

Rice "Cartel" Proposal Dropped

Thailand's Foreign Minister Noppadon Pattama on Tuesday said the country would not form a cartel with other rice-exporting countries, bowing to concerns that it could worsen the global food shortage. "Thailand will not lead the setting up of a rice-exporting cartel," he told reporters, ABC reported.

"That issue should be handled by UN agencies," such as the UN Conference on Trade and Development or the Food and Agriculture Organization, he said. "The rice issue is very sensitive, and if a rice cartel is formed it would make the world food crisis worse," he said.

The group would have included Myanmar, Laos, Vietnam and Cambodia. The cartel would have increased the countries' bargaining power for fixing the price of rice, as the global price of the staple grain rockets. Instead, Noppadon said Tuesday that he would like to form a Council of Rice Trading Countries (CRTC), which would meet at least once a year to focus on increasing rice production, exchange of technology and improved rice quality.



US Fed Auctions \$75b in Loans

Battling to relieve stressed credit markets, the Federal Reserve said Tuesday it has provided a total of \$435 billion in short-term loans to squeezed banks since December to help them overcome credit problems, AP wrote.

The central bank announced the results of its most recent auction—\$75 billion in short-term loans—the 11th such auction since the program started in December. It's part of an ongoing effort by the Fed to help ease the credit crunch, which erupted last August, intensified in December and January and took another turn for the worst in March.

The housing, credit and financial crises have weakened the economy and threaten to push it into recession. In the latest auction, commercial banks paid an interest rate of 2.220 percent for the loans.

There were 71 bidders for the slice of the \$75 billion in 28-day loans. The Fed received bids for \$96.62 billion worth of the loans. The auction was conducted on Monday with the results released Tuesday.

In mid-December the Fed announced it was creating an auction program that would give banks a new way to get short-term loans from the central bank and to help them over the credit hump.

IMF Board Okays Gold Sale Plan

The International Monetary Fund board of governors Tuesday approved a new program that calls for the sale of 403.3 tons of IMF gold reserves as part of a wide-ranging financial overhaul. The plan would create an "endowment" that helps provide a steadier source of income to the international organization that has drastically scaled back on lending, AFP wrote.

The program announced April 7 also calls for a 13.5 percent cutback in IMF spending over the next three years.

The governors approved a new investment plan to be activated after gold sales. The gold sales must be approved by the US Congress to allow the US representative to the IMF to approve the change.

"The new income and expenditure framework is expected to cover a 400-million-dollar shortfall projected in the medium term," the IMF said in a statement.

Governors from 176 of the Fund's 185 member countries cast votes, with all in favor of the plan. Approval required a majority of the votes cast.



ECB Focus on Inflation

The European Central Bank is widely expected to leave its key interest rate unchanged again Thursday, focusing as it is mandated to on inflation rather than the risk to growth, analysts say, Bloomberg wrote.

The ECB governing council meets at a twice-annual event organized in a eurozone capital, hosted this time by Greek central bank governor Nicholas Garganas. "We expect interest rates to remain on hold for a while longer yet," Capital Economics economist Ben May said in a research note.

At Bankhaus Lampe, Alexander Krueger said the ECB would undoubtedly "meet expectations of a monetary status quo."

UniCredit analysts said a dip in eurozone inflation to 3.3 percent in April "will provide only short-term relief and inflation will jump back to 3.5 percent in May."

Consumer prices rose a record 3.6 percent in March in the 15-nation eurozone.

May said the latest eurozone data showed producer price inflation "climbed to a new record high and points to the danger of a sharp rise in core CPI (consumer price index) inflation over the coming months."

The bank was therefore unlikely to cut its benchmark refinancing rate.

News in Brief

Lebanon Raises Wages

The Lebanese government on Tuesday announced it will increase the minimum monthly wage by \$130, on the eve of a general strike over price rises and amid a deepening crisis with the opposition, AFP reported.

Information Minister Ghazi Aridi told reporters that the government decided late Monday to raise minimum salaries from \$200 to \$330, and also agreed on special bonuses for civil servants and retired public sector workers.

But the main trade unions federation, the General Confederation of Workers in Lebanon which is planning Wednesday's action, said the moves did not go far enough and protested that the bonus did not apply to the private sector.

Indonesian Poor

May Get \$1.5b Aid

Indonesia, Asia's third-most populated nation, may spend 14 trillion rupiah (\$1.5 billion) this year to compensate 19.1 million poor families for lost income after it raises fuel prices by as much as 30 percent. The government may pay 100,000 rupiah (\$10.8) a month to help people on low incomes, Finance Minister Sri Mulyani Indrawati was quoted by Bloomberg as saying. Indonesia defines poor as people surviving on less than 166,697 rupiah a month.

President Susilo Bambang Yudhoyono, facing elections next year, wants to thwart protests from the poor, who are already paying more for staples such as noodles and cooking oil.

Austrian Trade Surplus Up

Austria's trade surplus expanded in February as exports grew faster than imports, official data showed on Tuesday. The Austrian trade balance showed a surplus of 124.4 million euros (\$192 million) in February, compared with a surplus of 25.3 million euros a year earlier, the statistics office Statistik Austria said in a statement, AFP wrote.

Austria exported goods worth 9.89 billion euros in February, an increase of 10 percent over the year-earlier figure, while imports grew 8.9 percent to 9.77 billion euros, the statistics office said. In January and February combined, the trade balance showed a surplus of 410.6 million euros, compared with 26.7 million euros in the first two months of 2007.

Sales Boost for Cisco

Internet equipment maker Cisco Systems has reported a rise in sales, cheering investors fearful that a slowing US economy would take its toll. Sales rose 10.4 percent to \$9.8 billion (£5 billion) in the three months ended 26 April from a year earlier, beating forecasts and sending Cisco's shares higher, BBC reported.

But Cisco said net profit fell 5.4 percent to \$1.8 billion due to acquisition expenses. Cisco's earnings are regarded as an indicator of how the technology sector is faring globally.

Analysts said the results may alleviate concerns about Cisco's business and the technology sector.



Oil Nears \$123 On \$200 Prediction

Oil futures blasted to a new record near \$123 a barrel Wednesday, gaining momentum as investors bought on a forecast of much higher prices and on any news hinting at supply shortages. Retail gas prices edged lower, but appear poised to rise to new records of their own in coming weeks.

A new Goldman Sachs prediction that oil prices could rise to \$150 to \$200 within two years seemed to motivate much of Tuesday's buying, although a falling dollar and increasing concerns about declining crude production in Mexico and Russia contributed, analysts say, AP wrote.

The Energy Department raised its oil and gasoline price forecasts, but also predicted that high prices will cut demand more than previously thought.

Light, sweet crude for June delivery jumped to a new record of \$122.73 a barrel before retreating to settle up \$1.87 at a record \$121.84 on the New York Mercantile Exchange.

Oil prices have nearly doubled from about \$62 a barrel a year ago, which Goldman sees as a sign that the world is in the midst of a "super spike" in oil prices. Analyst Arjun Murti said in a research note released Monday that prices would ultimately force demand to fall sharply.

Not everyone shares Goldman's view. Tim Evans, an analyst at Citigroup Inc., countered Goldman's analysis with a note predicting that crude prices could as easily fall to \$40 a barrel as rise to \$200 over the next two years because supplies are, as Evans put it, comfortable.

> Old Numbers

James Cordier, president of Tampa, Fla., trading firms Liberty Trading Group and OptionSellers.com, said Goldman's prediction isn't necessarily new: "We've heard numbers like these out of Goldman Sachs, especially over the last 12 months."

Indeed, it's not the first time Murti has espoused a super spike theory; in an April 2005 note, he predicted the oil market was in the early stages of an unprecedented rally that would send prices from a then-record of about \$57 a barrel to \$105. But some investors respond to such predictions by buying, Cordier said. Meanwhile, in a monthly report, the Energy Department's Energy Information Administration predicted oil prices will average \$110 a barrel this year, up \$9 from last month's forecast. The EIA also said high prices will cut US demand for petroleum products by 330,000 barrels a day this year; last month, the EIA predicted US petroleum consumption would fall by 210,000 barrels a day.

But strong demand for oil from countries such as China, India, Russia, Brazil and in the Middle East will support high prices and keep global oil demand growing by about 1.2 million barrels a day this year, unchanged from last



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A falling dollar on Tuesday also gave traders reason to buy. Investors often buy commodities such as oil as a hedge against inflation when the dollar falls, and a weaker greenback makes oil cheaper to investors overseas. Many analysts feel the dollar's protracted decline is the real reason oil prices have nearly doubled since last year.

Cordier said investors are also increasingly concerned about falling oil production in Russia and Mexico, which are major oil producers. And prices are still supported by concerns about supply disruptions in Nigeria, where production at a Royal Dutch Shell PLC facility was cut after a weekend attack, and in Iraq, where Kurdish rebels warned they could launch suicide attacks against American interests to punish the US for sharing intelligence with Turkey after Turkey bombed rebel bases in Iraq on Friday.

At the pump, meanwhile, the national average price of a gallon of regular gas slipped 0.1 cent overnight to \$3.61, according to AAA and the Oil Price Information Service. Analysts are split over how high gas will go; while prices have slipped lower since May 1, leading some analysts to say gas is close to peaking, others predict the fuel will follow oil's upward surge.

"You're going to see new highs for gas prices, probably for the weekend," said Cordier, who predicts an average price of \$4 a gallon in the coming weeks.