

## Oil market rests on fragile supply cushion: IEA

AFP, Paris

Estimated world oil product demand is flat at 84.8 million barrels per day this year and the market has a fragile cushion to absorb supply disruptions in Alaska and elsewhere, the IEA reported on Friday.

"For the time being, the market can cope with current outages," the International Energy Agency said in its monthly review of the oil market.

"But in the light of the many possible threats to output, including the current hurricane season, there is little doubt that the

upstream spare capacity cushion remains thin."

The impact of disruption to supplies from the BP field in Prudhoe Bay, Alaska, would probably be substantially less than the 400,000 barrels per day reported because of offsetting factors elsewhere.

The agency said that Chinese

demand might grow faster than expected and it raised its forecast of oil product demand from China this year by 24,000 barrels per day to 7.1 million bpd, an increase of 6.5 percent from the 2005 figure.

And it raised its estimate for 2007 by 21,000 bpd to 7.4 million bpd, an annual increase of 5.5 percent.

World oil supplies had increased by 615,000 barrels per day in July to 85.5 million barrels.

"Revisions driven by an unscheduled shutdown of Alaska's 400,000 barrels per day Prudhoe Bay field trim non-Opec supply by 220,000 barrels per day in 2006 and 30,000 bpd in 2007."

The report put non-Opec output at 51.1 million bpd on average in 2006 and 53.0 million bpd in 2007.

In July, supplies of oil from the Organization of Petroleum Exporting Countries fell by 225,000 bpd to 29.8 million bpd because of disruption in Iraq and Nigeria, and maintenance of facilities in Venezuela.

"Effective (Opec) spare capacity, currently 2.0 million bpd, could stay tight in the coming months if Nigerian and non-Opec outages persist and Opec raises output to compensate."

### Oil rebounds after sharp drop on bomb plot

Reuters from London adds: Oil edged higher on Friday after the previous session's 3 percent dive, as the initial impact faded of an attempted transatlantic aircraft bomb plot, which traders fear could sap oil demand and consumer confidence.

US light, sweet crude oil rose 70 cents to \$74.70 a barrel by 1005 GMT, recovering from the \$2.35 slump on Thursday. London Brent crude jumped 78 cents to \$76.06.

Crude and gasoline prices plummeted on Thursday on fears that travelers might shun airlines after Britain said they stopped the plot just days before its execution.

"By today we know that there were no following threats to attempt attacks," said Dariusz Kowalczyk, Chief Investment Strategist at CFC Securities in Hong Kong.



PHOTO: SINGER BANGLADESH  
Mahbub Jamil, chairman and managing director of Singer Bangladesh Ltd, inaugurates a 'Singer Plus' store at Jirabo, Ashulia in Dhaka on Wednesday. Other senior officials of the company are also seen.



PHOTO: CONCORD GROUP  
Shahriar Kamal, deputy managing director of Concord Group, speaks at a press conference on Thursday to announce the inauguration of Motel Atlantis, which will open at Fantasy Kingdom Complex in Ashulia, Dhaka on August 16. Senior officials of Concord Entertainment Co Ltd, a concern of Concord Group, are also seen.



PHOTO: GRAMEENPHONE  
Mobile phone operator GrameenPhone Ltd's head of Customer Management Division Bidyut Kumar Basu exchanges views with subscribers at a function titled 'Grahak Katha' in Dhaka recently.

## US economic outlook unchanged in wake of bomb plot

REUTERS, New York

News of a suspected bomb plot dominated news headlines and caused gridlock at airports, but it didn't send economists back to the drawing board to recalculate forecasts for US economic growth.

Signs of a moderating economy were already clear enough to prompt the Federal Reserve to leave interest rates unchanged at its policy meeting on Tuesday. Second-quarter gross domestic product grew far short of expectations, job creation slowed last month and the housing market is cooling.

Analysts say the impact of previous security incidents show that the comparatively anemic economic indicators are much more important to the economic outlook than a reported plot to bomb multiple airplanes flying from Britain to the United States.

"I don't think it will be felt at all," said Jay Bryson, global economist at Wachovia Corp. in Charlotte, North Carolina. "Think back to last year -- the (London) Underground bombings had little impact. Unless it happens on our own soil, it will

probably have no impact at all." Stocks took the news in stride, with all three major U.S. indexes rising on the day.

"I talked to a lot of clients and traders about this and one thing I came away with was that this, believe it or not, is encouraging in that UK intelligence foiled this plot," said Anthony Chan, chief economist at JPMorgan Private Client Services in New York. "You have to come away with some optimism out of this craziness."

Declines were scattered in the travel and tourism industry with Continental Airlines ending more than 1 percent lower, while AMR Corp., the parent company of American Airlines, scrapped its way back to even after being down as much as 4 percent. Shares of major hotel chains like Hilton and Starwood both fell around 2 percent, but Four Seasons Hotels Inc. shot up more than 3 percent.

"It does tend to chill the travel industry and tourism -- (but) it tends to be a short-term chill," said Brian Bethune, US economist at Global Insight in Boston.

### Weekly Currency Roundup

August 06-August 10, 2006

**Local FX Market**  
Demand for US dollar was stable in throughout the week and USD fell slightly against Bangladeshi taka.

**Money Market**  
In the Treasury bill auction held on Sunday, bid for BDT 8,324.00 was accepted, compared with total of BDT 11,400.00 million in the previous week's bid. Weighted average yield rose slightly for all the categories of T-bills sold on the day.

Overnight money market was steady throughout the week. The call money rate remained unchanged throughout the week and ranged between 6.50 and 7.00 percent.

**International FX Market**  
The dollar fell to two-month lows on Friday after data showed that US job creation was lower than forecast in July, leading investors to all but rule out another rate hike from the Federal Reserve next week. At the beginning of the week, the dollar held near a two-month low against a basket of currencies on Monday after data showing lacklustre US job growth hardened expectations that the Federal Reserve would pause its two-year-old tightening cycle. In the euro zone, the European Central Bank is set to continue raising interest rates after hiking them by 25 basis points last week as expected. In a market driven by yield differentials and the outlook for future interest rates, the yen came under pressure as expectations grew the Bank of Japan would leave interest rates steady this week and for some time after hiking last month.

In the middle of the week, the dollar stagnated near last week's two-month lows against major currencies on Tuesday, with investors focusing on the US Federal Reserve's policy meeting to see if it pauses in its two-year monetary tightening cycle. The dollar was flat on the day against the yen, as was the euro. Sterling has been the biggest winner among major currencies since the BoE move, hitting a 15-month high against the dollar, eight-month peak against the euro and eight-year highs against the yen. The dollar eased against the euro and the yen on Wednesday. An anticipated Fed pause has hurt the dollar this year, especially as the ECB and others have steadily ratcheted rates higher. The Bank of England, in its quarterly inflation report, signalled that interest rates will probably need to rise a little further in order to keep inflation on course. The yen slid to record lows against the euro and eight-year troughs against sterling. The euro was up 0.3 percent against the dollar, still some way off last week's two-month peak. The dollar was also a bit softer against the yen. The euro rose to its highest since the single currency was launched in 1999. The yen also hit an eight-year low against sterling for the fifth day in a row.

By the end of the week, sterling fell and the Swiss franc rose to a one-week high against the dollar on Thursday, after British police said they had thwarted a plot to blow up aircraft in mid-flight. Sterling slid from a 15-month high hit earlier this week after British police arrested 21 people and as short-haul flights to and from London's Heathrow airport were cancelled. The dollar was under pressure ahead of US June trade data due later in the day.

- Standard Chartered Bank

## STOCK