

Oil prices rise as OPEC decides to cut output

AFP, Singapore

Oil prices were firmer Friday in Asian trading after OPEC decided to trim production by two million barrels a day from June, dealers said.

At 11:08 am (0308 GMT), the benchmark New York light sweet crude contract for June delivery was at 26.85 dollars a barrel in after-hours trading, up from its close of 26.64 dollars in New York Thursday.

In an extraordinary meeting held Thursday in Vienna, the 11-member Organisation of Petroleum Exporting

Countries (OPEC) announced the oil cartel's daily output would be cut from 27.4 million bpd currently to 25.4 million bpd from June.

But, recognising that OPEC quotas are being flouted, the ministers meeting in Vienna also increased the production ceilings to bring them closer into line with reality.

The rise in the quota to 25.4 million bpd was a surprise since OPEC had been expected to maintain the current quota, which is 900,000 bpd lower at 24.5 million bpd.

Dealers said the move from OPEC was sending confused signals to the

market.

"There is a lot of contradiction in OPEC's decision but one of the arguments for such a move is that the organization may have decided on increasing the quota by June in anticipation of a global economic recovery by the third quarter," said a dealer at a local trading house.

OPEC has been producing above its official output ceiling to help rein in prices which rose sharply because of a strike in Venezuela and the threat of disruption to Middle East oil exports during the Iraq war.



S M Aminur Rahman, deputy managing director of Sonali Bank, speaks as chief at a branch managers' conference of greater Noakhali district of the bank at its Principal Office in Noakhali on Wednesday. Md Abdul Malek Mia, general manager of Chittagong Division, Md Mahmudur Rahman Talukder, DGM of Principal Office, Noakhali, and Ali Hossain Khan, DGM-Loan Division of head office, were present at the conference.

American Airlines chief quits

Move may keep world's largest air carrier aloft

AFP, Fort Worth, Texas

The head of American Airlines resigned Thursday in a move that could placate furious workers whose wages must be cut in order to keep the world's largest airline out of bankruptcy.

Don Carty had come under fire from angry American Airlines unions after reports that top management had given itself hefty perks as staff agreed to steep pay cuts to keep the airline aloft.

The AMR board met a day after the carrier reported a net loss of 1.04 billion dollars in the first quarter of 2003, after a year-earlier loss of 1.56 billion dollars. Revenue fell 1.0 per cent to 4.12 billion dollars.

AMR also announced that Edward Brennan had been named executive chairman. Current president Gerard Arpey will be the new chief executive officer while retaining his title of president.

American Airlines management had drawn up retention bonuses for six top airline executives and had set up a trust to protect management pensions even in the event of bankruptcy.

The bonuses were withdrawn in the ensuing fury, but the pension trust remains in place.

"Union members have been asked to make extraordinary sacrifices and face

significant layoffs and yet there is no indication that management intends to offer the same level of shared sacrifice in regards to wages and layoffs," Transport Workers Union local 565 president Don Veditich said in a statement.

Of the company's three unions -- the TWU, the Association of Professional Flight Attendants and the Allied Pilots Association, the APFA and TWU vowed to hold new votes on the cost-cutting survival plan that had been narrowly accepted by the three unions last week.

The survival plan would pare total labor costs, including management's, by 1.8 billion dollars a year, or about 20 per cent from its annual payroll, to avoid bankruptcy.

But some members of the AMR board reportedly are hoping the unions can be satisfied with Carty's head, leaving the survival plan intact and avoiding a Chapter 11 bankruptcy.

New proposals, however, were also drawn up to placate the unions' anger.

The Wall Street Journal and The New York Times said Friday that the new deal would reduce the duration of the proposed wage cuts from six to five years, and provide a new cash incentive plan.

The APFA, however, said its board had not approved the concessions, adding in a statement that the situation was "very fluid."

The Wall Street Journal said that if the APFA fails to approve the survival plan, AMR would file for Chapter 11 bankruptcy-law protection from its creditors Friday or perhaps Monday.

On Wall Street, on Friday, AMR shares rose 24 cents or 6.32 per cent to close at 4.04 dollars before Carty's resignation.

Flight attendants resist settlement

AFP, New York

Two out of three American Airlines unions have accepted management's latest salary-cut proposals, but the flight attendant's union still threatens to push the company into bankruptcy, US newspapers said Friday.

The board of AMR Corp. has been insisting that it takes only one union to reject the wage deal for the world's largest airline to go belly up.

By narrow margins, AMR's three major unions -- the Transport Workers Union, the Association of Professional Flight Attendants and the Allied Pilots Association, voted for a survival plan ten days ago that would pare total labor costs by 1.8 billion dollars, or about 20%, from its annual payroll.

Sharp triples profit on LCD TV, cell phone sales

AFP, Tokyo

Japanese hi-tech company Sharp said Friday group net profit nearly tripled in the year to March on buoyant sales of liquid crystal display (LCD) televisions and camera-equipped cellphones.

Net profit surged 188.2 per cent to 32.6 billion yen (271.6 million dollars), recurring profit jumped 67.6 per cent to 81.9 billion yen and revenue rose 11.1 per cent to 2.00 trillion yen.

The company's profit performance surpassed its rivals, but fell short of record levels set in the year to March 2001, senior managing director Hiroshi Saji said.

"In the new financial year, we aim to post a record in all profit lines," he told a news conference.

Despite a global economy that gives "no ground for optimism," the company aims to boost its net profit to 50 billion yen, recurring profit to 100 billion yen and revenue to 2.15 trillion yen in the year to March 2004.

Sharp plans to offset the downward pressure on prices of its mainstay LCD products by focusing on higher profit margin goods, Saji said.

The firm plans to boost LCD TV sales to 1.5 million units in the current year from 890,000.

US using trade as foreign policy stick: Analysts

REUTERS, Washington

The Bush administration appears to be using trade policy to punish counties that did not cooperate in the US-led war on Iraq and reward those who did, trade policy analysts said Thursday.

"This is something that I personally am not enthusiastic about," Fred Bergsten, director of the Institute for International Economics, said in a speech to the US Asia Pacific Council, a newly formed foreign affairs group.

"But I think the reality must be recognized around the world, and certainly in the (Asia Pacific) region, that the US government at least for some time is going to differentiate between countries that it has designated as members of coalition of the willing and the other countries who were not as cooperative," Bergsten said.

The administration already has demonstrated this by delaying the signing of a free trade agreement with Chile because that country opposed a second UN Security Council resolution authorizing the use of force to disarm Iraq, Bergsten said.

In contrast, President George W. Bush will sign a free trade pact with

Singapore, which supported the US action, when Prime Minister Goh Chok Tong visits the White House on May 6.

In another example, Australia has jumped to near the front of the list of future US free trade partners because of its strong support for the war, Bergsten said.

In a speech to the same group, US Trade Representative Robert Zoellick said the Bush administration still hoped for congressional approval of both the Singapore and the Chile agreements this year.

Zoellick has admitted that many in the administration and Congress were disappointed that Chile, a UN Security Council member, did not support its effort to win a second resolution.

Ed Gresser, director of the trade and global markets project at the Progressive Policy Institute, said the Bush administration seemed to spend "a lot of time being angry and looking for ways to get back at people" that opposed its efforts in Iraq.

The Bush administration didn't get many people to sign up for their position. I think they're mad about it and they're looking for ways to prevent it from happening again," he said.

Japan's jobless rate closer to record high

AFP, Tokyo

Japan's jobless rate edged closer to a record high in March due to restructuring at companies struggling to weather the global economic downturn, the government and analysts said Friday.

The jobless rate rose to 5.4 per cent, just below an historic 5.5 per cent high, the Ministry of Public Management, Home Affairs, Posts and Telecommunications said. The rate rose from 5.2 per cent in February.

For the full year to March, Japan's average jobless rate climbed to 5.4 per cent, the highest for any financial year,

the ministry said.

"We continued to see restructuring in almost all business sectors," said Hidehiko Fujii, a senior economist at Japan Research Institute.

"While overall corporate profitability is improving, companies are not hiring workers because of uncertainty over the direction of the global economy," he said.

"Japanese companies cannot afford to increase the number of employees to stay afloat and some companies no longer need to hire Japanese workers because they have moved their entire production bases to China and Vietnam."

Weekly Currency Roundup

April 19-April 24, 2003

Local FX Market

US dollar became slightly stronger against Bangladeshi Taka this week. It got stronger against Bangladeshi Taka earlier in the week due to higher demand for import. Later dollar became steady and remained range-bound for the rest of the week.

Money Market

Bangladesh Bank borrowed BDT 13,568 million by the Treasury bill auction held on Sunday, which was much higher than the previous week. Weighted average yield of 28-D bill was down by 1 bps to 7.82 per cent and weighted average yield of 5-yr bill decreased further by 2 bps to 11.43 per cent respectively.

The call money rate was stable this week. It ranged between 7.75 and 8.25 per cent at the beginning of the week. The rate eased slightly in the middle of the week. It increased slightly by the end of the week but remained range-bound.

International FX Market

Many of the International markets were closed in the beginning of the week due to Easter holiday. The dollar extended gains against the yen in thin market on optimism over the outlook for Wall Street and the Euro hit a four-year high against the yen as Japanese investors moved into euro-denominated assets. Against the euro, the dollar became weaker. Dealers took their cue from US stock index futures, which suggested that US share prices would build on their pre-Easter rally.

The euro held just below recent six-week peaks on the dollar and hit a new four-year high on the yen in the middle of the week as overnight US equities gains failed to lure investors away from the attraction of euro-denominated bonds. Investors were awaiting further information on the health of the US economy from a variety of sources this week, with the federal Reserve's Beige Book of business conditions due at 1800 GMT, followed by durable goods order on Thursday.

On the end of the week euro pushed to a six-week high against a flagging dollar and hit a new four-year high against the yen. The single currency leapt more than half-a-per cent to \$1.1035 in early European trade. It also extended gains to 132.29 yen against the Japanese currency, its highest since May 1999. Demand for higher yielding Euro-dominated bonds was attributed as the main reason for the rise. With Japanese interest rates near zero and US short-term rates at four-decade low of 1.25 per cent, returns on Euro-zone government bonds looks attractive. Dealers were also bearish on the dollar ahead of US weekly jobless claims and durable goods data, both of which are expected to make dismal reading.

At 1430 hours on Thursday, euro was at 1.1015/18, GBP at 1.5921/25 and yen at 119.82/87 against the dollar.

-- Standard Chartered Bank

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