BREXIT SAGA | Page 3
Pound's fate seen going from bad to worse

Monday, May 20, 2019
Ramadan 15, 1440 AH
GULF TIMES
BUSINESS

OPEN SEATS: Page 12
White House is considering Derek Kan for Fed board

HIA expansion will continue to provide 'unique' experience to visitors, says CAA chief

By Pratap John
Business Editor

Qatar is confident that the Hamad International Airport (HIA) expansion will continue to provide a "unique" experience to all visitors, according to Abdulla Nasser Turki al-Subaey, president, Civil Aviation Authority.

"We are already preparing for HIA's expansion, which is scheduled to begin construction in the second half of 2019. The expansion will increase our passenger capacity from 30mn to more than 53mn passengers a year," al-Subaey said in an interview with Oxford Business Group.

Asked whether Qatar's visa-free travel for 80 countries affected passenger traffic and allowed the country to mitigate the impact of regional airspace closure, al-Subaey said, "This decision taken by the government has been very positive for Qatar's overall economic development, and at the same time has put pressure on all aviation stakeholders to meet greater air traffic demands.

"In addition to this, we are increasing our air service and bilateral agreements with other countries in order to create more traffic rights and routes, which will increase passenger numbers through HIA.

"Since June 2017 we have established a deeper collaboration with the International Civil Aviation Organisation (ICAO) and local stakeholders to continue increasing air connectivity for Qatar. To date, we have established four new inbound routes to Qatar and three outbound routes," al-Subaey told OBG in its *The Report: Qatar 2019*.

"Qatar's aviation industry is strong," al-Subaey said. The HIA is classified as a five-star airport by Skytrax, and its planned expansion will ensure it meets the 2022 FIFA World Cup requirements.

"However, our goal, which is in line with the government's vision, is to continue preparing ourselves to offer an experience that is different and exciting for visitors; beginning at the airport, through their transportation to the stadiums and extending to ensure that their overall stay in Qatar is enjoyable and memorable. We are therefore working hard to ensure all the visitors to Doha during the World Cup experience the same high quality as they will see at the airport," al-Subaey told OBG.

Since 2015, Qatar's focus has been to update all existing regulations to improve our aviation safety and security standards. Safety is a central pillar of aviation, and to this end we have made significant achievements such as the memorandum of understanding signed with the European Aviation Safety Agency (EASA), immediately implementing all necessary changes related to air transport, air safety, navigation systems, and meteorology measurements.

"We have made sure to co-ordinate with all stakeholders, including HIA, Doha International Airport, Qatar Airways, Qatar Armed Forces, Qatar Aeronautical College and Gulf Helicopters, in order to be able to implement these regulatory changes as quickly and smoothly as possible.

"Over the past year, we have also strengthened our collaboration with the ICAO. We have already implemented important changes in our structure, some of which are related to the separation of our aviation investigation unit from the Civil Aviation Authority, thus becoming independent."

Additionally, he said, Qatar has started the campaign for elections to become a full member of the ICAO Council during the Assembly meeting that will take place between September and October of 2019. The reason behind this decision is based on Qatar's strength in the aviation industry, with an operator covering more than 160 destinations and highly trained professionals.

Al-Subaey said, "It is worth noting as well that Qatar has never violated any Chicago Convention principle, even since the blockade. Being a full Council member would allow us to support the development of the international airspace industry, while exchanging best practices to improve local sector growth."

The expansion will increase the HIA's passenger capacity from 30mn to more than 53mn passengers a year, says Abdulla Nasser Turki al-Subaey in an interview with Oxford Business Group.

Qatar industrial production falls in March

By Santhosh V Perumal
Business Reporter

Higher output of manufactured products such as beverages, refined petroleum products and cement notwithstanding, Qatar's industrial production presented a pessimistic view both month-on-month and year-on-year this March, according to the official estimates.

The country's Industrial Production Index (IPI) showed a 4.1% fall on a monthly basis and a marginal 0.1% on a yearly basis in March 2019, according to figures released by the Planning and Statistics Authority (PSA).

The PSA introduced IPI, a short-term quantitative index that measures the changes in the volume of production of a selected basket of industrial products over a given period with respect to a base period 2013.

The mining and quarrying index, which has a relative weight of 83.6%, saw a 4.8% drop month-on-month in March this year owing to a 4.8% decrease in the extraction of crude petroleum and natural gas; even as other mining and quarrying was up 0.2%.

On a yearly basis, the index showed a 0.4% fall as the extraction of crude petroleum and natural gas declined 0.4% and other mining and quarrying plummeted 16.2%.

The manufacturing index, with a relative weight of 15.2%, showed a 0.4% shrinkage in March 2019 on a monthly basis on account of a 2.4% fall in the manufacture of chemicals and chemical products; whereas there was a 4.3% surge in the production of beverages, 3.8% in cement and other non-metallic mineral products, 3.5% in refined petroleum products, 3% in basic metals, 2.2% in rubber and plastics products, and 1.3% each in food products and printing and reproduction of recorded media.

On a yearly basis, the manufacturing index witnessed a 2.3% increase on a 11.4% gain in the manufacture of basic metals, 10.1% in beverages, 3.3% in refined petroleum products, 2% in chemicals and chemical products and 0.7% in food products; while there was 12.5% shrinkage in the manufacture of cement and other non-metallic mineral products, 10.5% in printing and reproduction of recorded media and 7.2% in rubber and plastics products.

Electricity, which has 0.7% weight in the IPI basket, saw its index plummet 16.4% and 6.3% on yearly and monthly basis respectively in March 2019.

In the case of water, which has a 0.5% weight, there was 17.2% and 1.8% shrinkage in the index both on year-on-year and month-on-month basis respectively.

Commercial Bank first company in Qatar to implement 10-for-1 stock split

Commercial Bank said it will implement the Qatar Financial Markets Authority's (QFMA's) stock split directive on June 9, thus becoming the first company in Qatar to implement the directive.

The QFMA's directive issued in December 2018 seeks to regulate the stock split of companies listed on the Qatar Stock Exchange (QSE). The directive stipulates that the nominal value of a share shall be reduced from QR10 to QR1, an initiative that aims to appeal more to investors, especially small and retail investors; increase liquidity in the market; and ultimately improve a stock's price and valuation.

Commercial Bank shareholders do not need to take any action due to the share split. Shareholders' holdings will be automatically adjusted as of June 9, resulting in a multiplication of the number of shares owned by every shareholder by 10.

The proportionate ownership of existing shareholders and Commercial Bank's market capitalisation will not change as a result of the share split, the bank said yesterday.

Commercial Bank's total number of shares will increase from 404,725,375 to 4,047,253,750, at a nominal value of QR1. Commercial Bank's paid-up capital will remain unchanged at QR4,047,253,750, divided into 4,047,253,750 ordinary shares with the nominal value of each share being QR1.

Commercial Bank Plaza at West Bay. Commercial Bank shareholders do not need to take any action due to the share split. Shareholders' holdings will be automatically adjusted as of June 9, resulting in a multiplication of the number of shares owned by every shareholder by 10.

Argentina is about to export first LNG cargo

Bloomberg
Singapore

Argentina is offering its first-ever liquefied natural gas cargo, putting the nation on the verge of becoming a regular exporter of the fuel.

YPF SA, the state-run oil and gas producer, is seeking to sell a partial cargo from the Tango floating liquefaction unit, or FLNG, at Bahia Blanca, according to traders with knowledge of the matter. The company is currently negotiating the sale of the 30,000-cubic-metre shipment on a free-on-board basis for loading this summer, said the traders, who asked not to be identified as the information isn't public.

A YPF spokesman declined to comment on the cargo.

The cargo – while relatively small compared with standard shipments – will mark Argentina's transition from one of Latin America's biggest LNG importers into an exporter. That's being driven by growing gas production from the Vaca Muerta shale play. Another factor is the country's recession, which is hurting domestic demand. It's still an importer, however: In March, it bought nine LNG cargoes in a tender.

Argentina is following the path of other nations, which recently resumed exports after domestic output surged.

Last year, YPF signed a 10-year contract with Belgium's Exmar NV to deploy an FLNG plant to produce and export the fuel. The Tango FLNG docked at the port of Bahia Blanca in February.

Energy Secretary Gustavo Lopetegui said in April that YPF would ship its first cargo as soon as August. The plant will produce as many as eight cargoes per year from the Vaca Muerta at the Neuquen Basin, Exmar said last year.

Argentina is following the path of other nations, which recently resumed LNG exports after domestic output surged

BUSINESS

Qatar shares close flat as local retail investors turn bearish

By Santhosh V Perumal
Business Reporter

The Qatar Stock Exchange yesterday opened the week largely flat as buying interests in the insurance, industrials and real estate segments was contained by strong selling pressure at the telecom, consumer goods, transport and banking counters.

Local retail investors turned bearish and there was a marginal decline in domestic funds' net buying as the 20-stock Qatar Index settled mere 0.02% higher at 9,873.43 points.

The Gulf individuals were seen bullish and there was substantially weakened net selling by foreign institutions in the market, whose sensitive index is down 4.13% year-to-date.

Market capitalisation gained QR61mn, or 0.11%, to QR550.27bn mainly owing to small cap segments.

Islamic equities were seen declining vis-a-vis gains in the main index in the market, where the Gulf funds continued to be net buyers but with lesser intensity.

Trade turnover and volumes were on the decline in the bourse, where the industrials, real estate and banking sectors together accounted for about 87% of the total volume.

The Total Return Index was up 0.02% to 18,167.95 points, while the Al Rayan Islamic Index (Price) fell 0.04% to 2,281.66 points and the All Share Index by 0.01% to 2,966.67 points.

The insurance index gained 1.15%, industrials (0.73%) and real estate (0.28%); while telecom declined 0.84%, consumer goods (0.56%), transport (0.48%) and banks and financial services (0.26%).

Major movers included Qatar Insurance, Al Khaleej Takaful, Mesaieed Petrochemical Holding, Qatar National Cement, Medicare Group and Ezdan; whereas about 51% of the stocks were in the red with major losers being Vodafone Qatar, Mazaya Qatar, United Development Company, Aamal Company, Qatari German Company for Medical Devices, Al Khaliji and Qatar Oman Investment.

The Gulf individuals turned net buyers to the tune of QR0.74mn against net sellers of QR0.08mn on May 16.

Non-Qatari institutions' net profit booking declined significantly to QR1.39mn compared to QR27.81mn the previous trading day.

However, local retail investors turned net sellers to the extent of QR22.17mn against net buyers of QR2.72mn last Thursday.

Non-Qatari individuals' net profit booking increased noticeably to QR3.04mn compared to QR1.28mn the previous trading day.

The Gulf individuals' net buying weakened perceptibly to QR1.95mn against QR2.29mn the previous trading day.

Domestic institutions' net buying fell marginally to QR23.89mn compared to QR24.2mn last Thursday.

Total trade volume fell 39% to 10.14mn shares, value by 42% to QR223.68mn and transactions by 35% to 6,317.

The transport sector's trade volume plummeted 63% to 0.18mn equities, value by 68% to QR3.68mn and deals by 71% to 116.

There was a a 59% plunge in the realty sector's trade volume to 2.02mn stocks, 59% in value to QR21.51mn and 1% in transactions to 2,549.

The consumer goods sector's trade volume tanked 51% to 0.42mn shares, value by 39% to QR35.79mn and deals by 44% to 380.

The insurance sector reported a 42% shrinkage in trade volume to 0.07mn equities, 55% in value to QR1.74mn and 63% in transactions to 83.

The banks and financial services sector's trade volume declined 40% to 1.79mn stocks, value by 49% to QR57.37mn and deals by 65% to 722.

The industrials sector saw a 24% contraction in trade volume to 5mn shares, value by 29% to QR97.54mn and transactions by 30% to 2,252.

The telecom sector's trade volume shrank 20% to 0.67mn equities, value by 47% to QR6.05mn and deals by 60% to 215.

In the debt market, there was no trading of treasury bills and sovereign bonds.

Iraq oil minister says deal with Exxon close, slowed by evacuation

Reuters
Jeddah

A major oil deal between Iraq and Exxon Mobil was "very close" but had been slowed by Exxon's decision on Saturday to evacuate its international staff from the West Qurna oil field, Iraq's Oil Minister Thamer Ghadhban said yesterday.

"Had we concluded we would have signed a heads of agreement," he said, referring to a preliminary document that would set out terms of co-operation on the South Integrated Project ."But now they are out of the country, why should I run after them?" he said at an oil meeting in Jeddah.

Iraqi oil officials say Exxon evacuated all of its foreign staff from the West Qurna 1 field on Friday and Saturday, about 60 people.

The US oil major has a long-term contract to improve the field.

Its evacuation came days after Washington sent non-essential staff home from the US embassy in Baghdad over what it said was a security alert caused by threats from Iran.

The US is ramping up sanctions pressure on Iran, especially over oil exports.

Iraq relies heavily on natural gas from Iran for its electricity supply, which is stretched during hot summer months.

Ghadhban said there were a number of ways Iraq could compensate in case Iranian gas supplies were reduced, including using gas oil stores in some power plants, but so far there had been no change in supplies.

Ghadhban separately said Iraq has almost 5mn barrels per day of oil capacity, with a current surplus capacity of around 400,000 bpd.

"We are around 4.5mn bpd, which is our production rate that we agreed to in December last year," he said.

A general view of the West Qurna-2 oilfield in southern Basra, Iraq (file). Exxon Mobil has a long-term contract to improve the field.

Iraq slams Exxon for evacuating staff amid rising Gulf tensions

AFP
Baghdad

Iraq yesterday slammed as "political" a decision by US energy giant Exxon Mobil to evacuate staff from a southern oil field after Washington ordered personnel to quit its Baghdad embassy.

"The temporary withdrawal of employees has nothing to do with security in southern Iraqi oil fields or any threats," Oil Minister Thamer al-Ghadban said.

"The reasons are political and probably linked to tensions in the region," he added in a statement released by the oil ministry.

Ghadban called the move to pull out staff from the West Qurna oil field west of the southern port city of Basra "unacceptable and unjustified".

Exxon did not confirm the withdrawal. "We are closely monitoring. As a matter of practice, we don't share specifics related to operational staffing at our facilities," a spokeswoman said.

"Exxon Mobil has programmes and measures in place to provide security to protect its people, operations and facilities. We are committed to ensuring the safety of our employees and contractors at all of our facilities around the world," she added.

Last Wednesday the US ordered the evacuation of non-emergency staff from its Baghdad embassy and Arbil consulate, citing an "imminent" threat from Iranian-linked armed groups in Iraq.

It came 10 days after the Pentagon deployed an aircraft carrier task force and B-52 bombers to the Gulf to fend off an unspecified alleged plot by Tehran to attack US forces or allies.

Both the US and Iran are key allies of Iraq, and Baghdad has been under pressure from Washington to limit ties with Tehran.

Bloomberg QuickTake Q&A

What Europe can, can't do to save Iran nuclear deal

By Jonathan Tirone
Vienna

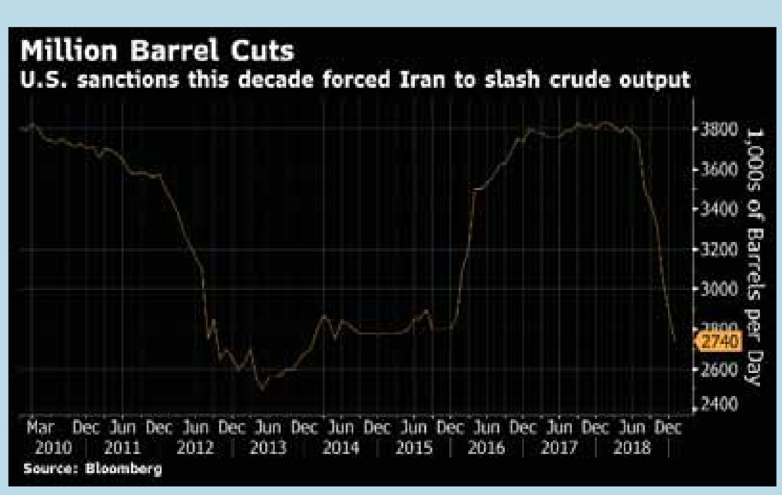
European countries were key to negotiating the landmark 2015 international accord that restricted Iran's nuclear programme in return for relief from sanctions that had strangled its economy. After US President Donald Trump, an outspoken critic of the deal brokered by his predecessor, pulled the US out in May 2018, European governments vowed to keep the agreement viable. But that's proved difficult in the face of reinstated US sanctions that are again squeezing the Gulf nation. In May 2019, the Iranians issued Europe an ultimatum: give us the economic relief we signed up for within 60 days or we'll break the deal. Europe has options, but not very good ones.

1. How was Iran supposed to benefit?

Expectations of economic growth and greater global trade coaxed Iran into the nuclear accord. In return for moderating the country's nuclear ambitions, President Hassan Rouhani's government won a rollback of international sanctions. The plan seemed to succeed, at least at first. Iran's economy rose out of recession on the back of higher crude exports. Overseas construction and oil companies as well as aircraft and car manufacturers like Airbus SE and PSA Peugeot signed early deals. European banks and renewable energy developers were just starting to trickle into Iran when the mood music suddenly changed.

2. Why did that happen?

Even before Trump became president, most American companies still weren't able to do business with Iran because of US terrorism sanctions that stayed in force. After he took office and began a formal review of the accord, companies began to slow their investments in Iran. When Trump finally ditched the deal and reimposed sanctions, he forced Europeans to choose sides. Companies that continued pursuing Iran's market of 80mn people risked being frozen out of the much larger US market due to "secondary sanctions" that punish non-US banks, companies and people who do business with Iran. Even trade in allowable goods like humanitarian aid and medicines faltered as suppliers were forced to manoeuvre a complex bureaucratic maze erected by the US Treasury.



3. How did that affect Iran?

After years of isolation, the country was hoping for a golden moment from renewed global trade. Instead, investment petered out and GDP growth plunged. By the time Trump removed waivers in April that had allowed some countries to continue buying Iranian oil, the country's currency had lost two-thirds of its value and its economy was headed into a second year of recession. Shutting down Iranian oil exports to key buyers such as China, India and Turkey could plunge its economy into full-blown crisis and set off domestic aftershocks.

4. What can Europe do now?

Not much. Europe's main response in the last year has consisted of symbolic gestures, meetings and statements in support of the accord. Policies that could provide the sanctions relief Iran seeks have been slower to develop. The European Union rolled out a new version of its so-called Blocking Statute in August. But those rules, which could allow companies to seek compensation in EU courts for damages arising from sanctions, have yet to be enforced. Similarly, the EU's Instrument for Supporting Trade Exchanges, or Instex, was set up to facilitate trade with Iran, but after almost a half year of operation the clearinghouse has yet to process a single transaction. Europe could use Instex to help Iran boost crude sales, or even participate in separate oil-for-goods agreements already negotiated with Russia. However, those steps would require a more assertive bloc ready to cross its biggest trading partner.

5. What can't Europe do?

The region still hasn't found a coherent strategy that backs up its rhetoric with policies that make it work. Deep trans-Atlantic economic integration means that policy makers risk a backlash from frustrated businesses that don't want to choose between America and Iran. The EU's inchoate military and security infrastructure forces the bloc to rely on the US for much of its defence. Perceived threats from a revanchist Russia and rising China divide the bloc along geographic and economic lines. Taken altogether, the EU is showing that it's incapable of mustering the cohesion needed to counter its biggest ally.

6. What does this mean for Iran?

Following Rouhani's May 8 ultimatum and at current trajectories, Iranian stockpiles of nuclear material will probably exceed limits set by the accord sometime during the third quarter. EU leaders have signalled such a violation would only ramp up tensions and could yield even more sanctions. It might also spell the end of Iran's ties with western economies and accelerate the shift to new trading partners. China's Belt and Road Initiative has already tagged Iran as a key partner and Russia has become an important arms supplier to the Tehran government. Unless Iran receives some benefit from cooperating with the existing multilateral system of nations, it might be tempted to join a new one.

Food delivery stocks are the latest casualties of Amazon effect

A food delivery courier, working for Just Eat, travels in London (file). Having already pummelled the likes of grocers and insurers, the Amazon effect is now hitting Europe's listed online food delivery companies, according to Bloomberg. Just Eat Plc shares slumped nearly 11% on Friday, the biggest casualty of news that Amazon.com Inc is leading a $575mn funding round in Deliveroo. Takeaway.com NV and Delivery Hero SE also slid on concern the move may lead to new competitive pressures. "From the point of view of a business owner, we can't think of much more terrifying news than hearing Amazon is entering your backyard," Ameet Patel at Northern Trust Capital Markets said in e-mailed comments. European investors have learned to beware of Amazon's incursions. A report last August that the tech giant was holding talks with insurance companies battered shares in GoCompare.com Group Plc and Moneysupermarket.com Group Plc. When the US company announced its acquisition of Whole Foods Market Inc in June 2017, grocery stocks across Europe plummeted. Not everyone is taking fright. According to Liberum analyst Ian Whittaker, all Amazon's move changes in the food delivery space is to underpin Deliveroo's valuation for an initial public offering.

Banker crimes prove no obstacle for fund managers in Nordics

Bloomberg
Stockholm

The biggest Nordic asset managers are either holding on to, or increasing, stakes in banks dragged down by vast money laundering scandals.

In a region where the concept of ethical investing is regularly held up as a goal, none of the big institutional investors contacted by Bloomberg said they would consider divesting shares of banks under investigation for laundering. A number have taken advantage of share-price declines to add to existing stakes.

At the top of the list is Norway's $1tn sovereign wealth fund, which this month underlined its intention to remain a long-term investor in the Nordic banks caught up in dirty money affairs. The biggest pension funds in Denmark and Sweden have made similar statements. The funds Bloomberg spoke to said it was their intention to stay invested in order to take on a more activist role.

"Of course we take it very seriously," said Eva Halvarsson, the chief executive officer of one of Sweden's biggest pension funds, AP2. "We have shares in all the banks and are also cooperating with them in our role as asset managers. We follow the developments closely and have contacts at various levels."

"It's important that we wait and see how things develop," she said. "But it's of course in the cards for us to stay active and have a dialogue. They need to explain what they are doing about it and how they see their future."

Danske Bank A/S and Swedbank AB are being investigated in Europe and the US amid allegations they handled billions of dollars in dirty money from the former Soviet Union via their Estonian units. Those who reportedly benefited from the transactions include convicted felon Paul Manafort and ousted Ukraine President Viktor Yanukovych, among others. Nordea Bank Abp is also under investigation for laundering, though allegations against it are on a much smaller scale.

Preliminary charges have already been brought against a number of former Danske executives, including its ousted CEO, Thomas Borgen. Swedbank fired its CEO, Birgitte Bonnesen, amid allegations she misled the public about the severity of the bank's laundering scandal.

Pound fate seen going from bad to worse

Bloomberg
London

The pound's fate may be set to worsen after its longest run of losses versus the euro since the shared currency's inception.

Sterling investors have to contend with European parliamentary elections this week that are expected to be won by the no-deal Brexit-backing party run by Nigel Farage. That would increase the chances that whoever replaces Theresa May as Prime Minister in a leadership contest might push for a sudden exit from the European Union, according to Societe Generale SA.

"What the EU election will make clear is that the next leader will be a hard Brexiteer," said Kenneth Broux, a currency strategist at Societe Generale SA. "Of all the candidates so far Boris Johnson is the most ardent Brexiteer and most bearish for the pound. The pound could soon be back at $1.20."

The pound slid to a four-month low near $1.27 on Friday after May committed to a timeline for leaving office from June and as the opposition Labour Party pulled out of Brexit talks with the government. That means it is unlikely the Brexit deal will get lawmaker approval at its fourth attempt in the week of June 3.

Those risks have seen the pound fall against the euro for a record 10 days straight, even though the common currency is also being weighed down by the prospect of populist gains in the elections. The EU poll will take place on Thursday with the results coming on Sunday evening. The vote will be more in focus for its ramifications in the UK rather than the actual results, with British candidates unlikely to serve more than a few months if Britain does leave the bloc in October. The flare-up in Brexit uncertainty has caused UK government bonds to rally, with yields nearly touching 1% on Friday, their lowest level since the beginning of April. Royal Bank of Canada is recommending tactical long positions in both gilts and German bunds for safety.

"We think the gilt market is likely to perform well if Brexit uncertainties become more prominent again and add to the market's anxiety as well," said strategists including Peter Schaffrik. "We believe we might well see the 1% level in 10-year gilts to be reached over the next coming weeks."

An employee counts 20 British pound banknotes at a service counter window in this arranged photograph inside a currency exchange store in Brussels (file). Sterling investors have to contend with European parliamentary elections this week that are expected to be won by the no-deal Brexit-backing party run by Nigel Farage.

Singapore dollar is slipping amid rising trade war concerns

Bloomberg
Tokyo

The Singapore dollar is poised to weaken further as the escalating trade war between the world's two largest economies weighs down growth in the export-dependent city-state.

Poor export data that landed Friday underscore the downward pressure on the currency's nominal effective exchange rate, which has quietly crept away from the upper end of the band that monetary policy makers use to keep Singapore on an even keel.

With no deal in sight between the US and China, revised gross domestic product figures due tomorrow are the next thing to watch for clues on the trajectory of the Singapore dollar, which has slipped about 1% this month.

"Given the small size of the Singapore economy and the subdued outlook in the electronic sector, risk is for more weak economic data to come," said Frances Cheung, head of Asia macro strategy at Westpac Banking Corp. "Potentially weak data may push MAS expectations toward a more dovish side."

Larger declines in other Asian currencies caught in the crossfire between China and the US has deflected attention from the simmering signs of weakness in the Singapore dollar. A closer look shows that six-month forward discounts on the greenback against the currency narrowed to the tightest level in 16 months last week.

The Singapore dollar fell 0.2% to trade at S$1.3749 per US dollar as of 3.58pm local time on Friday.

The International Monetary Fund warns that the risks to the economy are tilted to the downside and that the Monetary Authority of Singapore's response to the challenge should be "data dependent."

Analysts forecast a modest upward revision in first-quarter GDP growth to 1.5%, which would still leave it far below the five-year average of 2.9% and offer little support for the currency.

Looking beyond Tuesday's data, a projected narrowing in the so-called output gap this year is also likely to keep inflationary pressures in check and weigh on the Singapore dollar.

The MAS said last month that economic output is currently running above the city-state's potential rate but that the gap will narrow.

Boom in dodgy Wall Street deals points to market trouble ahead

Bloomberg
New York

The fourth-quarter stock market rout that wiped out $12tn in shareholder value and sparked a bout of Christmas Eve panic may have quickly been forgotten by most Americans, but not by the salespeople and financial engineers of Wall Street.

No, the selloff, it would appear, wound up triggering fears that time was running out on the longest bull market in history. And so, when early 2019 delivered a miraculous rebound, they wasted no time in peddling all sorts of deals and arrangements that test the limits of risk tolerance: from health-food makers fast-tracked into public hands to stretched retailers wrung for billions by private equity owners in the debt market.

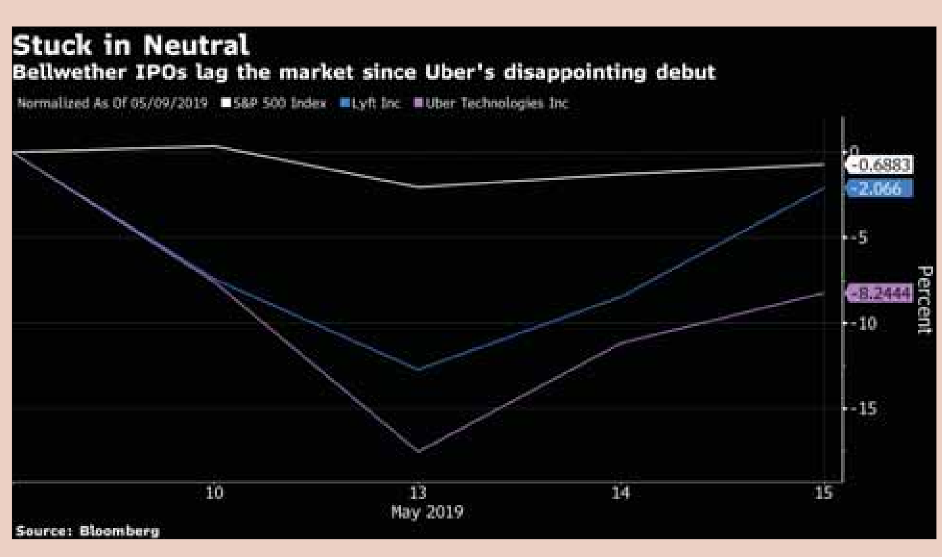
Junk bonds are flying out the door once again. Deeply indebted companies are borrowing even more to pay equity holders. And while you can't say the megadeal IPOs got rushed to market, two that were held up as heralding a return to IPO glory days have been flops. It's quickly turning Uber and Lyft into poster children for Wall Street eagerness amid an equity-market bounce that has all but banished memories of the worst fourth quarter in a decade.

"At some point, people are going to get burned," said Marshall Front, the chief investment officer at Front Barnett Associates and 56-year Wall Street veteran. "People want to take their companies public because they don't know what the next years hold, and there are people who think we're close to the end of the cycle. If you're an investment banker, what do you do? You keep dancing until the music stops."

Bankers who in October suggested a $120bn valuation for Uber Technologies Inc have eaten their words, with the market cap falling to half that. Rival Lyft Inc closed its first day in March with a $25bn valuation that was higher than all but about 275 US companies. It's since fallen by a third. The timing of the IPOs only serves to further stoke the suspicions of those Wall Street observers who see a plot to transfer a private-market bubble into public hands. JPMorgan, which ran Lyft's debut, declined to comment, while Morgan Stanley, lead underwriter for Uber, didn't respond to telephone and e-mailed requests for comment.

After 2018's traumas, credit markets have also reversed much of the carnage and rallied, giving license for companies to pick up the pace of borrowing. Junk bond issuance is now ahead of last year's pace, according to data compiled by Bloomberg. Last week alone saw $12bn priced, the busiest in 20 months. Investment-grade issuance, though down from a year ago, is gaining steam, with back-to-back jumbo offerings this month from Bristol-Myers Squibb Co and International Business Machines Corp, each around $20bn.

Private equity firms have also taken advantage of benign credit conditions to cut risk and realise gains sooner. They've saddled the companies they invest in with more debt to pay themselves dividends. Issuance of leveraged loans for distributions to equity holders reached the highest in six months in April, according to data compiled by Bloomberg.



Sycamore Partners, a private equity firm known for aggressive bets in the retail sector, pulled a staggering $1bn out of Staples Inc last month through a recapitalisation that increased the company's interest expense by $130mn annually. A few weeks later, Hellman & Friedman and Carlyle sold one of the riskiest types of junk bonds from drug research company Pharmaceutical Product Development LLC to help pay for a $1.1bn dividend. The bond, which allows the company to delay interest payments, was the largest of its kind since 2017.

Only in a few instances have investors extracted concessions from borrowers. Banks that financed the buyout of NSO Group – an Israeli spyware company accused of selling software to governments and agencies linked to human rights abuses – were forced to offer the debt at a steep discount to get it off their books, while Carlyle-backed ION Group this month dropped a planned $250mn dividend from a $2.2bn leveraged loan sale, before ultimately opting to withdraw the entire debt deal.

Late-cycle behaviour emerged in the bond market when oil firm Saudi Aramco borrowed $12bn in an unprecedented sale. But the bonds faltered in early trading, calling into question banks' claims that investors had put in an astounding $100bn worth of orders to buy the securities.

In equities, bankers entered 2019 itching to unclog a massive pipeline of IPO hopefuls. Fresh off the worst fourth quarter of the bull market, prospects seemed grim – until the turnaround came. As of this week, 89 initial offerings raised $27.2bn in the US, the fastest start since 2014. While the vast majority have done well in a soaring market – Beyond Meat Inc, Zoom Video Communications Inc and Pinterest Inc, to name a few – Uber and Lyft evoke nightmares of other IPO flops, like Snap Inc and Blue Apron Holdings Inc

In more modest districts of the new listing market, there have been hints of exuberance. The government shutdown that ended in late January created a backlog of filings for regulators. Banks turned to unusual tactics to keep the deal spigot flowing. Without a regulator around to review filings, these IPOs skipped the ordinary process of price discovery and instead took the risky step of disclosing a fixed IPO price 20 days before the stock began trading.

Seven companies set terms for IPOs while regulator offices were shuttered due to the federal government closure. A majority of them fell below their listing prices shortly thereafter. Included in this group is New Fortress Energy LLC, whose shares are trading well below the fixed IPO price used to push the deal through. Another IPO to launch during the shutdown, Guardion Health Sciences Inc, is now trading more than 60% lower than its fixed offering price.

BUSINESS

Zambian president threatens Glencore, Vedanta with 'divorce'

Bloomberg
Maputo/Lusaka

Zambian President Edgar Lungu has threatened to "divorce" the domestic copper units of Vedanta Resources Plc and Glencore Plc after the companies said they'd curb operations in the southern African nation.

The threat marks an escalation in tensions between the mining industry in Africa's second-biggest copper producer and the state, after an increase in royalties and plans to introduce new taxes. Recently, Mines Minister Richard Musukwa said the government directed Glencore's Mopani Copper Mines to hand over two shafts to local contractors rather than close them.

Zambia's kwacha extended its losses against the dollar to as much as 3.2% to the lowest level since 2015, and was down 2.3% at 13.91 per dollar by 4pm on Friday in Lusaka, the capital. Yields on the country's $1bn of Eurobonds due April 2024 rose 11 basis points to a record 18.25% after the Lungu's statement.

Lungu visited Copperbelt province on Friday to meet officials from labour unions and the Chamber of Mines, the main industry lobby group, after Mopani announced last week it plans to shut two shafts and fire hundreds of workers. The disagreement could weaken the kwacha, which is already the world's second-worst performing currency against the dollar this year, having fallen 14.7%.

Investor Interest

"I want to make it very clear that I have come here to sanction, if it's the will of the Zambian people, that we divorce these mines," he said in a speech broadcast live on Facebook as the crowd responded with cheers. "My position is that enough is enough. The attorney general is here, the lawyers are here. They will guide us how to proceed with this divorce."

Amos Chanda, a spokesman for the president, said that by using the word "divorce," Lungu was referring to the fact that other unidentified investors are interested in Zambian mining assets. "Everything that will be done will be done within the confines of the law, in line with the existing mining licenses," Chanda said. "It is not in the policy of the Zambian government under any circumstances to engage in nationalisation or seizure of private assets without due process."

Vedanta's Konkola Copper Mines noted Lungu's concerns and said it's committed to its operations in the country.

"We believe there is an opportunity to resolve these matters for the benefit of all stakeholders," Eugene Chungu, a company spokesman, said by phone. "Certainly, we are committed to investing in the country for the long haul."

A Mopani spokesman declined to comment.

Lungu accused mining companies of lying about their profit, and trying to arm-twist the government over its plans to replace value-added tax with a new sales tax system.

"We know they are liars, they are cheats and they take us for fools," he said. "Let me conclude by saying that sales tax is here to stay. We are not going to be blackmailed by the investors, no. Those who are uncomfortable to stay in our house can go out."

Mexico plans further tax relief to help revive Pemex, says CEO

Bloomberg
Mexico City

Mexico's state oil company is set to receive added tax breaks to help the company reverse long-term production declines and reduce its debts, according to its chief executive officer.

The country's Finance Ministry is seeking a new tax strategy for Petroleos Mexicanos starting next year that will provide an "important reduction" in the company's contributions, Octavio Romero said in an interview, declining to give an estimate for the savings. The gradual cuts, to be spread over five years, would complement incremental tax breaks announced in February that were worth 90bn pesos ($4.72bn) over six years. He said the new tax regime will be announced in "the coming days."

The tax breaks are the latest in a string of measures aimed at shoring up the finances of the beleaguered driller, known as Pemex, whose $106.5bn debt is the highest of any oil company. The funds could help Pemex stave off another credit downgrade after Fitch Ratings Inc reduced its rating to one notch above junk in late January, and provide a much-needed liquidity boost.

"The idea is to allow Pemex to meet its planned investment and not create a burdensome situation for public finances," Romero, 60, said in an interview in Tabasco, the location of Mexico President Andres Manuel Lopez Obrador's flagship energy project, a 300,000 barrel-a-day refinery that Pemex has been charged with constructing and operating. "It's aiming to strike a balance."

The tax cuts would follow the signing of an $8bn syndicated loan, of which $2.5bn will pay off existing debt and $5.5bn will replace some credit lines. The company is seeking to issue no new debt this year or next year, said Romero.

Lopez Obrador has saddled Pemex with managing the construction of a seventh refinery after none of the companies invited to bid on the project met the government's ambitious three-year construction timeline and $8bn budget.

The government has designated 50bn pesos to the Dos Bocas refinery project this year, and the remainder of the funds "are guaranteed" in the budget, said Romero. Pemex will manage the project jointly with the energy ministry, and contract private companies to build the refinery units, he said.

Pemex also aims to reconfigure its six existing refineries to run at about 90% of capacity in two years, up from about 35% today, said Romero.

Trade-war crop rout imperils Argentina's bid to revive economy

Bloomberg
Aires

The US-China trade war is posing a fresh threat to hopes that Argentina's fragile economy can rebound before a presidential election in October.

President Mauricio Macri needs a bumper fall harvest worth more than $20bn in export revenue to pick the economy off the floor and give him fuel for a re-election campaign. While soybean prices have recovered some ground in the past two days, they are still near multiyear lows amid the escalating trade war, meaning Macri may not reap the full benefit of huge bean and corn crops.

It's all happening after a disastrous 2018, when a severe drought crippled production and weighed heavily on an economy that shrank 2.5%. The consecutive bouts of bad luck come after Macri, who took office in December 2015, freed farmers from the shackles of protectionist predecessor Cristina Fernandez de Kirchner to help drive the economy.

Macri's woes have continued this year – including another currency rout, high inflation and a recession – and voters may put Kirchner back in power in October's election, should she run.

With most industries struggling, Macri was banking on crop exports to prop up the peso, lift government tax revenue, and boost the economy. In turn, that could help him fend off Kirchner during the campaign.

Argentina could be set to lose $1.3bn in export revenue because of the plunge in prices, according to Gustavo Lopez, an independent agribusiness consultant in Buenos Aires. But better-than-expected production would compensate the losses, and prices may surge if bad weather persists on US farms, Lopez said.

A farmer checks his field during a break in planting over wheat stubble in Ines Indart, Argentina (file). President Mauricio Macri needs a bumper fall harvest worth more than $20bn in export revenue to pick the economy off the floor and give him fuel for a re-election campaign.

Argentina can get hit in a variety of ways. Low soy prices mean fewer dollars for agriculture traders to sell on the currency market and less tax revenue at a time when Argentina is under pressure from the International Monetary Fund to achieve a primary fiscal balance. The pain could come from elsewhere too. If the trade war sparks more turbulence in global financial markets, that could sink the peso like it did last year. Another peso plunge would doom Macri's re-election bid, pollsters say. To be sure, Argentina also stands to benefit from China's tariffs on US soy as the Asian Nation steps up purchases of South American crops to make up for the American shortfall.

"The impact is going to depend on how all this volatility is managed," said Matias Carugati, chief economist for pollster Management & Fit. "If it's badly managed, it's going to have a negative impact on the polls" for Macri.

Zimbabwe to give dollar boost as currency woes turn into crisis

Bloomberg
Lagos/Harare

Zimbabwe's dollar shortage is getting worse, but the central bank is going to try to do something about it.

The regulator will inject $500mn into the foreign-exchange market today, it tweeted over the weekend, a move Governor John Mangudya said would "go a long way to stabilise the exchange rates and prices of goods and services." The money is from "international banks," Finance Minister Mthuli Ncube said in a separate tweet, without naming them.

The central bank is intervening after the southern African nation's currency plunged on the black market last week, and the price of goods soared at the fastest pace in more than a decade. Local investors have been piling into the stock market to hedge against inflation that climbed above 75% in April.

"Investor confidence has sunk," said Chiedza Madzima, a senior analyst at Fitch Solutions in Johannesburg. "Since elections last year, there has been a significant erosion of trust that the authorities can maintain political and economic stability and implement key reforms needed to attract investors."

Currency Reform

The foreign-currency shortage is heaping pressure on President Emmerson Mnangagwa, who came to power in 2017 and won an election in July, promising to revive an economy that had all but collapsed under his long-standing predecessor and ally, Robert Mugabe.

Zimbabwe revamped its currency system in February to alleviate a US dollar shortage, prompting long queues for fuel, medicine and other imported goods. Deadly protests had erupted a month earlier after the government more than doubled gasoline prices.

The central bank's decision to scrap a peg tying the country's main form of money – an electronic version known as RTGS$ – to the US dollar and let it trade on a formal market seemed to work at first.

But then a lack of transparency over the companies and individuals who can access dollars from the central bank started to raise doubts about the new system. And an absence of inflows from investors, who are concerned the government's fiscal policy is still too loose, didn't help the currency.

The RTGS$ black-market rate weakened 30% last week to a record low of 7 per dollar on the streets of Harare, the capital, according to marketwatch.co.zw, a website run by financial analysts. That increased the gap with the official rate, which is 3.45, to the widest since the interbank market was opened.

"At the rate the local unit is depreciating in the parallel market, authorities have limited options other than accelerating the official-rate depreciation," said Madzima.

The equity market is also under stress. The Zimbabwe Industrial Index of stocks rose all but three days this quarter, adding 18%, the most in the world. That's bad news: in Zimbabwe's topsy-turvy markets, rising stocks are a sign that local investors are rushing to protect themselves against inflation. Even though shares are no longer denominated in US dollars, the assumption is that stock prices will rise with inflation.

"Pressures are mounting for wage increases to cope with" inflation, said John Robertson, an independent economist based in Harare. "Desperation seems to be growing."

Reflecting how skewed the market is, the Harare shares of Old Mutual Ltd, Africa's largest insurer, trade at about 2.3 times the price of those in London and Johannesburg, when converted to the same currency. The difference has grown from 1.6 times in mid-April.

"Zimbabwe's solution lies in the faster adoption of key reforms," said Fitch Solutions' Madzima. "These include fiscal consolidation, strengthening core institutions such as the central bank and liberalising key sectors like mining, electricity and fuel. These may take years as they require simultaneous engagement with multilateral lenders."

A man holds a Zimbabwean two dollar bond banknote for an arranged photograph in Harare, Zimbabwe (file). The central bank is intervening after the southern African nation's currency plunged on the black market last week, and the price of goods soared at the fastest pace in more than a decade.

QATAR

Company Name	Lt Price	% Chg	Volume
Zad Holding Co	123.98	2.38	500
Widam Food Co	57.50	-0.78	9,341
Vodafone Qatar	7.21	-1.23	651,840
United Development Co	13.56	-1.24	134,084
Salam International Investme	4.34	0.46	215,786
Qatar & Oman Investment Co	5.58	-2.96	3,731
Qatar Navigation	63.02	-0.66	400
Qatar National Cement Co	63.00	2.07	1,404
Qatar National Bank	174.90	-0.34	95,332
Qatar Islamic Insurance	52.90	0.00	-
Qatar Industrial Manufactur	37.70	-1.05	7,780
Qatar International Islamic	66.02	-0.96	22,982
Qatari Investors Group	21.60	-0.51	9,809
Qatar Islamic Bank	153.51	-0.32	133,583
Qatar Gas Transport(Nakilat)	20.70	-0.48	172,840
Qatar General Insurance & Re	41.00	-0.19	9
Qatar German Co For Medical	5.58	-4.78	13,639
Qatar Fuel Qsc	212.99	-1.38	146,934
Qatar First Bank	4.29	-0.46	999,770
Qatar Electricity & Water Co	160.30	0.19	6,686
Qatar Exchange Index Etf	98.20	0.00	-
Qatar Cinema & Film Distrib	19.20	0.00	-
Al Rayan Qatar Etf	23.00	0.00	-
Qatar Insurance Co	35.70	1.25	37,815
Qatar Aluminum Manufacturing	10.33	-0.29	1,575,077
Ooredoo Qpsc	61.63	-0.60	21,948
National Leasing	8.00	0.76	67,175
Mazaya Qatar Real Estate Dev	7.89	-1.38	275,901
Mesaieed Petrochemical Holdi	27.04	4.52	2,343,000
Al Meera Consumer Goods Co	143.00	0.00	6,707
Medicare Group	60.00	3.84	29,793
Mannai Corporation Qsc	41.50	0.00	-
Masraf Al Rayan	34.60	0.00	147,865
Al Khalij Commercial Bank	11.41	-2.89	9,860
Industries Qatar	109.50	0.36	93,103
Islamic Holding Group	21.00	0.00	15,251
Investment Holding Group	5.63	-1.92	336,448
Gulf Warehousing Company	45.80	0.00	2,013
Gulf International Services	17.41	0.00	71,576
Ezdan Holding Group	9.01	1.12	1,486,449
Doha Insurance Co	11.00	0.00	30
Doha Bank Qpsc	22.45	-0.31	220,865
Dlala Holding	9.38	0.11	4,363
Commercial Bank Pqsc	45.10	0.87	72,842
Barwa Real Estate Co	33.51	-0.56	120,745
Al Khaleej Takaful Group	15.15	2.36	27,169
Al Ahli Bank	8.07	-3.00	551,979

KUWAIT

Company Name	Lt Price	% Chg	Volume
Sultan Center Food Products	52.10	2.16	269,090
Kuwait Foundry Co Sak	250.00	0.00	-
Kuwait Financial Centre Sak	89.00	-1.11	5,000
Ajial Real Estate Entmt	144.00	0.00	-
Kuwait Finance & Investment	37.00	-7.50	171,006
National Industries Co Ksc	185.00	0.00	18,356
Kuwait Real Estate Holding C	30.00	32.16	35
Securities House/The	45.00	-3.02	477,267
Boubyan Petrochemicals Co	921.00	-2.13	224,291
Al Ahli Bank Of Kuwait	305.00	0.00	-
Ahli United Bank (Almutahed)	293.00	-2.01	766,290
National Bank Of Kuwait	946.00	-1.56	1,143,561
Commercial Bank Of Kuwait	537.00	4.27	201
Kuwait International Bank	255.00	-1.92	4,594,793
Gulf Bank	299.00	-0.99	8,949,009
Al-Massaleh Real Estate Co	36.60	0.00	-
Al Arabiya Real Estate Co	31.90	8.50	187,679
Kuwait Remal Real Estate Co	31.10	-7.44	350,540
Alkout Industrial Projects C	840.00	0.00	-
A'ayan Real Estate Co Sak	56.70	-2.24	348,130
Investors Holding Group Co.K	10.00	-1.96	2,343,235
Al-Mazaya Holding Co	56.10	-3.11	1,151,780

KUWAIT

Company Name	Lt Price	% Chg	Volume
Al-Madar Finance & Invt Co	147.00	0.00	813,791
Gulf Petroleum Investment	22.30	-5.51	1,475,810
Mabanee Co Sakc	649.00	0.00	385,094
Inovest Co Bsc	75.00	0.00	-
Al-Deera Holding Co	13.50	-8.16	75,050
Mena Real Estate Co	36.00	-2.70	275,543
Amar Finance & Leasing Co	30.80	0.00	-
United Projects For Aviation	425.00	4.94	1,947
National Consumer Holding Co	30.00	0.00	-
Amwal International Investme	55.60	0.00	-
Equipment Holding Co K.S.C.C	23.40	-11.03	140,100
Arkan Al Kuwait Real Estate	78.00	0.00	-
Gfh Financial Group Bsc	67.90	-1.74	97,914
Energy House Holding Co Kscp	28.00	0.00	100
Kuwait Co For Process Plant	220.00	2.33	100
Al Maidan Dental Clinic Co K	1,220.00	0.00	-
National Shooting Company	13.00	-4.41	140,001
Al-Ahleia Insurance Co Sakp	407.00	0.00	-
Wethaq Takaful Insurance Co	29.70	0.00	-
Salbookh Trading Co Kscp	44.00	-5.38	279,705
Aqar Real Estate Investments	60.00	0.00	5,000
Hayat Communications	44.00	0.00	-
Soor Fuel Marketing Co Ksc	118.00	0.85	986,243
Tamkeen Holding Co	11.30	0.00	-
Alargan International Real	120.00	0.00	-
Burgan Co For Well Drilling	90.00	0.00	-
Kuwait Resorts Co Kscc	55.60	-1.07	50,005
Oula Fuel Marketing Co	116.00	-1.69	130,508
Palms Agro Production Co	40.00	0.00	-
Mubarrad Holding Co Ksc	58.80	-4.70	121,709
Shuaiba Industrial Co	165.00	0.00	-
Aan Digital Services Co	10.60	-13.11	1,934,936
First Takaful Insurance Co	44.00	0.00	1,308,442
Kuwaiti Syrian Holding Co	39.00	-13.14	3,854,294
National Cleaning Company	65.00	0.00	-
United Real Estate Company	56.00	-3.45	5,000
Agility	719.00	-2.18	1,141,435
Kuwait & Middle East Fin Inv	36.00	0.00	-
Fujairah Cement Industries	48.50	-8.49	440,100
Livestock Transport & Tradng	197.00	0.00	-
International Resorts Co	20.30	0.00	-
National Industries Grp Hold	227.00	-1.30	3,530,051
Warba Insurance Co	71.00	9.23	100
First Dubai Real Estate Deve	31.00	0.00	70,100
Al Arabi Group Holding Co	80.00	0.00	-
Kuwait Hotels Sak	100.00	0.00	-
Mobile Telecommunications Co	476.00	-2.06	2,656,651
Effect Real Estate Co	20.30	1.50	400,010
Tamdeen Real Estate Co Ksc	400.00	0.00	-
Al Mudon Intl Real Estate Co	19.60	0.51	2,550
Kuwait Cement Co Ksc	297.00	0.00	-
Sharjah Cement & Indus Devel	64.80	-10.00	5
Kuwait Portland Cement Co	1,255.00	0.40	8,400
Educational Holding Group	315.00	0.00	-
Bahrain Kuwait Insurance	200.00	0.00	-
Asiya Capital Investments Co	35.50	0.00	2,001
Kuwait Investment Co	126.00	-0.79	220,015
Burgan Bank	307.00	-4.06	496,174
Kuwait Projects Co Holdings	211.00	-0.47	121,144
Al Madina For Finance And In	16.50	-4.62	5,625,968
Kuwait Insurance Co	330.00	0.00	-
Al Masaken Intl Real Estate	70.00	0.00	-
Intl Financial Advisors	23.00	0.00	-
First Investment Co Kscc	36.90	-0.27	1,699,191
Al Mal Investment Company	17.30	-0.57	50,500
Bayan Investment Co Kscc	37.90	-0.26	15,000
Egypt Kuwait Holding Co Sae	455.00	0.00	-
Coast Investment Development	37.00	1.37	40,850
Privatization Holding Compan	56.00	-4.92	786,047
Injazzat Real State Company	83.90	0.00	-
Kuwait Cable Vision Sak	24.00	0.00	15,000
Sanam Real Estate Co Kscc	49.50	0.00	-
Ithmaar Holding Bsc	22.30	0.00	-
Aviation Lease And Finance C	259.00	0.00	6,550
Arzan Financial Group For Fi	31.90	-0.31	1,080,949
Ajwan Gulf Real Estate Co	12.50	-1.57	82,800
Kuwait Business Town Real Es	40.50	1.25	38,990
Future Kid Entertainment And	103.00	0.00	-
Specialities Group Holding C	70.00	-1.27	10,000
Abyaar Real Eastate Developm	12.30	-0.81	2,151,017
Dar Al Thuraya Real Estate C	179.00	0.00	-
Kgl Logistics Company Kscc	40.10	-3.61	2,197,355
Combined Group Contracting	210.00	-7.08	35,500
Jiyad Holding Co Ksc	53.40	-2.91	191,075
Warba Capital Holding Co	80.00	-5.88	21,500
Gulf Investment House Ksc	57.50	-1.20	122,703
Boubyan Bank K.S.C	551.00	-2.48	858,691
Ahli United Bank B.S.C	243.00	-1.22	4,134,036
Osos Holding Group Co	102.00	2.00	107,909

KUWAIT

Company Name	Lt Price	% Chg	Volume
Al-Eid Food Ksc	44.00	0.00	-
Qurain Petrochemical Industr	386.00	-0.52	284,352
Advanced Technology Co	1,000.00	0.00	-
Ekttitab Holding Co Sak	17.90	5.29	210,005
Real Estate Trade Centers Co	21.90	-6.01	101,490
Acico Industries Co Kscc	137.00	-0.72	2,910
Kipco Asset Management Co	73.00	0.00	-
National Petroleum Services	973.00	-1.72	5,000
Alimtiaz Investment Group	127.00	-1.55	551,034
Ras Al Khaimah White Cement	62.00	0.00	-
Kuwait Reinsurance Co Ksc	140.00	0.00	-
Kuwait & Gulf Link Transport	82.40	0.00	-
Humansoft Holding Co Ksc	3,400.00	-1.16	30,987
Automated Systems Co Kscc	96.40	-0.10	10
Metal & Recycling Co	88.00	0.00	-
Gulf Franchising Holding Co	59.00	0.00	-
Al-Enma'a Real Estate Co	35.00	-7.89	1,804,473
National Mobile Telecommuni	668.00	-1.04	65,167
Sanad Holding Co Kscc	110.00	0.00	-
Unicap Investment And Financ	53.50	-3.60	449,148
Al Salam Group Holding Co	32.50	0.00	-
Al Aman Investment Company	58.00	-0.85	150,020
Mashaer Holding Co Ksc	63.10	-1.41	463,186
Manazel Holding	22.50	-10.00	206,665
Tijara And Real Estate Inves	49.50	0.00	-
Jazeera Airways Co Ksc	860.00	-2.27	195,906
Commercial Real Estate Co	91.00	-2.15	210,000
National International Co	70.00	-7.65	134,000
Taameer Real Estate Invest C	33.50	-15.19	720,389
Gulf Cement Co	59.70	0.00	-
Heavy Engineering And Ship B	403.00	-2.18	1,135,760
National Real Estate Co	70.60	-2.89	151,087
Al Safat Energy Holding Comp	22.60	-0.88	1,525
Kuwait National Cinema Co	840.00	-3.45	5,000
Danah Alsafat Foodstuff Co	28.10	-9.35	12,809
Independent Petroleum Group	417.00	-0.24	37,097
Kuwait Real Estate Co Ksc	74.00	0.14	2,563,284
Salhia Real Estate Co Ksc	335.00	0.00	37,044
Gulf Cable & Electrical Ind	372.00	-1.06	133,798
Kuwait Finance House	650.00	-1.66	8,551,900
Gulf North Africa Holding Co	53.00	-1.30	272,954
Hilal Cement Co	125.00	-7.41	19,500
Osoul Investment Kscc	61.00	0.00	53,000
Gulf Insurance Group Ksc	625.00	0.00	-
Umm Al Qaiwain General Inves	58.70	0.00	-
Aayan Leasing & Investment	42.00	-1.64	1,125,172
Alrai Media Group Co Ksc	41.40	-9.80	10,000
National Investments Co	112.00	-0.88	1,028,210
Commercial Facilities Co	204.00	-1.45	44,275
Yiaco Medical Co. K.S.C.C	66.50	0.00	-
Dulaqan Real Estate Co	350.00	0.00	-
Real Estate Asset Management	171.00	0.00	-

OMAN

Company Name	Lt Price	% Chg	Volume
Voltamp Energy Saog	0.17	0.00	-
Vision Insurance Saoc	0.12	0.00	-
United Power/Energy Co- Pref	1.00	0.00	-
United Power Co Saog	2.68	0.00	340
United Finance Co	0.07	0.00	-
Ubar Hotels & Resorts	0.13	0.00	-
Takaful Oman	0.13	0.00	-
Taageer Finance	0.10	0.00	-
Sweets Of Oman	0.55	0.00	-
Sohar Power Co	0.11	0.00	-
Sohar International Bank	0.11	0.00	126,000
Smn Power Holding Saog	0.09	0.00	-
Shell Oman Marketing - Pref	1.05	0.00	-
Shell Oman Marketing	1.07	0.00	-
Sharqiyah Desalination Co Sa	0.30	0.00	-
Sembcorp Salalah Power & Wat	0.11	0.00	500
Salalah Port Services	0.60	0.00	-
Salalah Mills Co	0.56	0.00	-
Salalah Beach Resort Saog	1.38	0.00	-
Sahara Hospitality	3.09	0.00	-
Renaissance Services Saog	0.48	0.00	125,000
Raysut Cement Co	0.32	2.60	35,500
Phoenix Power Co Saoc	0.08	0.00	-
Packaging Co Ltd	2.21	0.00	-
Ooredoo	0.46	-2.13	239,435
Ominvest	0.31	0.00	-
Oman United Insurance Co	0.25	0.00	-
Oman Telecommunications Co	0.55	1.48	242,371
Oman Refreshment Co	1.66	0.00	-
Oman Qatar Insurance Co	0.09	0.00	-

OMAN

Company Name	Lt Price	% Chg	Volume
Oman Packaging	0.27	0.00	-
Oman Oil Marketing Company	1.07	0.00	-
Oman National Engineering An	0.15	0.00	-
Oman Investment & Finance	0.08	0.00	94,008
Oman Intl Marketing	0.52	0.00	-
Oman Flour Mills	0.60	6.38	344,603
Oman Fisheries Co	0.06	0.00	95,000
Oman Europe Foods Industries	1.00	0.00	-
Oman Education & Training In	0.23	0.00	-
Oman Chromite	3.64	0.00	-
Oman Chlorine	0.40	0.00	-
Oman Ceramic Company	0.42	0.00	-
Oman Cement Co	0.23	0.87	22,220
Oman Cables Industry	0.90	0.00	-
Oman & Emirates Inv(Om)50%	0.08	0.00	-
Natl Aluminium Products	0.34	-0.59	701,000
National Real Estate Develop	5.00	0.00	-
National Mineral Water	0.09	0.00	-
National Life & General Insu	0.30	0.00	-
National Gas Co	0.19	0.00	-
National Finance Co	0.14	0.00	-
National Detergent Co Saog	0.70	0.00	-
National Biscuit Industries	3.92	0.00	-
National Bank Of Oman Saog	0.16	0.00	10,175
Muscat Thread Mills Co	0.08	0.00	-
Muscat Insurance Co Saog	0.84	0.00	-
Muscat Gases Company Saog	0.16	0.00	36,972
Muscat Finance	0.07	0.00	105,000
Muscat City Desalination Co	0.11	0.00	5,259
Majan Glass Company	0.18	0.00	-
Majan College	0.18	0.00	-
Hsbc Bank Oman	0.12	0.00	63
Hotels Management Co Interna	1.25	0.00	-
Gulf Stone	0.12	0.00	-
Gulf Mushroom Company	0.31	0.00	-
Gulf Investments Services	0.06	0.00	68,800
Gulf Invest. Serv. Pref-Shar	0.11	0.00	-
Gulf International Chemicals	0.14	0.00	-
Gulf Hotels (Oman) Co Ltd	9.50	0.00	-
Global Fin Investment	0.08	0.00	-
Galfar Engineering&Contract	0.08	0.00	-
Galfar Engineering -Prefer	0.39	0.00	-
Financial Services Co.	0.18	0.00	-
Financial Corp/The	0.10	0.00	-
Dhofar Tourism	0.49	0.00	-
Dhofar Poultry	0.18	0.00	-
Dhofar Intl Development	0.30	0.00	-
Dhofar Insurance	0.17	0.00	-
Dhofar Generating Co Saoc	0.19	0.00	-
Dhofar Fisheries & Food Indu	1.28	0.00	-
Dhofar Cattlefeed	0.10	0.00	-
Dhofar Beverages Co	0.26	0.00	-
Construction Materials Ind	0.03	0.00	-
Computer Stationery Inds	0.26	0.00	-
Bankmuscat Saog	0.40	0.00	260,219
Bank Nizwa	0.09	-1.15	62,163
Bank Dhofar Saog	0.14	0.00	-
Arabia Falcon Insurance Co	0.11	0.00	-
Aloula Co	0.53	0.00	-
Al-Omaniya Financial Service	0.12	0.00	-
Al-Hassan Engineering Co	0.02	0.00	-
Al-Fajar Al-Alamia Co	0.75	0.00	-
Al-Anwar Ceramic Tiles Co	0.10	0.00	10,000
Al Suwadi Power	0.08	0.00	-
Al Sharqiya Invest Holding	0.08	0.00	-
Al Maha Petroleum Products M	0.81	0.00	-
Al Maha Ceramics Co Saoc	0.18	-2.73	55,103
Al Madina Takaful Co Saoc	0.09	1.18	6,738
Al Madina Investment Co	0.02	0.00	299,154
Al Kamil Power Co	0.38	0.00	-
Al Jazerah Services -Pfd	0.55	0.00	-
Al Jazeera Steel Products Co	0.27	0.00	-
Al Jazeera Services	0.11	-1.79	135,290
Al Izz Islamic Bank	0.08	0.00	2,000
Al Buraimi Hotel	0.88	0.00	-
Al Batinah Power	0.08	0.00	-
Al Batinah Hotels	1.13	0.00	-
Al Batinah Dev & Inv	0.08	0.00	-
Al Anwar Holdings Saog	0.10	0.00	379,025
Al Ahlia Insurance Co Saoc	0.36	0.00	-
Ahli Bank	0.12	0.00	51,024
Acwa Power Barka Saog	0.66	0.00	-
Abrasives Manufacturing Co S	0.05	0.00	-
A'saffa Foods Saog	0.60	0.00	-
OMan Oil Marketing Co-Pref	0.25	0.00	-
#N/A Invalid Security	0.00	0.00	-
#N/A Invalid Security	0.00	0.00	-

LATEST MARKET CLOSING FIGURES

The stock market winners and losers from Australia election

Bloomberg
Sydney/Melbourne

Prime Minister Scott Morrison has secured a third term in office for his Liberal-National coalition with a surprise election victory, after Australian voters rejected the Labor opposition's progressive policy agenda.

The shock result has wide-ranging implications for a slew of listed companies, from banks to builders and resources firms, with Labor's plans to scale back tax incentives for investors and take tougher action on climate change now dead.

"Markets hate uncertainty and now you've just ripped all that uncertainty out of the market," said James Whelan, investment manager of VFS Group's global macro fund. "Buy everything."

Here are the stocks to watch:

A woman takes a photograph as an electronic board displays stock information at the Australian Securities Exchange in Sydney (file). The shock election result has wide-ranging implications for a slew of listed companies, from banks to builders and resources firms, with Labor's plans to scale back tax incentives for investors and take tougher action on climate change now dead.

Climate change

Labor's pledge to cut carbon emissions by 45% from 2005 levels by 2030 and enforce tougher caps on the biggest polluters would have incurred higher costs on the oil and gas industry and airlines. Wood Mackenzie Ltd estimated, for instance, that the Chevron-operated Wheatstone LNG project in Western Australia, in which Woodside Petroleum Ltd has a 13% stake, would incur additional costs of between \$120mn and \$150mn a year. The consultancy also said major coal producers would have been hit by the cost of offsetting their emissions. On the flip side, the renewables industry will likely get less support from Morrison's government.

Coal miners will rally as the coalition is more friendly to the fossil fuel than Labor, said Whelan.

Stocks affected: BHP, Woodside, Santos, Qantas, Virgin Australia, Infigen Energy.

Property

Developers may get a bounce with the threat to tax breaks for property investors now lifted. The coalition has no plans to change negative gearing, which allows landlords to claim the costs of owning a rental property, including mortgage interest. Morrison argued Labor's plan to wind back the incentive would further undermine the housing market, which is in the grip of a downturn. The government is pledging support to some first-home buyers, meaning they will only have to save 5% of the purchase price as a deposit, instead of the 20% typically demanded by banks.

Bloomberg Intelligence had said negative gearing changes may have weighed on investor mortgage demand and bank margins.

The first home-buyer support may shrink the mortgage-insurance market by 10%-15%, JPMorgan analysts wrote in a May 13 note. The impact will be mitigated, however, as insurers won't have to set aside as much capital.

Stocks to watch: Stockland, Lendlease, Mirvac, Domain, REA Group, QBE Insurance.

Dividend imputation

The system of franking credits, which ensures company profits aren't double-taxed when paid out to shareholders as dividends, will remain intact. That will see continued investor demand for high-yielding dividend stocks, according to Geoff Wilson, chairman of Wilson Asset Management.

Labor's policy "created phenomenal uncertainty and that has now been removed," Wilson said by phone. "The high yielding, fully-franked stocks – money will start flowing back into them."

Stocks to watch: BHP, Rio Tinto, Fortescue, Commonwealth Bank, Westpac.

Child care

Childcare providers rallied on Labor's plans to increase childcare subsidies for those on lower incomes, with families earning up to A\$174,000 (\$120,000) a year promised they would be able to claim a rebate. RBC Capital analyst Garry Sherriff wrote in a note last month the proposal was a net positive for listed operators as it was likely to boost demand for services.

Stocks to watch: G8 Education, Think Childcare.

Health insurance

Private health insurers no longer have to contend with Labor's plan to cap price increases at 2% for two years. Morgan Stanley analysts wrote in April that the measure would likely have weighed on the margins of insurers, but also impact private hospital operators as insurers would have taken a harder line in cost talks with hospitals.

Stocks to watch: Medibank Private, NIB Holdings, Healthscope, Ramsay Health.

Tax cuts

In its April budget, the coalition pledged a tax rebate of as much as A\$1,080, which could prompt a rise in retail spending.

Stocks to watch: JB Hi-Fi, Harvey Norman, Super Retail, Myer.

Australian dollar to strengthen after Morrison clings to power

Bloomberg
Melbourne

The Australian dollar is set to strengthen against the greenback after the nation's centre-right government clung to power in a surprise election victory at the weekend.

Despite trailing in most opinion polls, Prime Minister Scott Morrison waged a relentless attack on the Labor Party's progressive agenda to take action on climate change and strip tax perks from wealthy Australians. At the same time, the government ran on its record of economic management, across-the-board tax cuts and a return to a budget surplus.

As Labor's tax proposals are off the table, giving some relief to the housing market, and with the incumbent government being viewed as stronger economic managers, business sentiment is expected to improve, Andrew Ticehurst, Sydney-based rate strategist at Nomura Holdings Inc said. It's a net positive for the equity market and the Australian dollar will likely bounce, he wrote in note to clients dated May 19.

"With a surprise election result over the weekend, we immediately square up our tactical short in the Australian dollar and expect short-end rates to rise," Ticehurst said. The short position was opened at 69.55 cents on May 14, he said.

Option traders are more bearish on the Aussie than any other G-10 currency as the risk-sensitive asset suffers from the sudden escalation in US-China trade tensions and a slowing economy. Investors are pricing around a 70% chance the Reserve Bank of Australia will cut interest rates in June, overnight index swaps show.

The Aussie sank to 68.68 cents last week amid a rise in the unemployment rate in April and China dashing hopes the trade spat would be ended soon. It's the lowest level since January.

A speech by Reserve Bank Governor Philip Lowe tomorrow will be critical for the near-term direction of the Australian dollar and rates, Ticehurst said. Lowe has previously used speeches to provide monetary policy guidance, he said.

Japan lawmakers fret over looming tax hike in weak economy

Bloomberg
Tokyo

Signs of a weakening Japanese economy are fuelling concerns among some ruling party lawmakers that the country cannot cope with an increase in an unpopular sales tax in October, after previous hikes hurt growth and derailed political careers.

Prime Minister Shinzo Abe has backtracked twice from a pledge to raise the tax to 10% from 8%, and there is speculation he could change his mind yet again ahead of an upper house election expected in July. Japan's economic performance last quarter may affect his decision, with gross domestic product data today forecast to show a contraction.

"May 20 is the day of destiny," said Shigeharu Aoyama, an upper house lawmaker with Abe's Liberal Democratic Party. "If GDP is negative, I think the judgment will change greatly. On the other hand, if it's zero or even slightly positive, it may be extremely difficult to put it off," he said.

Poor economic data could put the tax hike on hold, senior LDP lawmaker and Abe confidant Koichi Hagiuda suggested, even as Cabinet ministers reiterated the increase would go ahead and a party policy document issued last week echoed that view. Japan has gradually increased the sales tax to rein in debt that's ballooned to become the largest in the developed world, in part because of social-security costs associated with its ageing population. Advocates of the hike say any further delay would risk a credit downgrade, while opponents are adamant it would damage the economy.

With the fallout from the US-China trade war and rising tensions in the Middle East expected to affect the economy, it would be a particularly bad time to increase the tax again this year, Aoyama said. Japan's March coincident index, one of the broadest indicators of economic activity, pointed to a worsening of conditions. "Objectively, it's more reasonable to postpone the sales tax," he said. "It will definitely weigh on consumption."

While Japan's opposition parties are calling for a postponement, few within the ruling coalition are willing to openly say the same after the government put together a budget based on the assumption it would go ahead. Part of the revenue is earmarked to fulfil pledges such as making preschool childcare free.

Japan is readying the October sales tax increase, Economy Minister Toshimitsu Motegi told national broadcaster NHK yesterday. The hike will help enrich social security and education services in the country, he said. Companies and local governments are "making smooth preparations" for it.

A poll conducted by the Nikkei newspaper earlier this month found 52% of respondents were opposed to the hike, compared with 47% in a March survey. About 41% approved of it, down from 45% in the previous poll. In a separate poll by Kyodo News conducted May 18 and 19, 58% of respondents said they opposed increasing the tax, compared with 38% who supported the hike.

Raising taxes before Japan has shaken off deflation is "incomprehensible," Shouji Nishida, another LDP lawmaker who has publicly opposed the increase, said in a video on his website. Nishida is a proponent of Modern Monetary Theory, which argues that countries with their own central banks and borrowing in their own currencies can't go broke, and don't need to worry about overspending so long as it's not generating high inflation.

"If you understand this, you will realise that it's not true to say Japan's in a fiscal crisis," said Hiroshi Ando, another LDP advocate of MMT. He has in the past petitioned Abe to put off the tax increase, but has held his fire this year.

Australia's PM Morrison in race to shore up economy

Bloomberg
Canberra

Australia's Prime Minister Scott Morrison waves with his wife Jenny and daughters after winning during the Liberal-National coalition party election night event in Sydney on Saturday. Morrison's pitch for economic stability was at the heart of his coalition's successful bid for a third term in office, as he urged voters to reject the most progressive agenda in decades from the opposition Labor party.

Australia's centre-right government is getting straight back to business after its surprise election victory, pledging to pass signature tax cuts to shore up a slowing economy.

Just hours after Prime Minister Scott Morrison claimed the biggest come-from-behind win in decades, his Liberal-National coalition said it aimed to deliver tax relief for about half of Australia's 25mn people when parliament reconvenes, perhaps as soon as next month.

"That is our priority piece of legislation," Treasurer Josh Frydenberg told reporters. Rebates of as much as A$1,080 ($742) could deliver a crucial boost to consumer spending and help buoy an economy in its 28th year of unbroken growth.

Morrison's pitch for economic stability was at the heart of his coalition's successful bid for a third term in office, as he urged voters to reject the most progressive agenda in decades from the opposition Labor party. Despite the coalition trailing in most opinion polls for years, Morrison closed the gap with a relentless attack on Labor's pledge to take tougher action on climate change and strip tax perks from wealthy Australians.

The victory turned Morrison into a conservative hero, with President Donald Trump tweeting "Congratulations to Scott on a GREAT WIN!" For Labor leader Bill Shorten, 52, the loss was akin to Hillary Clinton's 2016 failure to win the US presidency. He ended up resigning as party chief on a night he expected to celebrate a resounding win.

Family Guy a New Conservative Hero after Shock Australia Victory

With 75% of votes counted, the coalition was on track to win at least 73 seats in the 151-seat lower house, eking out a victory via gains in the mostly rural states of Tasmania and Queensland, according to Australian Broadcasting Corp projections. Labor was on 65 and minor parties on six, with seven seats in doubt.

It may be days before it's clear whether the coalition gained the 76 seats needed to form an outright majority. Similarly, vote counting is continuing for the Senate, where minor parties and independents may hold the balance of power and influence the legislative agenda.

Morrison received a rock star's reception from the party faithful on Saturday night as he claimed victory. Colleagues were effusive in their praise of his campaign strategy, in which he urged voters not to risk a change of government just as the economy stutters. Wage growth is stagnant, households are saddled with record debt, and Australia risks getting caught in the crossfire of the trade war between its most important ally, the US, and biggest trading partner, China.

"He criss-crossed the country with great energy, belief and conviction," Frydenberg said. "He was assured, he was confident, he was across the detail."

Liberal lawmaker Arthur Sinodinos, a former adviser to prime minister John Howard, lauded Morrison's tactical prowess in mapping out the regions the coalition needed to concentrate on to boost its chances of re-election.

Morrison was the Liberals' third leader in four years and only took the helm in August. His predecessors Malcolm Turnbull and Tony Abbott were both ousted by their own lawmakers amid deep ideological divides within the party, not least over energy and climate policy.

The victory, and the fact that party rules have now been amended to make it harder to topple leaders, may ensure Morrison is the first prime minister since 2007 to survive a full term.

The jubilation in the government's ranks contrasts sharply with the soul-searching among Labor lawmakers. Shorten ran on Australia's most progressive agenda in decades, including tax cuts for low income workers, increases to the minimum wage, sweeping emissions curbs and scaling back concessions for property and stock market investors. That presented a big target for Morrison, with blanket TV ads warning Shorten was "the Bill Australia can't afford."

Shortly after conceding defeat, Shorten announced he would step down as opposition leader until the party selects a new leader. His deputy Tanya Plibersek is expected to stand, and infrastructure spokesman Anthony Albanesehas thrown his hat in the ring.

The Stock Market Winners and Losers From Australia's Election

Australia's era of growth is a developed-world record. But the harshest housing downturn in a generation and a deepening trade war now threatens that streak, leaving voters receptive to Morrison's call for continuity. Growth may slow to a six-year low of 2.2% this year, according to economist forecasts compiled by Bloomberg.

Morrison's argument appears to have resonated in Queensland, where Adani Power Ltd wants to build a controversial mine that could lead to a doubling of Australia's coal exports. Despite heated opposition from environmentalists, the coalition was set to pick up two seats in the state. Primary vote support there for Labor, which equivocated on its support for the mine as it struggled to balance the need to create blue-collar jobs with its environmental pledges, sank to 27%.

"Morrison out-campaigned Labor and he proved to be a skilled operator in promoting a narrow message," said Paul Williams, a political analyst at Brisbane's Griffith University. "Now he's won, he will need to be wary because it may not end up being a great time to be prime minister. There's going to be massive challenges because the economy has probably peaked."

Gangwal: Great track record.

Indigo co-founder says doesn't want to take control of India's top airline

Bloomberg
New Delhi

Rakesh Gangwal, one of the founders of Indigo, has no desire to take control of India's biggest airline, according to a statement by chief executive officer Ronojoy Dutta.

"I am categorically and clearly stating that there is no interest or desire whatsoever on the part of the RG Group to take control of the company," Gangwal said in the May 18 statement, which included the comment on his behalf. The RG group stands by the current shareholder agreement, which expires in October, he said.

Indigo shares dropped the most in a year on Thursday after reports that its billionaire founders Rahul Bhatia and Gangwal have hired law firms and are trying to sort out disagreements about the carrier's future strategy and clauses in the company's shareholder agreement.

Founded in 2005 by former US Airways CEO Gangwal and former airline sales agent Bhatia, IndiGo has quickly outpaced its rivals to grab almost half of the local market, making both founders billionaires. IndiGo is one of the few Indian carriers with enough cash to aggressively expand, and it's been mapping out a way to build a long-haul, low-cost business to take passengers from places like New Delhi to London.

"We all know that in any strong and well-managed company there will always be differences. And, yes, there may be differences currently on certain matters, but the company has a great track record of resolving issues and coming out ahead," CEO Dutta said. "If the current differences were to not get resolved, you shall certainly hear about it; however, it serves no purpose speculating about it."

Shares of InterGlobe Aviation Ltd, which operates IndiGo, slid about 4% last week, paring this year's gain to 26.5%. It had closed at an all-time high on Wednesday.

Toyota says Trump sent message car maker 'not welcomed'

Bloomberg
Southfield

Toyota Motor Corp rebuked President Donald Trump's declaration that imported cars threaten US national security, signalling contentious talks are ahead for the White House and America's key trading partners.

In an unusually strong-worded statement, Japan's largest automaker said Trump's proclamation on Friday that the US needs to defend itself against foreign cars and components "sends a message to Toyota that our investments are not welcomed." The company said it has spent more than $60bn building operations in the country, including 10 manufacturing plants.

Trump earlier on Friday agreed with the conclusions of his Commerce Department, which investigated imports of vehicles and auto parts and found they harm national security by having led to a declining market share for "American-owned" car makers since the 1980s.

The White House set a 180-day deadline for negotiating deals with Japan, the European Union and other major auto exporters.

Toyota said it remains hopeful that those talks can be resolved quickly, but warned that curbing imports would force US consumers to pay more and be counterproductive for jobs and the economy. The company's critique comes two months after its pledge to add $3bn to a years-long US investment plan.

Representatives for other auto makers were more diplomatic but also registered concern about the Trump administration's sabre-rattling. The Alliance of Automobile Manufacturers, a trade group representing a dozen of the largest domestic and foreign car makers with operations in the US, warned on Friday that higher prices from tariffs could put 700,000 American jobs at risk.

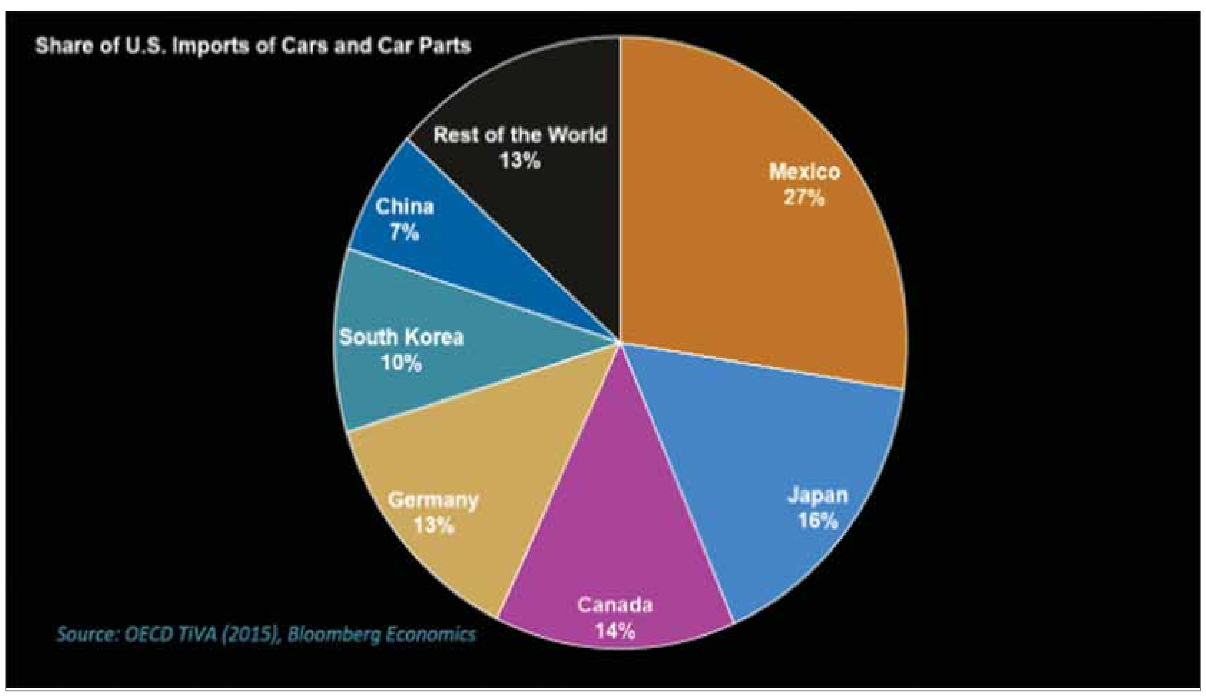
"We are deeply concerned that the administration continues to consider imposing auto tariffs," the car lobby said in a statement. "By boosting car prices across the board and driving up car repair and maintenance costs, tariffs are essentially a massive tax on consumers."

The pushback by Toyota marks a break from years of attempting to work its way into Trump's good graces.

Days after drawing criticism from the then-president elect in January 2017 for planning to build Corolla cars in Mexico, Toyota announced a $10bn, five-year investment plan. In August of that year, the company said it would join with Mazda Motor Corp in building a $1.6bn factory in Alabama.

But all those efforts have done little to curb repeated threats by the White House to impose tariffs of as much as 25% on imported vehicles and auto parts.

"Our operations and employees contribute significantly to the American way of life, the US economy and are not a national security threat," the company said.



Reliance Capital protests rating downgrade

Bloomberg
Mumbai

Reliance Capital Ltd, Anil Ambani's financial services company, protested against a three-step downgrade by Care Ratings that put its credit score two notches above junk.

Care Ratings cut the firm's long-term debt program to BBB from A and kept it on credit watch with developing implications, according to statements from Reliance Capital and the rating company on Saturday. Reliance Capital said it disagreed with the revision as Care didn't fully factor in the impact of its plan to raise more than Rs100bn ($1.42bn) via asset sales and "sharply cut" overall debt by more than half this financial year.

"There has not been any adverse change in the company's operational parameters and/or any other circumstances from the time of the last rating action, just four weeks ago and hence latest revision is completely unjustified," Reliance Capital said in its statement.

Reliance Capital is in the process of selling its holdings in several assets to raise funds including its entire stake in Reliance Nippon Life Asset Management Ltd, where it expects to realise a premium over the current market price of more than Rs50bn, according to the statement. The financial services firm is the last stronghold in embattled tycoon Anil Ambani's phone carrier-to-power empire, which has been beset by financial woes that earlier this year threatened to land the businessman in jail.

"The company has been working diligently to ensure timely debt repayments and is regular in all its debt payments," Reliance Capital said.

In downgrading its credit score, Care cited developments including defaults by subsidiaries Reliance Home Finance Ltd and Reliance Commercial Finance Ltd, which would likely reduce the group's financial flexibility and diminish Reliance Capital's ability to raise funds from the market.

Reliance Capital's "financial risk profile is characterised by depletion of liquidity, high dependence on planned disinvestments for debt servicing and delays in fructification of such disinvestments," Care said in its statement. The rating company said it will closely monitor the asset-sale process and Reliance Capital's ability to complete this in a timely manner, reduce debt and maintain liquidity would act as "key rating sensitivities."

Former US trade negotiator and now the managing director of the Asia Society Policy Institute in Washington, Wendy Cutler (centre), walks to the press conference room after a meeting in Jeju island, South Korea (file). "While President Trump seems to be okay in slow walking the China trade negotiations at least for now, he's impatient with Japan. He wants agriculture market access from Japan now, responding to the urgent requests of US farmers," Cutler said.

As China trade war boils, Trump courts a favourite punching bag — Japan

Bloomberg
Washington

With his trade war with China heating up, Donald Trump is suddenly talking up a quick deal with Japan to help out ailing American farmers. Yet leaders in Tokyo are in no rush to assist a US president who has repeatedly threatened them with higher tariffs.

Trump is expected to mention his desire for an early harvest trade deal in Tokyo next week, when he will be the first foreign leader to meet Japan's new emperor. Ahead of that, he's expected to sign an order giving Japan and the EU 180 days to "limit or restrict" sales of automobiles and their parts into the US in return for delaying new auto tariffs, Bloomberg reported on Thursday.

A deal with Japan has become more urgent after Trump further escalated the trade war with China, which has pledged to hit back with higher duties on American farm goods. China's state media this week signalled a lack of interest in resuming trade talks with the US.

"While President Trump seems to be okay in slow walking the China trade negotiations at least for now, he's impatient with Japan," said Wendy Cutler, a former US trade negotiator who is now the managing director of the Asia Society Policy Institute in Washington.

"He wants agriculture market access from Japan now, responding to the urgent requests of US farmers."

The development marks a shift from when Trump took office in 2017 and pulled out of the Trans-Pacific Partnership, which was a 12-country trade agreement backed by Japan. Prime Minister Shinzo Abe had repeatedly urged Trump to join the agreement, which cost the Japanese leader political capital among farmers who opposed any opening.

Those same calculations are at play as Trump looks to pry open Japan's notoriously closed agricultural market. But instead of signalling a desire to boost ties with a longstanding US ally and rejoin the TPP, a move the Obama administration argued would help counter China, Trump is looking ahead to his own re-election campaign in 2020.

Donald Trump and Shinzo Abe in Washington last year.

Abe also doesn't see political upside in giving in. Japan is holding upper-house elections in July and before that it's politically sensitive — and maybe impossible — for Abe to concede anything, much less on agriculture.

"Japan's on the defence in this battle," said Junichi Sugawara, a senior research officer at Mizuho Research Institute. "It's a matter of how much they'll be able to avoid the US's demands."

Trump hammered home his intention for a quicker conclusion last month after his summit with Abe, saying a deal could be signed by the time he visits Japan in May. But Japan's chief trade negotiator Toshimitsu Motegi damped speculation of a speedy deal, noting that it would need congressional approval in the US He has also repeatedly said that any trade deal will be a package agreement, signalling that Japan won't agree to a quick, piecemeal series of agreements broken into parts.

US Trade Representative Robert Lighthizer and Motegi so far have only agreed on the broad scope of a deal. The Trump administration is seeking to leverage its threat of auto tariffs to gain agriculture market access for American products, but it's not clear what the US would be willing to give.

According to people familiar with Japan's thinking, Tokyo wants the US to lower tariffs on auto parts and other industrial goods. Cutler said the amount of tariff lines on auto parts makes it possible the two sides can find certain components where the US could consider phasing out tariffs over a period of time.

Personal Ties

But industry representatives doubt Trump would agree to that, noting that the auto-workers union has supported his hard line on tariffs. And while Trump is likely to extend a May 18 deadline to slap tariffs on imported cars and parts, his escalation with China shows he's willing to play hardball if talks don't go his way.

Even a tariff hike of 10% could be costly for Japan, depressing gross domestic product growth by more than 0.2%, according to Goldman Sachs analysts.

Abe has sought to avoid this scenario through building one-on-one ties with Trump. He was one of the first world leaders to embrace Trump after the 2016 presidential election, and Trump said Abe had nominated him for the Nobel Peace Prize – something the Japanese leader declined to confirm.

But so far, those efforts haven't yielded much. Trump has called for tariffs on Japan ever since he was a real-estate developer in the 1980s, and still has steel and aluminium tariffs on the country. Besides the trade fight, the Trump administration is said to be preparing to seek more money from Japan for hosting US troops.

Like China, Japan's push for a balanced agreement with the US stems from painful historical memories of being exploited by foreigners, according to Cutler.

"Japan's politics won't allow it to agree to a one-sided deal that just focuses on Japan providing agriculture market access to the US," she said. "They will need concessions in return."

Orix seeks to buy out seven IL&FS Group's wind power plants

Bloomberg
New Delhi

Japan's Orix Corp is seeking to buy 51% in seven operating wind power plants of IL&FS Group, adding to the 49% stake it already holds, according to a statement from the Indian conglomerate.

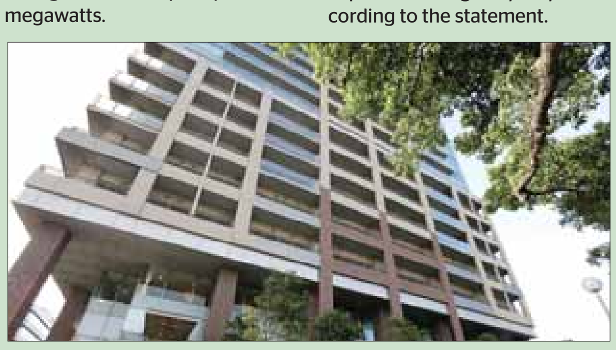
Orix is exercising its right to match an offer made by the highest bidder for IL&FS Wind Energy Ltd's stake in the plants, according to the statement.

State-run Gail India Ltd's bid of about Rs48bn ($684mn) for 100% of enterprise value had contemplated no haircut on debt of approximately 37bn rupees taken on by the units, it said. Gail was the highest bidder for the assets, which have a total generation capacity of 874 megawatts.

IL&FS Group is in the process of disposing assets to help repay some of the about $12.6bn in debt it owed when the conglomerate was taken over by the government last year and put under new management. Orix's offer represents a key step in the resolution of the group, according to yesterday's statement.

Proceeds from the sale will be held in trust for distribution under the resolution plan filed with the National Company Law Appellate Tribunal, according to the statement. The sale process is expected to close by the end of June, subject to legal approvals.

The process for disposing of other IL&FS assets including in the areas of education, funds, roads and thermal power is also underway and binding bids are expected in stages by July, according to the statement.



The Good Time Living nursing home, operated by Orix Living Corp, in Chiba, Japan. Orix is exercising its right to match an offer made by the highest bidder for IL&FS Wind Energy Ltd's stake in the group's wind power plants, according to a statement.

Ripples from Trump's Huawei crackdown reach Mediterranean shores

Bloomberg
Berlin

The US move to blacklist the world's top telecom equipment maker has sent a shock wave through the industry that's being felt acutely in a tiny principality on the Mediterranean Sea.

Huawei Technologies Co started selling to Monaco Telecom in 2012 and is now the phone carrier's biggest supplier, with a remit to build a new mobile network in the enclave of about 40,000 that's home to wealthy tax exiles.

The Trump administration's decision to put Huawei on a list that curtails its access to critical US suppliers could now threaten contracts like the one in MonaCo Martin Peronnet, Monaco Telecom's chief executive, said Huawei assured him on Friday that it has contingency plans to minimise the impact.

"That business continuity has to be tested now," Peronnet said in an interview. With little visibility on what's next, he said he's staying optimistic and believes Huawei has been prepared. "Is it the end of Huawei? I don't think so."

The US has campaigned against China's largest tech company for months, lobbying allies to bar the supplier from their fifth-generation mobile networks over security concerns. This week's two-pronged attack on Huawei, which also restricts it from supplying US carriers, intensifies the trade war.

The world's phone companies were hoping they'd survived the threat of outright bans on Huawei gear that would have forced some of them to overhaul 5G rollout plans. The governments of France, Britain and Germany have been leaning toward compromise solutions that would see oversight of their networks tightened while still affording Huawei an important role.

Asked on Friday if they needed to review their investment plans in light of Washington's latest move, carriers in Europe, Canada and Latin America reprised some of arguments they have used to defend their continued association with the Chinese company: They don't rely on just one vendor, and they have enough inventory to avoid supply disruptions for now.

"For the moment we have no reason to have any doubts about our relationship with Huawei," said Christian Neuhaus, a spokesman for Swisscom AG, which uses Huawei for parts of its landline network.

5G Looms

Still, one major UK carrier was looking at fresh risks from its ties to Huawei on Friday following the announcements from the White House, according to a person familiar with the matter, who said any hard stop to supplies from Huawei would be disastrous. Some British mobile operators are weeks away from launching their 5G networks and all are using or trialing Huawei.

Telus Corp considers Huawei's radio-tower equipment to be superior to its rivals', said an executive at the Canadian mobile-phone company. Other vendors' technology might not be compatible, leading to higher costs, said the executive, who asked not to be identified because he wasn't authorised to speak publicly. Huawei's competitors get some components in their equipment from China, so any retaliatory action could also disrupt their supply chains, the Telus executive said.

Ken Hu, Huawei's deputy chairman, told employees in a memo that the company was ready for the latest move by the US and has "made full preparations in a variety of areas, including R&D and business continuity, which will ensure that our business operations will not be greatly affected, even under extreme conditions."

Huawei has stockpiled enough chips and other vital components to keep its business running for at least three months as the US curtails its access to American technology, people familiar with the matter said.

Although accumulating stores of hardware like antennas mitigates the risk to network building, the US moves sting elsewhere too. Huawei's Mate 20 X 5G, one of the first 5G phones on the market, launches next month. But it uses Alphabet Inc's Android operating system — US software at risk of the same restrictions as the American hardware from the chipmakers.

"This latest decision will hurt the whole ecosystem, and there won't be any winners," said Bengt Nordstrom, CEO of telecom consultancy Northstream. While carriers have likely stockpiled Huawei gear for some months, now "they need to decide if there are more measures that need to be taken," he said.

Swapping Huawei for another vendor isn't as simple as flipping a switch. It takes about two years to plan and implement such a technology shift, adapt the procurement supply chain, and install the new equipment, Nordstrom said.

Peronnet at Monaco Telecom, a company jointly owned by the state of Monaco and French billionaire Xavier Niel, said the growing US crackdown on Huawei could reverse a giant leap forward in global equipment standards that had benefited phone companies worldwide.

"A trade conflict like this threatens to slow down innovation and hurt our entire industry," Peronnet said.

UK firms count cost of Brexit as politicians 'chase rainbows'

Bloomberg
London

As the cost of the Brexit turmoil mounts for British companies, business leaders are fed up with the UK's political class. And with Prime Minister Theresa May's tenure coming to an end, they worry about the alternatives.

"The anger is directed at Westminster as a whole," Adam Marshall, director general of the British Chambers of Commerce said in an interview. "There are concerns about lots of individuals and lots of political parties right now," he said. UK companies have already had to adjust to two delays to Brexit day, which has been postponed to October 31. Now May has agreed to put a date on her departure, they face months of more drama as the governing party elects a new leader who will likely redefine the course of Brexit.

Politicians are "chasing rainbows," and businesses "are paying for political indecision," Marshall said.

Meanwhile, the costs mount, and a lot of businesses face working capital pressures, he said. Costs include: European customers cancelling orders "in large quantities."

Stockpiling goods and components in case trade frictions surface

Moving stock to and from the continent to ensure products are in the right place when any change materialises.

Global customers holding off orders because they don't know what tariffs will apply.

Marshall cited the example of a freight company that had hired logistics experts to deal with the effects of Brexit on March 29 — the original deadline.

"It can't let those people go now because that scenario could come back in October, and the skills are in such high demand," he said. "It's basically carrying them on the books for six months without them actually having that much to do."

Marshall spoke before talks between the government and the opposition Labour party collapsed.

The government may move this week to hold non-binding votes in the House of Commons on various Brexit options, before May puts a deal to a vote for a fourth time in early June. It's been defeated on three occasions and few expect it to pass this time. After that, May will spell out the timetable for her departure.

Marshall said that for companies, the detail is more important than the packaging of any deal. That includes things like whether the UK remains in a sales-tax bloc with European nations, rules-of-origin on trade, and customs and regulatory checks.

"These are the real-world things that people talk about, and instead all we have is politicians who tell us about the box, not what's inside it," he said. His message to politicians? "Stop grandiose statements at 30,000 feet and engage on the practical considerations that matter on the ground."

Marshall said a no-deal exit remains something the "vast majority" of companies wanted to avoid, but warned there's a "real worry" it could happen by accident. The turmoil has placed companies in an almost impossible position: They have to plan for the future when there are any number of different models for Brexit that could prevail.

"Absolutely nothing has changed in months: businesses still face the same level of uncertainty now that they did three, six, nine, 12, 15, 18 months ago, because there is no clear path forward," Marshall said. "People are watching to see whether this plane can make a controlled landing at the airport."

Metro Bank shores up finances; prepares for tough investor meeting

Bank raised £375mn of capital on Thursday; Metro has adequate capital and liquidity: BoE; cash call needed after major loan book error; Legal & General fund arm opposes chairman re-election; hedge funds scramble to unwind short bets against firm

Reuters
London

Metro Bank's market value fell more than £1.5bn after disclosing in January it had under-reported the risk of its loan book by nearly £1bn, hitting its capital levels.

Metro Bank has raised £375mn ($478mn) to repair its balance sheet, giving the British bank breathing space ahead of a potentially fractious annual meeting tomorrow.

The nine-year-old challenger bank's market value fell more than £1.5bn after disclosing in January it had under-reported the risk of its loan book by nearly £1bn, hitting its capital levels.

Shares in the bank jumped more than 25% on Friday following the successful fundraising.

They are still below their value in January of more than £20.

The Bank of England welcomed the capital increase, saying the bank was "profitable and continues to have adequate capital and liquidity to serve its current customer base". But Metro Bank's management remains under pressure and chairman Vernon Hill and some of his board are facing growing calls to resign ahead of the bank's annual shareholder meeting tomorrow.

CEO Craig Donaldson has previously offered to resign, but this was rejected by the bank's board.

Legal & General Investment Management, one of Metro's biggest institutional investors, said it would vote against Hill and others at the annual meeting.

Royal London Asset Management, said it would vote against the re-election of eight directors, including Donaldson and Hill.

Shareholder adviser Glass Lewis has also recommended investors oppose Hill's re-election, while another investor advisory service ISS advised them to withhold support from Hill and other directors, including Donaldson.

Earlier this month, a filing showed Fidelity Management & Research, once Metro Bank's second-biggest investor, had cut its stake by nearly a third.

In the fundraising prospectus published on Friday, there were signs the bank is starting to react to some of the investor criticism.

The bank disclosed Metro would stop using the services of InterArch, an interior design company owned by Hill's wife Shirley Hill, by the end of 2020.

Since it was founded Metro has paid InterArch more than 20mn pounds for work on the design of its branches, despite investors raising concerns about the arrangement.

Analysts said hedge funds scrambling to unwind short bets on Metro — one of the most shorted stocks in London before Friday's trading — was helping to power the rally in the shares.

Short bets involve paying to borrow the shares before selling them on to another investor, hoping to buy them back at a lower price before returning the stock to the original owner.

Data from Astec Analytics showed the cost to engage in this trade on Metro shares was the highest for at least 15 months on Thursday, with 9 out of every 10 shares available to be borrowed out on loan.

That helped to drive the rally on Friday as some funds rushed to buy back the shares in the market and return them, a so-called "short squeeze". Nine funds had short positions equating to more than 0.5 % of Metro stock at the end of Thursday, the level at which the British markets regulator demands disclosure.

Odey Asset Management's was the largest position, at 3.83 %.

"Given a large short base, we could see some pricing support tomorrow (Friday), though we remain cautious on the longer-term outlook," Morgan Stanley analysts said late on Thursday.

Metro hopes the fundraising and Bank of England support will help to rebuild confidence with customers and investors, and allow it to proceed with plans to expand its branch network and increase its share of Britain's retail banking market.

But some customers have pulled their money out of the bank after media speculation about the company's financial health.

On Thursday, Metro said the position was "stabilising". British customer deposits are guaranteed up to 85,000 pounds if a bank gets into financial difficulties and post-financial crisis rules mean deposits can be moved to another bank more easily to ensure continuity of service.

Regulators have given no details on their investigations into the error or possible penalties or sanctions.

Goodbody analyst John Cronin said Metro still faced challenges.

"We don't know what the quantum of deposit outflows has been, we don't have any certainty regarding management longevity, and I believe the 2023 double digit RoE (return on equity) target is unachievable," he said.

Concerns for Thomas Cook trips after share collapse

AFP
London

British holidaymakers yesterday flooded troubled tour operator Thomas Cook with concerns about their trips, after its share price collapsed.

All eyes are on what will happen to the stock value of Britain's oldest and largest independent travel company when the markets reopen today.

Shares dived on Friday after Citigroup reportedly warned in a broker note that the stock was worthless.

The company's share price fell 27.26% to just 14.26 pence in midday deals on the London stock market.

The news came one day after Thomas Cook revealed that first-half losses widened on a major write-down, which it blamed in part on Brexit uncertainty that has delayed summer holiday bookings.

The firm posted a net loss of £1.47bn ($1.89bn, €1.69bn) in the six months to March 31, after customers also put off trips abroad last winter.

The loss after tax, after a writedown of £1.1bn, compared with a net loss of £254mn in the first half of its 2017-2018 financial year.

Responding to customer concerns on its social media pages, the company said that all its holidays were financially protected through ATOL, the tour operators' licensing scheme.

"This announcement has no impact on future holidays or flight only bookings.

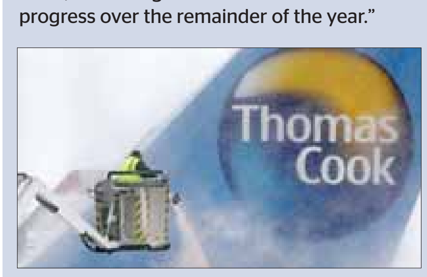
All our holidays are fully ATOL-protected, so customers can continue to book with confidence," the firm said on Twitter.

In reaction to the company losses, Thomas Cook chief executive Peter Fankhauser said the first half of the year had been characterised by "an uncertain consumer environment" across all its markets.

"Our current trading position reflects a slower pace of bookings, against a strong first half in 2018," he said.

"As we look ahead to the remainder of the year, it's clear that, notwithstanding our early decision to mitigate our exposure in the 'lates' market by reducing capacity, the continued competitive pressure resulting from consumer uncertainty is putting further pressure on margins.

"This, combined with higher fuel and hotel costs, is creating further headwinds to our progress over the remainder of the year."



All eyes are on what will happen to the stock value of Thomas Cook, Britain's oldest and largest independent travel company, when the markets reopen today.

Whatever he takes next, Draghi probably won't vanish after ECB

Bloomberg
Frankfurt

Mario Draghi has five months left in office at the European Central Bank, and yet more years of work ahead if he wants it.

The ECB president's pending exit in October has sparked speculation back home in Italy over whether he'll retire from public life or return one day to participate in the nation's fractious political scene. Finance Minister Giovanni Tria said last month that Draghi could make a "big contribution" there.

Draghi, who will be 72 when he leaves, said this month that he's made "no plans whatsoever." But a packed career spanning more than three decades of economic policy-making in Rome, Washington and Frankfurt suggests a permanent withdrawal to his hillside villa in the central Italian region of Umbria is unlikely for now.

"He is still so full energy and life that I don't really see him retiring to write his memoirs yet," said Francesco Papadia, who was head of the ECB's market operations from 1998 to 2012 and is now a senior fellow at the Bruegel think-tank in Brussels. "All roads are open to him in the public and private sectors, let alone academia."

Draghi: No plans now.

"I don't know. First of all, I still have six months to go and I'm fully taken up by the job and I made no plans, no plans whatsoever for the future. So we'll see."

Future job opportunities could include a political role in Italy, leading another international institution, or posts in universities, banks or other companies around the world. Here's a closer look at what might be in store.

Crisis Technocrat

Italy has had several technocrat-led governments at times of crisis, and Draghi would be well suited in case of need.

Such a situation could even unfold just as his ECB term ends, if Prime Minister Giuseppe Conte's government collapses because of infighting and budget priorities. That might be too soon for a Draghi-led administration though, given the anti-establishment parties controlling the current parliament.

Former Prime Minister Silvio Berlusconi on Saturday reiterated his call for Draghi to serve as premier. "Draghi would be the right man for a position of high responsibility in Italy," Berlusconi said in an interview with the Naples newspaper Il Mattino, cited by newswire Aska. "I repeat it today and I hope it can happen."

Precedent

Former European Commissioner Mario Monti formed a crisis government in 2011. Ex-central bankers who led such administrations include Carlo Azeglio Ciampi in 1993 and Lamberto Dini in 1995. Former ECB Vice President Lucas Papademos did so as Greek prime minister in 2011-2012.

Quirinal Palace

Draghi previously repeatedly denied he might quit the ECB early to become President of the Italian Republic. When the current head of state, Sergio Mattarella, ends his seven-year term in 2022, he won't have the same constraints.

The role is traditionally held by senior statesmen, and brings with it tenancy of the Quirinal Palace, a residence for popes built on Rome's highest hill.

"If the parliament still has the same composition, I don't see how Draghi could be chosen," said Papadia. "If there are early elections before 2022 and there is a different majority in parliament - maybe, who knows?"

That scenario would require such a vote to happen by July 2021 because the constitution bars the president from dissolving Parliament in the final six months of his term.

Precedent

Two out of the eight Bank of Italy governors since WWII became president: Luigi Einaudi in 1948 and Ciampi.

Global Guardian

Draghi could consider a role leading another international or European institution, though there's no obvious immediate vacancy for him.

A return to Washington, where he served as Italy's representative to the World Bank, can't encompass replacing International Monetary Fund Managing Director Christine Lagarde because he's over the institution's age limit for the role.

Meanwhile Augustin Carstens took over at the Bank for International Settlements quite recently. The European Union jobs coming up are slated for politicians rather than central bankers.

Precedent

Michel Camdessus led the IMF from 1987 to 2000 after serving as governor of the Bank of France. Former Riksbank boss Ivar Rooth was in charge from 1951 to 1956.

Back to academia

Draghi graduated from Rome's La Sapienza University in the 1970s and did a doctorate at the Massachusetts Institute of Technology. From the late the 1970s to the early 1990s, he held professorship at the universities of Trento, Padua and Venice, and the University of Florence.

An academic role for him would be easy to come by, either in Italy or abroad.

Precedent

Former Federal Reserve Chairs Ben Bernanke and Janet Yellen are both at the Brookings Institution. Former Bank of England Governor Mervyn taught at New York University.

Goldman again

Several of Draghi's former colleagues have made careers in finance. Draghi himself was vice chairman of Goldman Sachs International for three years.

A move back into banking would require a significant cooling-off period. Even after that, it could spark controversy, as seen when former European Commission President Jose Manuel Barroso himself moved to Goldman Sachs. Still, financial institutions would probably queue up to hire Draghi for his insights.

Precedent

Former Bundesbank President Axel Weber chairs UBS. Ex-ECB Executive Board members at banks include Lorenzo Bini Smaghi, chairman of Societe Generale, and Jose Manuel Gonzalez-Paramo, a board member at BBVA. Former Swiss National Bank President Philipp Hildebrand is at BlackRock.

Trump's twin volleys against Huawei have US companies reeling

Bloomberg
Washington

Eastern Oregon Telecom provides broadband and telephone service to 4,000 customers in a remote corner of the Northwest US, keeping costs low in part by using equipment made by Chinese telecom giant Huawei Technologies Co.

Now the company, based in Hermiston, Oregon, is trying to figure out how its operations may be affected by President Donald Trump's decision this week toward banning Huawei equipment.

"Who knows? Who knows what's going to happen?" Joseph Franell, the company's chief executive officer, said in an interview on Thursday. "The uncertainty just kills me."

From service providers that fear having to replace costly equipment to massive chip makers such as Qualcomm Inc that could see themselves locked out of China's lucrative market, the ripples of Trump's latest moves against Huawei spread quickly.

Trump, citing national security concerns, signed an executive order that's expected to bar US imports of equipment made by Huawei and another Chinese company, ZTE Corp And the Commerce Department said Huawei would be forbidden to buy from American companies, some of which supply computer chips for its products.

In a Federal Register notice released on Thursday, the Commerce Department said the new curbs would apply to Huawei and affiliated companies around the world from China to Germany and Madagascar.

The toughening stance against Huawei hurt the stocks of some US companies that supply it on Thursday. Qualcomm fell 4%, Broadcom Incwas down 2.3% and Xilinx Inc Dropped 7.3%. Their losses helped drag down the benchmark Philadelphia Stock Exchange Semiconductor Index 1.7%.

Huawei, which doesn't have publicly traded stock, saw its 2027 dollar bonds slump by a record amount on Friday as investors bet that the ban will formally kick in during the US day.

If the administration follows through, the bans could cripple China's largest technology company, depress the business of American chip giants, and potentially disrupt the rollout of critical 5G wireless networks around the world as Huawei gear becomes less available.

"Too much is at stake for the world's two largest economies to not find a productive path forward," said John Neuffer, president of the Semiconductor Industry Association, representing chip makers such as Qualcomm and Intel Corp.

Chipmakers have to preserve their ability to do business in China, which has surpassed the US to become the largest market for personal computers, smartphones and other devices that are the biggest consumers of chips.

Qualcomm, for example, got two thirds of its sales from China in its most recent fiscal year. As recently as 2011, the country accounted for less than a third.

Worldwide, US companies accounted for about half of the $469bn of chips sold last year, according to the semiconductor association. Since American companies dominate semiconductors, that could smother Huawei's production of everything from 5G base stations to mobile phones.

Restrictions on sales "would be terrible for any Huawei supplier, and for the semiconductor industry at large," Chris Caso, a semiconductor analyst at Raymond James, wrote in a research note.

Companies like Huawei need their US suppliers, since Chinese manufacturers account for about only 3% of worldwide chip production, according to an estimate by Sanford C Bernstein & Co Inc.

"This decision is in no one's interest," Huawei said in an emailed response. "It will do significant economic harm to the American companies with which Huawei does business, affect tens of thousands of American jobs, and disrupt the current collaboration and mutual trust that exist on the global supply chain."

China's Ministry of Commerce spokesman Gao Feng said in a briefing that, "We resolutely object to any country, based on their own laws, unilaterally sanctioning Chinese entities."

American suppliers also need Chinese customers. Intel, the biggest US maker of chips, got more than 60% of its sales in the Asia Pacific region last year, with most of that funnelling through the China and Taiwan-based supply chain.

In the US, purchases of Huawei network gear are confined to smaller companies attracted to lower costs after pledges not to use the supplier by four nationwide carriers AT&T Inc, Verizon Communications Inc, T-Mobile US Inc and Sprint Corp.

It's unclear whether Wednesday's moves would also spur action at the Federal Communications Commission, which tentatively voted more than a year ago to ban using federal subsidies for equipment from a provider identified as posing a national security risk.

That prohibition requires a second vote to take effect, and the FCC has been awaiting advice from the Trump administration before acting. Brian Hart, an FCC spokesman, didn't reply to an email and telephone message on Thursday. Groups representing rural carriers, which take subsidies to build networks reaching remote areas, opposed the FCC rule. Now they're worried about the administration's next steps.

"The executive order is very vague, and broad as it can be," said Caressa Bennet, general counsel of the Rural Wireless Association, said in an interview.

Ordering replacement parts could become a problem if transactions with Huawei are banned, Bennet said late Thursday morning.

Commerce Secretary Wilbur Ross sought to allay some concerns on Thursday.

"We do have a plan for providing a degree of relief for the rural area broadband companies," Ross said in an interview with Bloomberg TV. "For the first 90 days they will be able to do what they need to do for maintenance of their equipment. And we'll be having discussions about narrowing somewhat the potential of the list in order to minimise the impact on those rural companies."

White House considering Derek Kan for Fed board

Bloomberg
Washington

The White House is considering Derek Kan, an undersecretary at the Department of Transportation, for one of two open seats on the Federal Reserve Board, according to two people familiar with the matter.

Kan, a senior adviser to Transportation Secretary Elaine Chao since 2017, has served on the board of directors for Amtrak after being nominated by former President Barack Obama in 2015, and was previously general manager at ride-hailing company Lyft Inc.

Kan has not been interviewed by the White House for the job but has had informal conversations with members of National Economic Council Director Larry Kudlow's team, according to one of the people. Kan earned an MBA from Stanford University and studied economic history at the London School of Economics.

President Donald Trump has struggled to find candidates for the Fed that are acceptable to the senators who vote to confirm them. Trump has named four people for the two open seats on the board of governors. None of them has made it through the Senate, raising questions about the White House vetting process for his picks.

Conservative economic pundit Stephen Moore on May 2 was the latest Fed candidate to flame out, following businessman Herman Cain and economists Nellie Liang and Marvin Goodfriend.

The White House hasn't made a short-list of candidates, but instead has a handful of names that the administration is actively considering as advisers continue to gather resumes, according to one of the people familiar with the matter who discussed the search on condition of anonymity. The White House declined to comment.

Kan won Senate confirmation 90-7 for his current job at the Transportation department. Already having gone through that process on Capitol Hill may help his chances to win approval again for the Fed should he be nominated. He would be the first Asian-American on the Fed board.

One Democratic Senator on Friday tweeted in Kan's support. Brian Schatz of Hawaii said Kan is a "serious, smart person and a vast improvement over the previously mentioned names."

Cain and Moore's candidacies flailed after both Republicans and Democrats spoke-out against them. Cain was criticised over allegations of sexual harassment, and Moore over his past writings about women.

Another potential candidate to surface is conservative economist Judy Shelton, the current US executive director for the European Bank for Reconstruction and Development. Shelton, who's served as an informal adviser to Trump, holds a PhD in business administration with an emphasis on finance and international economics from the University of Utah.

Before the current zero-for-four streak Trump succeeded in filling three posts on the Fed board and elevating Jerome Powell, already a governor, to the chairmanship — though the president soured on him following the central bank's string of 2018 interest rate increases. The president also won Senate confirmation of Fed vice chairman Richard Clarida and the Fed's vice chairman for supervision, Randal Quarles.

Kan, a senior adviser to Transportation Secretary Elaine Chao since 2017, has served on the board of directors for Amtrak after being nominated by former President Barack Obama in 2015, and was previously general manager at ride-hailing company Lyft Inc. President Donald Trump has struggled to find candidates for the Fed that are acceptable to the senators who vote to confirm them.

Huawei will not bow to US pressure, says founder

AFP
Beijing

Chinese telecoms giant Huawei is ready to deal with Washington's crackdown and will reduce its reliance on US components, its founder told Japanese media.

President Donald Trump effectively barred Huawei from the US market on Wednesday and added it to a list which would restrict US sales to the firm amid an escalating trade war with Beijing.

"We have already been preparing for this," Huawei founder and CEO Ren Zhengfei told a group of Japanese journalists on Saturday in his first interview since Trump's move.

Ren said Huawei would continue to develop its own components to reduce its dependence on outside suppliers.

Huawei is a rapidly expanding leader in 5G technology but remains dependent on foreign suppliers.

Zhengfei: Well-prepared.

It buys about $67bn worth of components each year, including about $11bn from US suppliers, according to *The Nikkei* business daily.

The usually elusive Ren, 74, has come out of the shadows in recent months in the face of increasing pressure on his company.

Ren's army background and Huawei's opaque culture have fuelled suspicions in some countries that the firm has links with the Chinese military and intelligence services.

Huawei is also the target of an intense campaign by Washington, which has been trying to persuade allies not to allow China a role in building next-generation 5G mobile networks.

US government agencies are already banned from buying equipment from Huawei.

"We have not done anything which violates the law," Ren said, adding the US measures would have a limited impact.

"It is expected that Huawei's growth may slow, but only slightly," he said, according *The Nikkei.*

A former army technician, Ren founded Huawei in 1987 with only $5,000, according to company lore.

Huawei now claims to have nearly 190,000 employees, operates in 170 countries, and reported revenue of more than $100bn in 2018.

Ren said his company would not yield to pressure from Washington.

"We will not change our management at the request of the US or accept monitoring, as ZTE has done," he said, as quoted by *The Nikkei*, referring to fellow Chinese telecoms giant ZTE which was also targeted by Washington.

Trump says it is 'urgent' to free Fannie, Freddie from US control

Bloomberg
Washington

President Donald Trump said freeing Fannie Mae and Freddie Mac from government control is a "pretty urgent problem" that his administration plans to work with Congress to address.

Trump, speaking on Friday at a conference hosted by the National Association of Realtors, said that the mortgage giants lack competition, that taxpayers remain on the hook for any losses at the companies and that they aren't being run as well as they could be. He added that his administration is discussing ideas for fixing Fannie and Freddie with "some incredible talent from Wall Street."

The president's remarks reflect the White House's determination to release the companies from conservatorship, something lawmakers and policy makers have failed at for years.

In March, the Trump administration released an outline for overhauling the housing-finance system that directed the Treasury Department and the Department of Housing and Urban Development to write plans for reform. The reports are expected to be completed within the coming months.

"It's really a problem that other than government should be doing," Trump said Friday. "So we're looking at different alternatives. We have many geniuses looking at it and we'll figure something out."

What to do with Fannie and Freddie, which backstop about $5tn of mortgage securities, is the main unresolved issue from the financial crisis more than a decade ago. The companies were taken over in 2008 as the housing market cratered and were sustained by a taxpayer bailout. They have since returned to profitability and paid in dividends to the Treasury $105bn more than they received.

"The taxpayer's actually been, in some ways, in many ways repaid from the bailout of Fannie and Freddie," said Craig Phillips, the departing Treasury official who has led the department's housing-finance reform efforts, at an event in Virginia on Thursday. "We've got to turn the page and fix it to move on."

While there are many aspects of housing reform that require legislation, administration officials and regulators have signalled they may take action on their own if Congress doesn't act. Federal Housing Finance Agencydirector Mark Calabria said last week that he's fine with releasing the mortgage giants from government control without lawmakers.

In his remarks on Friday, Trump said that he will work closely with Congress to pass housing legislation that "welcomes the private sector, competition, protects taxpayers and preserves homeownership for future generations."

But he said his administration would also consider taking other actions on to modernise housing programmes and expand affordable housing.

A woman walks towards a Freddie Mac office building in McLean, Virginia. Trump says Freddie Mac and Fannie Mae lack competition, that taxpayers remain on the hook for any losses at the companies and that they aren't being run as well as they could be.

Goldman is said to near €2bn deal for PAI's B&B Hotels

Bloomberg
London

Goldman Sachs Group Inc is close to a deal to buy the B&B Hotels chain from PAI Partners for about €2bn ($2.2bn), people familiar with the matter said.

At that price, the Paris-based private equity firm will make a return of three times its initial investment, one of the people said, asking not to be identified because the deliberations are private. Goldman Sachs is doing the deal through its merchant banking division, which includes private equity deals, the people said. No final decisions have been made and PAI may still decide against a deal, they said.

Representatives for PAI and Goldman Sachs declined to comment.

Deals for European hotels and motels have jumped 52% in the last 12 months, according to data compiled by Bloomberg.

Private equity firms have become some of the biggest buyers of the assets in the last decade, accounting for more than a third of deals last year, according to data from real estate broker Jones Lang LaSalle Inc.

PAI bought the French hotelier in 2016 in a deal that valued B&B at about €790mn, expanding the firm into new markets. The chain was founded in 1990 and has more than 479 hotels in markets including Europe, Brazil and Morocco, according to its website.

In April, PAI made a binding offer for Elior Group's catering unit valued at about €1.5bn.