Oil holds above $45 on Iraq, Venezuela

REUTERS, *London*

Oil hovered near record peaks on Friday, underpinned by worries of fresh sabotage on Iraq's oil industry and possible unrest in Venezuela where President Hugo Chavez this weekend faces a referendum on his rule.

U.S. light crude eased 8 cents to $45.42 a barrel after Thursday's new record high of $45.75 on the New York Mercantile Exchange.

Prices took a break from a series of new records over the past two weeks as Iraqi oil exports flowed normally from southern fields to offshore terminals after pumping resumed through a main pipeline sabotaged earlier this week, an official from Iraq's South Oil Company said.

Oil exports had been cut by almost half to just below one million barrels per day (bpd) following the sabotage strike.

Traders worry that Iraqi rebels loyal to Shi'ite Muslim cleric Moqtada al-Sadr will carry through a threat to attack oil infrastructure after U.S. forces stormed the holy city Najaf to quell a week-long uprising by Sadr supporters.

There were also concerns that Sunday's referendum in Venezuela may lead to violence if Chavez is defeated, and put the country's oil shipments at risk.

"Anything less than a clear answer will likely perpetuate the country's political turmoil," consultants PFC Energy said in a report.

Energy Minister Rafael Ramirez gave reassurances on Thursday that Caracas would guarantee supplies to the world market whatever the outcome of the vote.

Uncertainty also remains over oil exports from Russia's YUKOS, which continues to battle bankruptcy but has so far avoided any disruption to its 1.7 million bpd of production.

Fears that tightly stretched supplies have left little leeway for any disruptions have added 23 percent, or more than $8.60, to a barrel of crude oil since the end of June.

U.S. production in the Gulf of Mexico was cut back this week due to a tropical storm, while government data showed a hefty and unexpected drop in national crude inventories.

PHOTO: IIFC

Mohammed Salim, secretary of Power Grid Company of Bangladesh (PGCB), and Md Golam Mostafa, secretary of Infrastructure Investment Facilitation Centre (IIFC), sign an agreement in Dhaka on Wednesday. Under the deal, IIFC will assist the PGCB in leasing out Dhaka-Chittagong optical fibre cable network.

PHOTO: DHAKA BANK

Dhaka Bank Limited Deputy Managing Director Khondker Fazle Rashid, executive vice-presidents Alaudin Al-Azad, Arham Masudul Huq, AK Ahmadullah, Golam Hafiz Ahmed and Shamshad Begum pose for photographs with the participants of a training on "Flexcube Software in Banking Operations" organised by the bank for its officials recently in Dhaka.

Japan GDP grows 0.4pc in 3 months to June

AFP, *Tokyo*

Japan's gross domestic product grew 0.4 percent in the three months to June from the previous quarter, the lowest rate in just over a year hit by slower corporate spending, official figures released Friday showed.

On an annualized basis, the world's second-biggest economy expanded 1.7 percent, the Cabinet Office said.

The readings were the lowest since January-March 2003, when growth was flat.

The figures were sharply below the average estimate of economists polled by financial news service AFX-Asia at 1.0 percent in the April-June quarter, or at an annualized rate of 4.2 percent.

The weaker-than-expected GDP data prompted some yen selling against major currencies while the Japanese stock market came under heavy selling pressure Friday.

The dollar rose to 111.70 yen in Tokyo morning trade from 111.28 yen just before the release of the data and 110.90 yen in New York late Thursday. The euro also gained to 136.40 yen from 135.90 in New York.

"We are not expecting the Japanese economy will turn to a recession phase, but this could be a small correction phase," said Satoru Ogasawara, foreign exchange strategist at Credit Suisse First Boston.

PHOTO: DCCI

Fazle RM Hasan, president of Dhaka Chamber of Commerce and Industry (DCCI), and Anil Sinha, general manager of SEDF, pose for photographs with the participants of a two-day training programme titled 'PC and internet training for business development' organised by DCCI-SEDF Knowledge Centre in Dhaka on Monday.

US trade gap widens to a new record

REUTERS, *Washington*

The US trade deficit widened much more than expected in June, hitting a record $55.8 billion dollars as the biggest drop in exports in nearly three years combined with record imports, the government said on Friday.

Wall Street economists had expected the deficit to widen, but looked for a gap of just $47 billion. In its report, the Commerce Department also revised May's trade shortfall to $46.9 billion from the previously reported $46.0 billion.

The department said exports fell 4.3 percent to $92.8 billion in June, the biggest decline since September 2001 and the weakest performance since February.

At the same time, imports climbed 3.3 percent to an all-time high of $148.6 billion, partly reflecting a run-up in oil prices.

Crude oil prices hit $33.76 a barrel, according to the department's measure, the highest price since March 1982. The quantity of crude imported also rose to a record level.

While other recent data had led economists to expect an upward revision to the government's measure of second-quarter economic growth, the trade data was likely to lead them to lower their sights.

In its first snapshot of the second quarter, the government said U.S. gross domestic product advanced at a 3 percent annual rate, a sharp slowdown from the swift 4.5 percent pace at the start of the year.

The trade report showed the politically sensitive trade gap with China widened to a record $14.2 billion as exports eased and imports soared to an all-time high. U.S. manufacturers and labor groups complain that Beijing's policy of holding the value of its currency, the yuan, steady against the dollar has given it an unfair trade advantage.

The Bush administration has claimed it is making progress getting China to move toward a more flexible currency regime, but Democrats want to ratchet up the pressure with a trade investigation.

The report also showed the U.S. trade gap with Mexico reached a record.

For the first half of the year, the trade gap came in at $287.7 billion, putting it well ahead of the same period last year and on track to break last year's record $496.5 billion.

PHOTO: PREMIER LP GAS

Officials are seen at a meeting for the Totalgaz dealers of Savar was held at Savar in Dhaka recently. A total of 25 Totalgaz dealers attended the meeting.

Weekly Currency Roundup

August 7-12, 2004

Local FX Market

US dollar was stable against Bangladeshi taka the whole of this week. Greenback remained broadly steady due to lack of import demand.

Money Market:

Bangladesh Bank borrowed BDT 5,967.00 million through the Treasury bill auction held on Sunday, compared with BDT 8,605.00 million in the previous week's bid. The weighted average yields of t-bills of different tenors were almost unchanged from the previous bid.

Call money rate was in a downtrend throughout the week. The rate was 5.00-5.50 percent in the beginning of the week, then fell to 3.75-4.25 percent before closing the week at 3.5-4.00 percent.

International FX Market

In the beginning of the week, dollar hovered near the lowest levels set on Friday against euro and yen after unfavourable US jobs data sent the dollar reeling to its biggest one-day loss against euro since January. The market was watching out for the August 10 FOMC meeting where Federal Reserve is expected to raise funds rate by another 25 basis points to 1.5 percent. Meanwhile, yen's gain against dollar is being capped as surge in oil prices to record high hurts the oil-dependent Japanese economy. According to some analysts yen could get some support from the second quarter GDP data due out at the end of the week which is expected to show a ninth straight quarter of expansion.

Dollar rallied against major currencies after Federal Reserve increased their target funds rate to 1.5 percent in their August 10 FOMC meeting. Federal Reserve gave an upbeat assessment of the US economy despite the slowdown caused by higher energy cost. Market is eagerly waiting for more US data to see whether the economy is poised to resume a stronger pace of expansion after July soft jobs and output data.

Later in the week, yen edged higher against US dollar supported by the expected inflow of around USD 3-4 worth of coupon payments from Japanese investors. Yen also got a boost from news that IMF is expecting Japanese GDP growth at 4.5 percent revising from their previous forecast of 3.4 percent. However, yen's gain in the medium term will be capped by the rising oil prices, which is a negative for Japan which imports all of its oil. The market is now looking at US weekly jobless claim and July retail sales data to ascertain dollar's direction against other major currencies. Retail sales data is forecast to show a 1.1 percent increase compared to June, attributed mostly to higher auto sales. Market is also waiting for the initial 2nd quarter GDP estimates for Germany and France, the euro-zone's two largest economies.

-- Standard Chartered Bank