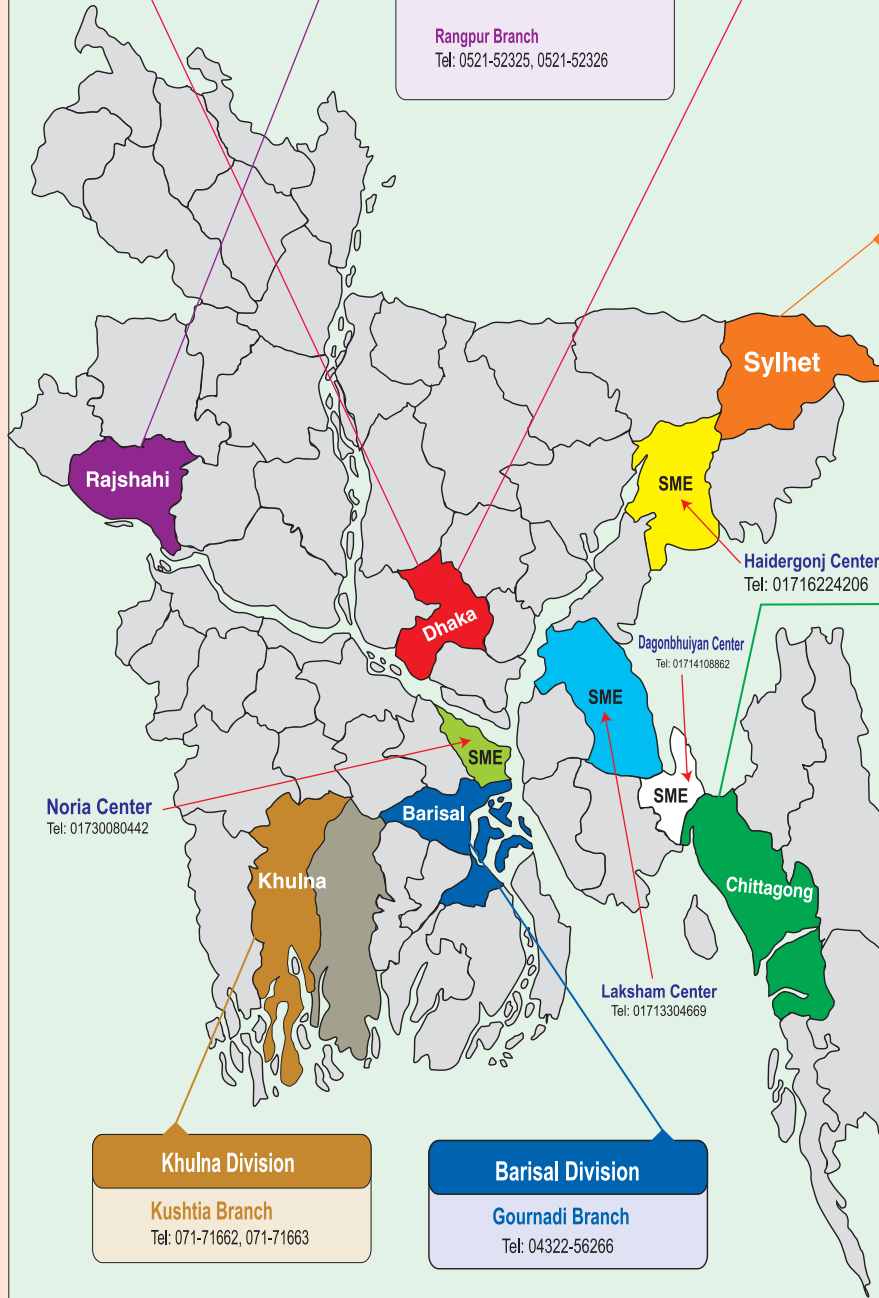
**Sylhet Office**  
Tel: 081-2830319

## Chittagong Division

- Head of Chittagong Division Branches**  
Tel: 031-251668  
Fax: 880-31-721091
- CDA Avenue Branch**  
Tel: 031-623559, 031-625336
- Khatungonj Branch**  
Tel: 031-612254, 031-626966
- Jubilee Road Branch**  
Tel: 031-624922, 031-627533
- Nazirhat Branch**  
Tel: 0821-4483498, 0443-4483498
- Chakoria Branch**  
Tel: 034-2256502
- Raipur Branch**  
Tel: 038-2256495
- Aman Bazar Branch**  
Tel: 031-681022, 01713106375

## Brokerage Houses

**Chittagong Office**  
Tel: 031-2514797, 037-31000768



## Khulna Division

**Kushtia Branch**  
Tel: 071-71662, 071-71663

## Barisal Division

**Gournadi Branch**  
Tel: 04322-56266



মিউচুয়াল ট্রাস্ট ব্যাংক লিমিটেড  
**Mutual Trust Bank Ltd.**  
*you can bank on us*

**Head Office**  
68 Dilkusha C/A, Dhaka-1000, Bangladesh  
PABX: 717-0138-40; Ext: 129, 266  
Fax: 880-2-956 9762