Japanese forex reserves rise

AFP, *Tokyo*

Japan's foreign exchange reserves rose in August to 456.07 billion dollars, for a fifth straight month of increase, the finance ministry said Friday.

The figure rose from total 453.09 billion dollars at the end of July, the ministry said.

The total consists of securities and deposits denominated in foreign currencies, International Monetary Fund (IMF) reserve positions, IMF special drawing rights and gold.

Of the August total, foreign currencies accounted for 438.99 billion dollars, gold 7.69 billion dollars, IMF reserves 6.95 billion dollars and special drawing rights 2.44 billion dollars, the ministry said.

A ministry official declined to comment immediately on reasons for the rise in August.

In the past, however, officials cited intervention by the government in the foreign exchange market as a major reason for the rise in reserves.

Oil price hits one-year high after raid on Iraq

AFP, *London*

The price of oil jumped to its highest level for almost a year here on Friday after an air raid by US and British warplanes on an Iraqi air defense base raised concerns that an attack on Baghdad is drawing closer.

Brent North Sea crude for October delivery rallied 88 cents a barrel to 28.54 dollars by early afternoon from the previous close.

The last time prices were so high was in the aftermath of the September 11 terrorist attacks in the United States.

In New York, the light sweet crude October contract had surged 71 cents on Thursday to 28.98 dollars a barrel.

Traders said that the latest jump had been fueled by news of an air raid by US and British warplanes against an Iraqi air defense base, which some reports said had involved 100 aircraft.

"There's a lot of tension in the market following the reports of US/UK attacks on Iraq, possibly with up to 100 aircraft," said ABN Amro trader Mark Keenan.

"That has combined with the meeting at Camp David between (British Prime Minister Tony) Blair and (US President George) Bush this weekend, which is seen by many as an establishment of war protocols.

"From the American point of view, it has become apparent over the last few months that Bush's biggest problem has been lack of international backing, and although Blair has not said anything new, this meeting is being construed as revealing Blair's support for Bush and his military plans for Iraq," he added.

Britain and the US confirmed Friday the air raid on an Iraqi air defense base had taken place, but both refused to confirm a report in the British daily The Telegraph that some 100 aircraft had taken part.

Analyst said that on top of concerns that a US invasion of Iraq might destabilise the Middle East oil producing region, prices were underpinned by figures showing large falls in US crude oil stock levels.

Crude oil stocks fell by 4.6 million barrels, or 1.5 percent, to 298.5 million in the week ended August 30 from the previous week, the US energy department reported late on Thursday, a day later than usual because of the US Labor Day holiday on Monday.

Gasoline inventories dropped by 1.5 million barrels to 205.3 million, while distillate fuel stocks declined by 2.0 million to 129.6 million.

Against such a backdrop, Barclays Capital analyst Kevin Norrish said that prices could jump back about 30 dollars a barrel in New York before the weekend, and possibly even in London as well.

"I doubt very much that many energy market participants want to go home this weekend short," he said.

Meanwhile, economists fear that soaring oil prices could put a damper on the global economy even as it struggles to avoid a "double dip" slowdown.

"There are fears that an invasion of Iraq could destabilise the region with an impact on oil supplies and also on perception of risk around the world, unnecessary risk being something that investors don't like," said an analyst at Seven Investment Management, Alex Scott.

Arabs under pressure to hike oil output as prices rise

AFP, *Cairo*

Arab oil producing nations came under mounting pressure this week to hike crude production in order to dispel fears of a shortage in case of a US war on Iraq.

Oil prices have risen close to levels reached after the September 11 terrorist attacks last year, well over the 27 dollar mark, in a tense market closely watching the growing threat of US intervention to topple Iraqi President Saddam Hussein.

Weekly inventory figures released by the American Petroleum Institute revealed a fall in crude oil stocks of 6.3 million barrels to 298.9 million in the week to August 30 from the previous week.

The market fears a disruption of oil supply from Iraq, which exports slightly less than one million barrels per day (bpd), and also doubts the will of the other producing nations to make up for the possible loss.

Saudi Arabia, the world top oil exporter, denied Monday that it had decided to press fellow members of the Organisation of Petroleum Exporting Countries (OPEC) to hike output at their meeting due September 19 in Osaka, Japan.

"Talking now about what decisions OPEC will take during its next meeting is premature ... The process of amending production ceilings and levels takes place at the meeting of the OPEC ministers," Saudi Oil Minister Ali al-Nuaimi said.

Meanwhile, the Middle East Economic Survey (MEES) weekly said Monday Iraq's cross-border oil trade with Turkey and the Gulf, carried out in violation of UN sanctions, has been reduced to a "trickle."

The Cyprus-based newsletter said Turkey has reduced the flow of Iraqi gas oil and fuel oil, and Western navies in the Gulf have "effectively blocked the smuggling of Iraqi fuel oil, even of the small 300 ton vessels."

However, MEES said Baghdad has recently stepped up cross-border oil trade with Syria through the Mosul-Aleppo rail link, which re-opened two years ago, as well as by trucks and a pipeline that carries about 180,000 bpd of crude.

Other energy-related news in the Middle East included a report from the London-based International Oil Daily that differences have appeared between Western oil firms seeking mega gas projects in Saudi Arabia on whether to accept the financial terms being offered by the kingdom.

Company negotiations are being led by ExxonMobil, which has the lead in two consortia, and Royal Dutch/Shell, leader of the third. The other members are BP, TotalFinaElf, Phillips, Occidental, Marathon and Conoco.

The projects, known as the "Saudi gas initiative," mark the first opening in the Saudi energy sector since it was nationalised in 1981. But it only involves gas production and development, with oil production remaining firmly a monopoly of state-owned giant Saudi Aramco.

On the macroeconomic front, Egyptian businessmen have urged the government to lower the cost of credit so they can boost exports and overcome a chronic cash crunch aggravated by the fallout of September 11.

S'pore port signs terminal deal with Taiwan's Evergreen

AFP, *Singapore*

Singapore port operator PSA Corp. said Friday it has signed a new terminal service agreement with shipping giant Evergreen Marine Corp. of Taiwan.

Evergreen's president Arnold Wang said the Taiwanese shipper would continue to use the island's port services for its regional business.

"Evergreen vessels operating on intra-Asia routes as well as some of Evergreen's joint services will continue to call at PSA," Wang said.

"We are satisfied with PSA's comprehensive information technology, connectivity and feeder network," he said.

PSA Corp. group president and chief executive Ng Chee Keong said the agreement "marks a new milestone" in the port's working relationship with Taiwan's biggest shipping firm.

PHOTO: BANGLADESH COMMERCE BANK

M Nazrul Huda, deputy governor of Bangladesh Bank, gives away certificates among the participants of a course on banking practice and law organised by Bangladesh Commerce Bank Ltd recently. Managing Director of Bangladesh Commerce Bank Nurul Islam Khan was also present.

Manila floats $300m 5-yr bonds

AFP, *Manila*

The Philippine government said Friday that it has issued 300 million dollars' worth of five-year bonds to help fund its spending requirements.

The bonds will be listed at the Luxembourg Stock Exchange, the finance department said in a statement.

The total was 50 per cent higher than the original plan to raise 200 million dollars, it added.

"The issue allowed the Philippine government to tap a cheaper source of fund versus peso-based instruments, which have been offering higher rates in recent auctions due to increased speculative activity on account of unwarranted concern over the budget deficit," the statement said.

National Treasurer Sergio Edeza said the money raised would be used for the government's future requirements.

EU to study crisis plan for strategic oil, gas

AFP, *Brussels*

The European Commission is to examine on September 11 proposals for coordinating the management of strategic oil and gas stock across the 15-nation European Union, so as to better protect supplies in case of a world crisis, a source at the EU's executive arm said Thursday.

The date of September 11, the first anniversary of the attacks on the United States, "was not chosen by chance" but was a reminder of the need to be able to respond to unusual situations, the source said.

The Commission is expected to propose that EU member states increase the level of obligatory strategic oil stocks they each hold to 120 days' worth of supply from the current 90 days.

It is also expected to propose that the strategic oil reserves should be released in a coordinated way in times of dire emergency, with the Commission directing the operation in cooperation with the member states so that no one country is left much shorter of supplies than another.

Such a step could be taken if oil prices soared to the point where they pushed up the EU's oil costs to 0.5 per cent of gross domestic product a year, according to a Commission document.

Under current circumstances, that would mean an intervention when oil prices reach 30 dollars a barrel, the document said.

The Commission also wants EU states to make sure they have sufficient natural gas stocks, held either inside or outside the bloc, and to take out both long-term and spot market gas purchasing contracts.

Within 20 to 30 years, the EU is expected to import almost 70 per cent of its energy supplies, up from 50 per cent now, according to Commission estimates.

US factory orders up

AFP, *Washington*

US factory orders for manufactured goods rose 4.7 per cent in July from the previous month, the Commerce Department said Thursday.

Factory orders dropped a revised 2.5 per cent in June, compared with the initial estimate that orders decreased 2.4 per cent.

Year-on-year, factory orders were up 3.6 per cent in July.

Orders for durable goods rose 9.2 per cent in July, compared with the advance estimate of an 8.7 per cent rise published on August 27.

Manufacturing inventories fell 0.1 per cent in the month, after a 0.1 per cent fall in July, for the eighteenth consecutive decline.

Unfilled orders, an indication of how busy factories will be in future months, rose 0.3 per cent in July after a 1.6 per cent fall in June.

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