Oil bubbles near $55 a barrel

REUTERS, *London*

Oil prices simmered near $55 a barrel on Friday on rising fears of a winter fuel supply crunch and robust but slowing economic growth in China, the world's number two user.

US light crude traded 37 cents higher at $54.84 a barrel in out of hours trading, extending a late Thursday recovery to come within 50 cents of Monday's all-time peak of $55.33. Prices have hit a succession of record highs over $50 for the past three weeks.

Brent crude oil was up 41 cents to $51.13.

A wave of profit-taking by big-money funds trimmed gains at the start of this week, but prices quickly resumed their upward march after US government data on Wednesday showed a deepening yearly deficit of heating oil inventories.

US supplies of winter fuel fell last week to stand 12 percent below this time in 2003, a worryingly wide gap that traders fear refiners will not be able to close if the heavy consuming Northeast is hit with an early or severe winter.

"If we start to see quite a cold winter in the northern hemisphere, and particularly in the US, that will drive prices in the short-term," said industry analyst Daniel Hynes of ANZ Bank in Melbourne.

Federal weather forecasters said on Thursday they were still unable to predict whether the US Northeast or Midwest would have a cold, warm or normal winter, with equal chances of each.

The normal autumn stockbuild has been hampered by the damage caused by last month's Hurricane Ivan in the oil-producing Gulf of Mexico, where more than 400,000 barrels per day (bpd) of US production remains shut in, a government agency said on Thursday.

Heating oil futures were trading at $1.5820 a gallon, just 10 points away from Thursday's all-time high.

Supplies are more than 10 percent below 2003 levels in Japan, the world's third-biggest user, although forecasters say normal winter temperatures should help avert major shortages there.

PHOTO: EBL

Eastern Bank Limited Managing Director and Chief Executive Officer K Mahmood Sattar inaugurates an ATM booth at the bank's Uttara branch recently. Among others, Deputy Managing Director of the bank Ali Reza Iftekhar and Head of Cards Quazi Shairul Hassan were present.

PHOTO: UTTARA BANK

Uttara Bank Limited Managing Director Shamsuddin Ahmed speaks at the zonal head conference of the bank recently in Dhaka. Additional Managing Director MA Sattar, deputy managing directors MA Halim and Kazi Khalilur Rahman are also seen in the picture.

PHOTO: UNITREND LTD

Masih-ul Karim (2nd from left), managing director of Berger Paints (BD) Limited, receives a bouquet at the inauguration of the 4th Berger Colour Bank in Comilla recently. Other senior officials of the company were also present.

PHOTO: UNITED AIRLINES

The chief Executive Officer of United Link Limited, the GSA of United Airlines in Bangladesh, Taufiquddin Ahmed, and directors Roche Randolf and Ahmed Yusuf Walid pose for photographs with the participant travel agents of a workshop organised recently by the company in Dhaka.

IMF chief calls for more investment in oil production

AFP, *Geneva*

International Monetary Fund (IMF) managing director Rodrigo Rato on Friday called on oil-producing nations to boost investment in production facilities in response to rising oil prices, which he said would have clear impact on growth.

"Oil-producing countries have to respond to this new crisis, with an increase in investment, oil production," Rato said as he headed to top oil-producing nation South Arabia on the first leg of a three-nation trip to the Middle East.

Although he placed the emphasis on action by consuming countries to cut down consumption in the largely demand-driven price spiral, Rato said there was also a need for greater transparency in oil markets to avert speculation.

"We believe that a more transparent oil market will help certainly more efficient prices," Rato told journalists during a stopover at the World Trade Organisation's (WTO) headquarters in Geneva.

The IMF chief reiterated that the risks of a severe brake on economic growth next year had increased, but said that it was too early to revise forecasts.

"Downside risks from oil have increased. That is a clear reality right now," he said.

ASSISTING POOR TEXTILE EXPORTERS

WB, IMF only ready for case-by-case help

AFP, *Geneva*

The World Bank and International Monetary Fund said Friday that poor textile-exporting countries could only expect help on a case-by case basis to cope with the forthcoming end of import quotas.

World Bank president James Wolfensohn and IMF managing director Rodrigo de Rato said there were already support schemes in place to help developing countries cope with greater trade libera-lisation.

"On the textile side we are working on a country by country basis, but we are not 100 percent clear on the way the textile negotiations are going to come out," Wolfensohn said after a meeting with the World Trade Organisation.

Rato told the WTO's 148 member states that IMF assistance under its Trade Integration Mechanism "addresses part of this problem" but offered no other initiative to provide assistance.

China, which stands to make huge gains in major export markets like the US and Europe after the quotas are lifted, earlier this month called on the World Bank and IMF to "significantly enhance" assistance for rival smaller exporters.

About 20 small or poor textile producing nations, including Mexico, Mauritius and Tunisia, have urged other trading nations to temper the impact of the binding agreement concluded nine years ago, which they fear will lead to massive job losses.

During their regular contact session with the WTO, both the World Bank and IMF emphasised existing support in place to tackle balance of payments problems, notably the IMF's recently introduced integration mechanism.

"The mechanism is directed at the possible balance of payments impact of liberalisation by other countries, agreed in the context of the WTO and implemented unilaterally on a non-discriminatory basis," Rato said.

Bangladesh became the first country to obtain funding from the IMF scheme in July specifically to help it tackle balance of payments problems under the global liberalisation of the textiles trade, he added.

Weekly Currency Roundup

October 16-October 21, 2004

Local FX Market

US dollar was bullish against Bangladeshi taka in this week. Higher demand for import related payment pushed the rate of the greenback higher against Bangladeshi taka.

Money Market

Bangladesh Bank borrowed BDT 3,140.00 million through the Treasury bill auction held on Sunday, compared with BDT 1,322.00 million in the previous week's bid. No significant change was seen in the weighted average yields of t-bills of different tenors from the previous bid.

Call money rate eased in this week on back of improved liquidity. The rate ranged between 4.50 and 5.00 percent in the beginning of the week, but ended the week at 3.00-3.50 percent.

International FX Market

In the beginning of the week, the dollar held near 7-1/2 month lows of just beyond $1.25 per euro, after weak US data on Friday hit US rate rise expectations and took two cents off the currency's value against the euro. Weak US consumer sentiment, softer-than-expected industrial output and a bearish New York state manufacturing survey all suggested the US economy might be losing steam. Only much stronger-than-expected US retail sales data provided fleeting support for the dollar.

The dollar fell to a fresh 7-1/2 month low against the euro on Wednesday and a three-month trough on the Swiss franc as uncertainty lingered about the health of the US economy and interest rate outlook. The yen came under pressure briefly as Tokyo stocks fell 1.65 percent. But given the export-oriented economy's reliance on oil, a recent fall in oil prices underpinned the currency near this week's three-month high on the dollar. Sterling was trading close to recent 9-month lows against the euro ahead of UK mortgage lending data for September and minutes of the Bank of England's October meeting at 0830 GMT.

Later in the week, the dollar fell to a three-month low against the yen as traders zoomed in on growing concerns about the US economic outlook and the yawning trade deficit amid a lack of fresh economic data. The dollar fell through 108 yen for the first time since July 12 and inched down to a two-month low versus sterling. It stayed in sight of eight-month lows against the euro and the Swiss franc. In the past 2 weeks, the dollar has slid 3.3 percent against the yen and about 3 percent versus the euro as simmering concerns about the trade deficit resurfaced following recent weak US data. Data on Monday shows net fund inflows to US markets dropped to $59 billion in August, the lowest figures in nearly a year and barely above the level needed to finance the trade deficit.

- Standard Chartered Bank

STOCK