

Star BUSINESS

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Oil prices jump in Asia as Opec cuts production

AFP, Singapore

Oil prices jumped in Asian trade Friday after the Opec cartel decided to reduce output by a more-than-expected 1.2 million barrels per day, dealers said.

The 11-member Organization of Petroleum Exporting Countries, in an extraordinary meeting in Qatar's capital Doha, was seeking to reverse heavy falls in crude prices in an over-supplied market.

Opec officials had been talking of a one million bpd reduction but the meeting went further in the face of recent sustained price weakness.

New York's main contract, light sweet crude for November delivery, was up 40 cents at \$58.90 dollars a barrel from \$58.50 dollars in late US trades Thursday just ahead of Opec's decision.

Brent North Sea crude for December climbed 33 cents to \$61.20 dollars.

Victor Shum, senior principal with US energy consultancy Purvin and Gertz Inc in Singapore, said the market was reacting to Opec's decision.

He said the cartel "has given what the market has been waiting for -- concrete evidence of Opec's coordinated action to tighten up supply to stabilise prices."

Opec, which produces slightly more than a third of the world's oil, said it would cut current production by 1.2 million bpd to 26.3 million bpd from November 1.

Current output of 27.5 million bpd is below Opec's official quota of 28 million bpd, which remains in place.

There had been some uncertainty over whether Opec would reduce output from the quota or current output levels, with the latter course having a more immediate impact.

"Heads of delegation noted with concern ... that crude oil supplies

are well in excess of actual demand, as the above-average level of crude stocks in Oecd countries demonstrates, and that the oversupply situation and imbalance in supply-demand fundamentals have destabilised the market," an Opec statement said, referring to the Oecd zone covering most of the world's biggest economies.

Opec members had suggested ahead of the meeting that they would reduce production by one million bpd in a bid to shore up crude prices which have fallen more than 25 percent from record highs above 78 dollars in July.

In recent days the contract had traded below \$58 dollars a barrel.

Analysts had expected that a cut in actual production would likely send oil prices higher, while a cut to the official quota would have seen them fall in a reflection of a lack of Opec determination and credibility.

Analysts said the market will

watch closely to see whether the cartel members stick together on the cuts and how efficiently the move is implemented.

"They may decide to make cuts again in December," Shum said.

Tobin Gorey, a commodity analyst with Commonwealth Bank of Australia, said the market will be watching whether Opec carries through with the planned production cuts.

"We know they promised to cut," said Sydney-based Gorey. But the question now is, "will they stick to the cuts as well," he said.

"If they want to be seen as pretty sensible, they will have to act on what they have said."

The cartel's next regular meeting is set for Abuja, Nigeria, on December 14.

Several Opec ministers said ahead of the Doha talks that they were ready to support another cut if deemed necessary.

Japan expressed concern at Opec's decision to cut oil production.

"If the aim was to maintain high oil prices, it is an extremely concerning situation," said Minister of Economy, Trade and Industry Akira Amari.

"We want the oil producers to provide supplies that meet global demand and to discuss ways to contribute to the stability of oil markets," he told a regular press conference.

Japan has to import all its oil, mostly from the Middle East, although Amari said the effect of the output cut would be cushioned by the higher yen, which makes dollar-priced oil relatively cheaper.

"The market has largely factored in the decision but the impact on Japan will not be zero," he said.



PHOTO: UNIQA SOFTWARE & SYSTEMS

North South University (NSU) and UNIQA Software & Systems Ltd signed a memorandum of understanding (MoU) recently. Under the MoU, the software company will grant research fund to the graduating students of NSU. Prof ANM Meshquat Uddin, dean of School of Business of NSU, and Imran Sharif, president and CEO of UNIQA Software, signed the MoU on behalf of their sides. Dr Miftahur Rahman, chairman of Department of Computer Science & Engineering of the university, was also present.



PHOTO: LEMON COMMUNICATIONS

Samir Asaf, group CEO of Rahimafrooz, among other senior officials of the company, is seen at a function organised to celebrate the third founding anniversary of Rahimafrooz CNG in Dhaka recently.

Sri Lanka tightens import rules to save rupee

AFP, Colombo

Sri Lanka announced on Friday new restrictions on imports in a bid to halt the fall of its currency and stem an outflow of foreign exchange amid spiralling ethnic violence in the island nation.

The Central Bank of Sri Lanka banned commercial banks from loaning money to import "non-essential items" as the rupee tumbled to a record low this week against the dollar amid strong demand for the US

currency from importers.

The rupee sank to an all-time low of 107.65 against the dollar on Tuesday, after Tamil Tiger suicide bombers hit a naval convoy the previous day killing 115 people, mostly sailors.

The local currency had clawed back to 106.50 against the dollar Friday, after the Central Bank threatened to get tough with dealers who it said were "excessively speculating" on the foreign exchange market.



PHOTO: ELECTRO MART

Electro Mart Ltd, marketer of electronic products in Bangladesh, organised the first raffle draw of Konka Eid special offer titled 'Shahi Scratch' on Monday. MN Safa Babu and Md Nurul Afsar, directors of the company, were present at the function. Prizes in the raffle draw include 32" LCD (liquid crystal display) TV, motorcycle and air conditioner.

Weekly Currency Roundup

October 15-October 19, 2006

Local FX Market

Demand for US dollar was stable in throughout the week and USD rose marginally against Bangladeshi taka.

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 hit a six-month high against the Swiss franc and a near three-month peak versus the euro on Friday after a series of US data further dashed expectations of a central bank rate cut in the near future. The week began as the euro dropped below \$1.25 for the first time since mid-July. Late afternoon, the dollar was up 0.4 percent against the Swiss francs, near a six-month peak. The yen rose against the dollar and hit a one-week high versus the euro on Monday after Russia's central bank said it had started buying the Japanese currency for its foreign exchange reserves. The dollar held steady versus the euro as investors looked ahead to speeches from European Central Bank President Jean-Claude Trichet and several Federal Reserve officials later in the session -- including chairman Ben Bernanke. The dollar was down around a quarter percent against the yen, having hit a session low earlier and retreating from last week's 10-month high. The euro also fell around 0.25 percent, hitting a one-week low against the yen.

In the middle of the week, the dollar steadied against major currencies on Wednesday ahead of US inflation data, a key marker for investors trying to puzzle out whether the Federal Reserve is likely to cut interest rates any time soon. The yen rose briefly to a 10-day high versus the dollar and three-week peak against the euro in late Tokyo trade after Business daily Nihon Keizai said the BOJ was concerned about carry trades -- in which investors borrow yen cheaply to invest in higher-yielding assets overseas. The dollar was steady against the euro and moved within recent ranges, and was up slightly against the yen off its earlier lows. The dollar was down more than a yen from a 10-month high hit late last week on fading expectations of a US rate cut this year. The euro hit a three-week low against the yen, before recovering on the day, steady from the US close.

At the end of the week, the dollar eased against major rivals on Thursday after mixed US inflation data, with markets squaring positions ahead of a key business activity report that could further clarify the trajectory for interest rates. The euro was up 0.1 percent on the day, while the dollar was down a third of a percent against the yen.

- Standard Chartered Bank



PHOTO: GP

M Mahfuzul Bari Chowdhury, managing director of Popular Life Insurance Company Ltd, and Khandaker Omar Farhan, head of direct sales of Business Solutions of GrameenPhone, sign an agreement on behalf of their organisations in Dhaka recently. Under the deal, GP will provide complete communication facilities for Popular Life Insurance Company under its business solutions package. Senior officials of both the sides were present.

STOCK