

## US lawmakers oppose sale of IMF gold stocks

REUTERS, Washington

A dozen US lawmakers have told Treasury Secretary John Snow to oppose proposals to sell gold from the International Monetary Fund's stockpile to pay for debt relief, indicating the plan will face powerful congressional opposition.

In a letter to Snow, 12 senators from mainly US mining states said sales of the IMF's 103 million ounces of gold reserves, the world's third-largest, would hurt gold producers and cause job losses, including in impoverished countries.

Finance chiefs of the rich Group of Seven nations asked IMF

Managing Director Rodrigo Rato last weekend to report by April on proposals for using IMF gold reserves to write off debts owed by the fund's poorest borrowers. The senators' letter was dated January 31, some days before the meeting.

News of the G7 request sent gold prices down to October 2004 lows on Monday as the market tried to guess what the IMF may say. Gold ended European trade at \$417.15 on Thursday.

The United States holds the world's largest bullion stockpile.

The US executive board member to the IMF is barred from voting on the sales of IMF gold reserves

unless the US Congress has approved the move. But the US Treasury is likely to march in lockstep with the senators' arguments.

"We do not believe it is necessary to sell IMF gold to achieve debt relief for the poorest countries. We will review the IMF report on proposals to fund debt relief when it is released," Treasury spokesman Rob Nichols said.

The letter is signed by senators from the gold-rich states of Nevada, Colorado, Montana, South Dakota, Idaho, Utah, Alaska, New Mexico, California and Washington.

"We believe that careful consid-

eration must be given to any proposal that could have such adverse effects on this important commodity market, and the businesses and communities in the US and around the world that are affected by it," the senators wrote.

The senators noted it was the second time in five years that "serious proposals have surfaced that would effectively raid a core reserve asset of the IMF."

In 1999, a proposal to sell IMF gold to help indebted countries was opposed by Congress, but lawmakers authorised a less disruptive off-market revaluation of a portion of the reserves.

## Oil firm at \$47 as market outlook seen tighter

REUTERS, Singapore

Oil prices held firm at around \$47 a barrel Friday, bolstered by a tightening outlook for market fundamentals and sliding US temperatures.

US oil CLC1 dipped 11 cents to \$46.99 a barrel in Asian trade, holding on to most of a 3.6 percent rally the previous day. Over the preceding two weeks, prices had tumbled from nearly \$50 to dip below \$45 for the first time in a month.

But revised forecasts for weaker non-OPEC global oil production and stronger demand this year helped turn the market's tide on Thursday, assuaging worries about a potential glut developing during the seasonally weak second quarter.

"A material cut in January OPEC production and disappointing growth from non-OPEC producers have thrown cold water on many of

the market's concerns about near-term oversupply," Merrill Lynch said in a report.

In its monthly report, the International Energy Agency, which advises industrialised nations on energy policy, cut its forecast for non-OPEC oil supply growth this year, revised upward estimates of demand and predicted a sharp fall in stocks.

Disappointing supply growth, particularly from number two producer Russia, has been compounded by the pace of incremental consumption, which last year grew at the fastest rate in a generation to fuel a 34 percent price rally.

Temperatures next week in the Northeast, which consumes the bulk of oil demand in the world's biggest energy user, should be near to below normal, forecasters Meteorologix said.



PHOTO: DSE

Four newly elected directors of Dhaka Stock Exchange pose for photographs after the polls. Khwaja Ghulam Rasul, NUM Oliullah, Kazi Firoz Rashid and Ahmed Rashid were elected for a 3-year term in the Director Election-05 held on Thursday in Dhaka.

## Weekly Currency Roundup

Feb 05-Feb 10, 2005

### Local FX market

US dollar was on a weaker tone against BDT in this week. Supply of USD increased in the market as NCBs injected fund in the system, which released the long-prevalent pressure on the US currency to some extent. As a result the rate of USD against BDT fell continually throughout the week.

### Money market

Bangladesh Bank borrowed BDT 1,292.00 million through the Treasury bill auction, compared with BDT 7,087.00 million in the previous week's bid. Weighted average yields of t-bills of shorter tenors remained unchanged, while for longer tenors the rate eased slightly from the previous bid.

Call money rate was volatile this week. In the beginning of the week the rate was 16-17 per cent. The rate then rose to reach as high as 50 percent before coming down again to 20-25 percent on the last day of the week.

### International FX market

The dollar rose to a three-month high against the euro on Monday, ahead of the US budget proposal and after the US Federal Reserve chief signalled that structural weaknesses in the US economy could improve. The dollar held onto its firm bias after the weekend meeting of the world's economic powers offered no new comment on the weak dollar, reiterating its desire for more flexible and less volatility in the foreign exchange market. US President George W Bush' budget proposal is expected to show a cut in domestic spending in an attempt to curb ballooning deficits that have been a major factor behind the dollar's three-year slide.

The dollar rose to two-month high against the yen and held near three-month peaks versus the euro on Tuesday as the market acknowledged the US efforts to narrow its yawning fiscal deficit. US President submitted a proposal to congress that forecast a narrowing in the budget deficit to 1.7 percent of GDP by fiscal year 2008 from current 3.5 percent. Some traders, however, were skeptical saying that it was just a proposal and full implementation of it is doubtful. This week's dollar rally was powered in part by comments from Fed Chairman Alan Greenspan who said market forces might stabilize and cut the record current account deficit. This eased persistent worries about structural problems in the economy. But noted Fed Watcher John Berry said in a Bloomberg column that currency markets had been "perhaps misled" by Greenspan's comments and that the chairman listed many reasons for which the deficit was not likely to shrink soon. As a result the dollar got around 0.11 percent weaker against the yen and slightly softer against euro and pound in the middle of the week.

The dollar paused on Thursday after its rally to a three-month high against the euro and a two-month peak versus the yen as it lost steam and as traders waited for direction from US trade data later in the day. Despite the US currency's gain in the past week, it has sputtered just before key resistance levels in recent sessions.

- Standard Chartered Bank



PHOTO: JANATA BANK

Managing Director of Janata Bank SM Aminur Rahman presides over the bank's action plan formulation strategy ceremony for 2005 held yesterday in Dhaka. Chairman of the bank Khandaker Shahidul Islam and Deputy Managing Director Md Ashraf Ali, among others, attended the function.



PHOTO: DHAKA BANK

Officials of Dhaka Bank Ltd (DBL) pose for photographs at the managers' meeting of the bank held Wednesday in Dhaka. Among others, Rokshana Zaman, chairperson, Selina Hai and Jasmine Sultana, directors of DBL, were present at the function presided over by Shahed Noman, managing director of the bank.

## World cotton output may rise to 116.7m bales: USDA

REUTERS, Washington

World cotton production is expected to be 116.7 million bales in 2004/05, 1.1 million bales higher than previously estimated due in part to a bigger crop in China, the US Agriculture Department said Thursday.

Global ending stocks for 2004/05 will be 46.7 million bales, or about 400,000 bales lower than last month's estimate because of stronger-than-expected demand, the USDA's Economic Research Service said in its Cotton and Wool Outlook report.

Foreign consumption of cotton has rocketed in recent years, driven largely by China's expanding textile industry, the USDA said.

China's cotton mill consumption will be an estimated 37.5 million bales in 2004/05 up 19 million bales since 1998/99, it said.

"Consequently, China's share of foreign consumption has climbed steadily over the past several seasons from a 25 percent share in 1998/99 to an estimated 38 percent for 2004/05," it said.

## Financial services chiefs see hope in WTO talks

REUTERS, Geneva

Financial services representatives said Thursday they saw grounds for hope in struggling World Trade Organization (WTO) talks on opening up banking and insurance markets.

The talks, part of the WTO's Doha Round of free trade negotiations, have been making little headway ahead of an end-of-May deadline for member countries to provide new improved offers on how far they can go in liberalizing.

"We came with concerns that things were not moving fast enough, but we leave with a sense that progress is underway," said Norman Sorensen, chairman of the US-based Coalition of Service Industries.

The lobby group has been in Geneva for talks with many of the WTO's 148 member countries about the pace of the talks on services, which will be the subject of two more weeks of discussions at the Geneva-based body that run until Feb. 25.

Flanked by service industry representatives from Europe, Japan and India, as well as the United

States, Sorensen said that Brazil and India, in particular, had given indications that they were serious about the need to move the services talks forward.

"We believe that both will come to the table," he said, referring to the deadline for the fresh offers.

In the case of Brazil, all it would need to do would be to offer up what it is already doing in practice when it comes to its banking and insurance markets. But India would need to go further than current practice and show itself prepared to make further steps towards liberalization, Sorensen said.

Other developing countries the lobby group hoped would help provide a "critical mass" to ensure progress in the services' talks included Thailand, Malaysia and China.

The Doha Round, launched in the Qatari capital in late 2001, also involves agriculture and industrial goods. The WTO hopes to secure an accord on a blueprint for lowering commercial barriers at a ministerial conference set for Hong Kong in December.

## STOCK