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Global downturn starting to gain foothold in UAE

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South Korea inflation hits record low

Wednesday, September 4, 2019
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BUSINESS

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US manufacturing activity shrinks for first time in 3 years

Qatar registers 30% trade volume growth with China in 2018

Qatar and China's trade volume saw a 30% growth to reach $13.5bn last year compared to $10.4bn recorded in 2017, data from private sector leader Qatar Chamber revealed yesterday.

According to Qatar Chamber chairman Sheikh Khalifa bin Jassim al-Thani, Qatar is importing a wide range of goods and commodities from China, which he described as "an important trade partner."

Sheikh Khalifa made the statement yesterday during a meeting at the chamber's Doha headquarters with a trading delegation from China headed by the secretary of Chengdu Municipality, Fan Ruiping.

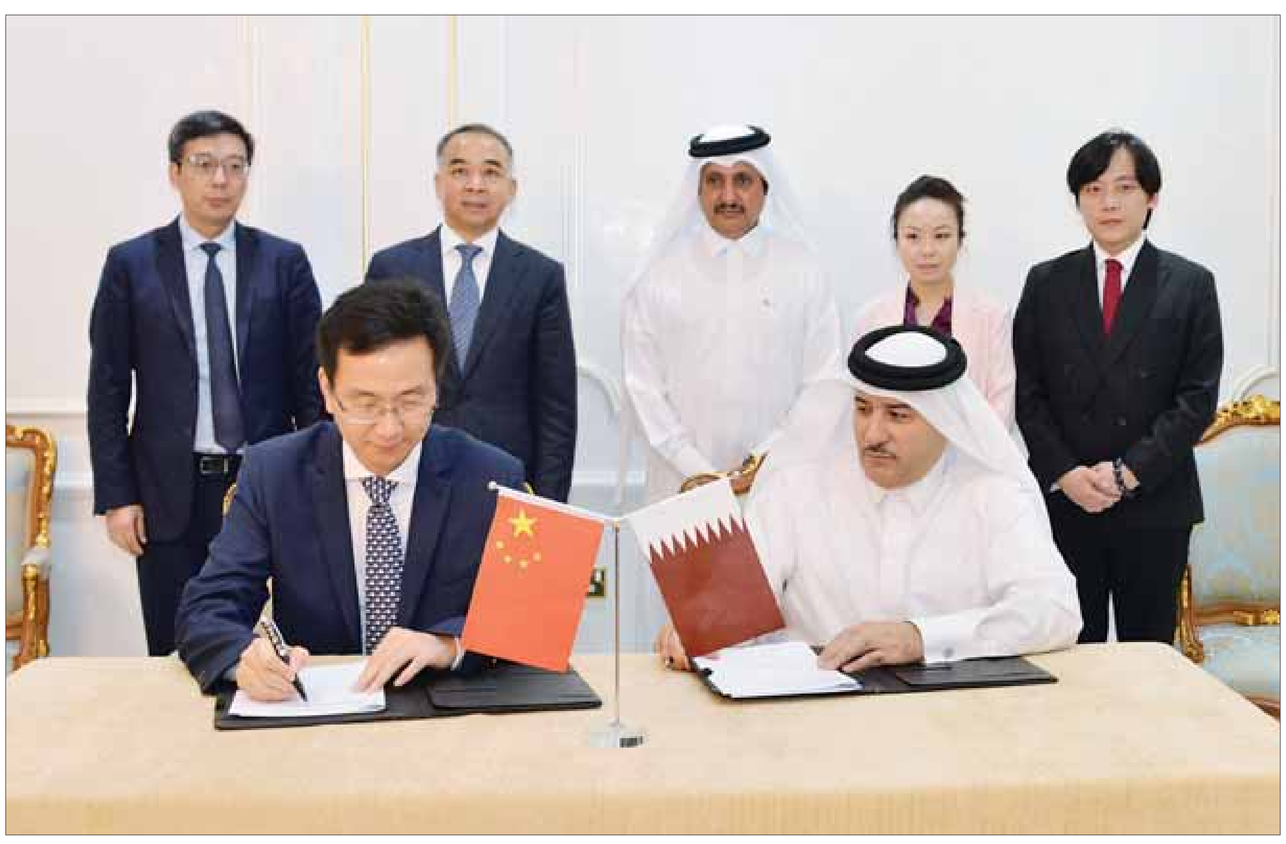
The meeting examined economic and trade relations of the two countries, as well as the business opportunities available in Qatar and Chengdu City, especially in the field of sports, construction, tourism, education, and technology.

Aside from the two ranking officials, the meeting was attended by Qatar Chamber director general Saleh bin Hamad al-Sharqi and Taleb Group chairman Mohamed Taleb al-Khauri.

Sheikh Khalifa said the Qatar market offers many co-operation opportunities, which both countries' private sectors can benefit from. He noted there is a "considerable number" of Chinese companies operating in Qatar and are contributing to the transfer of Chinese high technology to the country's economy.

"Qatar's economy is open and welcomes all foreign investments. The chamber highly-supports enhancing co-operation relations between Qatari companies and their Chinese counterparts," he stressed.

For his part, Ruiping lauded Qatar Chamber for hosting the delegation and for giving Chinese company representatives the opportunity to brief the Qatar business community on Chengdu City and its contribution in the Chinese economy.



Sheikh Khalifa and Ruiping witness the signing ceremony between Taleb Group chairman Mohamed Taleb al-Khauri and an official from Chengdu Hi-tech Zone on the sidelines of a meeting held in Doha yesterday.

He said that the objective of the visit is to explore Qatari market and its available opportunities as well as informing Qatari businessmen on the investments of Chengdu City.

"Qatar is witnessing an enormous economic renaissance and is providing a lot of investment opportunities that attract Chinese companies," said Ruiping, who also delivered a presentation on Chengdu City, which is an economic gateway west of China.

He said Chengdu's GDP in 2018 stood at $210bn, registering an 8.1% growth, while exports grew by 20%. Also, he said Chengdu is one of the biggest cities in China, noting that it is famous for many key industries, technology, and innovation.

On the sidelines of the meeting, Sheikh Khalifa and Ruiping witnessed the signing of an agreement between Taleb Group and Chengdu Hi-tech Zone to boost co-operation between both organisations.

Al-Khauri also presented an overview about the group and its activities in the fields of real estate, education, hotels, and industry. The group, al-Khauri said, is considering expanding in new sectors.

QCB issues treasury bills worth QR600mn for September

The Qatar Central Bank (QCB) issued yesterday treasury bills for three, six and nine months, with a value of QR600mn.

According to a QCB press release, the treasury bills were distributed as follows: QR300mn for three months at an interest rate of 1.96%; QR200mn for six months at an interest rate of 1.98%, and QR100mn for nine months at an interest rate of 2.01%. The issuance is part of the QCB's monetary policy initiatives and its efforts to strengthen the financial system as well as to activate the tools available for the open market operations.

The issuance is part of a series executed by the QCB on behalf of the Government of the State of Qatar and in accordance with the schedule prepared by both the central bank and the Ministry of Finance.

Treasury bills are issued through auction for banks operating in Qatar.

India may have entered 'quasi-recession' as growth plummets

Bloomberg
Mumbai

India's longest growth slump since 2012 is heightening concern that it may be tough for policymakers to reverse the slowdown.

"Growth has now slipped below the long term trend of 6.6% for two consecutive quarters, which implies that India is effectively in a quasi-recession," Teresa John, an economist at Nirmal Bang Equities Pvt in Mumbai, said in a report published yesterday. Early indicators suggest "growth remains elusive," she added.

While the standard macroeconomic definition of a recession is two consecutive quarters of shrinking GDP, a significant decline in economic activity spread across months is another often-used description. In India, which offers only year-on-year calculations of output, automobile sales have plunged the most in two decades and the chairman of Hindustan Unilever Ltd warned that the consumer goods his company makes are "recession-resistant, but not recession-proof."

Official data on Friday showed that gross domestic product in Asia's No 3 economy grew 5% in April-June from a year earlier, below the weakest estimate of 39 economists polled by Bloomberg and the slowest pace in six years. The five straight quarters of slowing growth mark the longest slump since 2012. Under the hood, the numbers offer more cause for concern on whether output – once adjusted for inflation – will increase fast enough to ensure borrowers cover their interest payments.

A Bloomberg gauge of high-frequency indicators suggests that economic activity continued to weaken in July, with investment and consumption both falling. Economists at Nirmal Bang expect GDP growth to bottom out in the quarter ending September but believe that "a counter-cyclical government spending boost is required." **Pages: 5, 12**

Qatar Islamic banks post double-digit credit extension growth in July

By Santhosh V Perumal
Business Reporter

Islamic banks in Qatar registered a strong double-digit year-on-year growth in credit extension in July, substantially outpacing the loan growth within the conventional domestic banks, according to the central bank data.

While Qatari banks showed enhancement in their loan book, foreign lenders' credit path was on the southward movement, according to figures released by the Qatar Central Bank (QCB).

Total credit by Qatari banks saw an about 7% year-on-year growth to QR971.96bn; while that by foreign lenders witnessed about 5% decline to QR15.51bn in July 2019.

Among Qatari banks, traditional entities' total credit expanded more than 4% to QR695.23bn and Islamic lenders' by more than 13% to QR270.23bn in the review period.

Traditional banks' credit accounted for about 72% of the total credit by domestic lenders and Islamic lenders' accounted for the remaining 28% in the review period.

Traditional Qatari lenders exhibited strong affinity towards general trade and services sectors, which had seen substantial expansion in credit to them.

Within the traditional segment, Qatari banks' credit to general trade more than doubled to QR89.02bn (14% of total domestic credit by them) and that to services and industry expanded 35% and 2% year-on-year to QR118.8bn and QR10.41bn (17% and 2%) respectively.

Nevertheless, credit from traditional Qatari lenders to contractors declined 15% to QR20.74bn (or 3% of total domestic credit extended by them); public sector by 13% to QR233.31bn (37%); consumption by 6% to QR65.88bn (10%) and real estate by less than 1% to QR92.77bn (15%).

The Shariah-principled Qatari banks' credit across the sectors largely remained positive with that towards general trade and services especially witnessing robust expansion in July this year. In absolute terms, the consumption and real estate sectors accounted for 49% of their total domestic credit.

Islamic lenders' credit to general trade registered more than 40% year-on-year expansion to QR28.66bn (or 11% of their total domestic credit); services by about 40% to QR22.82bn (9%); consumption by 11% to QR62.334bn (25%); real estate by 10% to QR60.13bn (24%) and public sector by 9% to QR56.54bn (22%); while that to industry declined more than 7% to QR5.5bn (2%).

Foreign banks' domestic credit amounted to QR15.32bn in July this year with bulk of them going towards general trade, contractors, consumption and services, together accounting for 84% for the total domestic credit extended by them.

Credit to general trade stood at QR6.66bn (or 43% of their total domestic credit); contractors QR2.4bn (16%); consumption QR1.94bn (13%); services QR1.91bn (12%); real estate QR0.99bn (6%); industry QR0.49bn (3%) and public sector QR0.67bn (4%).

Among foreign banks, non-Arab lenders' credit was higher (at 58% of total domestic credit) than that of Arabs' (at 42%) in July this year.

General trade and contractors were much favoured by Arab banks; while for the non-Arab banks, it was general trade, services and consumption sectors.

Islamic banks in Qatar registered a strong double-digit year-on-year growth in credit extension in July, substantially outpacing the loan growth within the conventional domestic banks, according to QCB data. **PICTURE:** Nasar K Moidheen

Arab banks' credit amounted to QR6.46bn in July this year with general trade receiving QR2.31bn; contractors QR1.47bn; consumption QR0.89bn, real estate QR0.75bn; services QR0.65bn and industry QR0.24bn.

Non-Arab lenders' total credit stood at QR9.05bn, which includes QR4.35bn towards general trade; QR1.26bn for services; QR1.05bn for consumption; QR0.93bn for contractors; QR0.67bn for public sector; QR0.25bn for industry and QR0.24bn for real estate.

Qatar shares extend winning run to third session to cross 10,300 level

By Santhosh V Perumal
Business Reporter

The Qatar Stock Exchange yesterday continued to make marginal gains for the third straight session and its key benchmark crossed the 10,300 levels.

The insurance, real estate, banking and consumer goods counters witnessed higher than average demand as the 20-stock Qatar Index settled 0.25% higher at 10,300.01 points.

Non-Qatari individuals were seen marginally bullish and there was weakened selling pressure from local retail investors in the market, whose key benchmark was up 0.01% year-to-date.

Market capitalisation saw more than QR2bn, or 0.41%, increase to QR567.2bn mainly owing to small and midcap segments.

Islamic equities were seen gaining slower than the main index in the market, where non-Qatari funds turned bearish and there was increased net profit booking by the Gulf individuals.

Trade turnover fell amidst higher volumes in the bourse, where the real estate and banking sectors together accounted for about 69% of the total volume.

The Total Return Index gained 0.25% to 18,952.9 points, the Al Rayan Islamic Index (Price) by 0.2% to 2,325.59 points and the All Share Index by 0.43% to 3,017.79 points.

The insurance index gained 1.29%, realty (0.93%), banks and financial services (0.76%), consumer goods (0.39%) and transport (0.17%); while telecom and industrials declined 1.21% and 0.35% respectively.

More than 52% of the traded constituents extended gains with major movers being Qatar Insurance, Ezdan, Mazaya Qatar, Al Khaleej Takaful, QNB, Qatar Islamic Bank, Ahlibank Qatar, QIIB and Doha Bank; even as Commercial Bank, Islamic Holding Group, Qatari German Company for Medical Devices, Aamal Company, Mesaieed Petrochemical Holding, Ooredoo and Vodafone Qatar were among the losers.

Non-Qatari individuals turned net buyers to the tune of QR0.21mn against net sellers of QR5.56mn on September 2.

Local retail investors' net profit booking declined substantially to QR4.42mn compared to QR50.1mn on Monday.

However, non-Qatari funds turned net sellers to the extent of QR6.19mn against net buyers of QR23.74mn the previous day.

Gulf individuals' net selling expanded considerably to QR5.55mn compared to QR0.11mn on September 2.

Domestic institutions' net buying weakened noticeably to QR15.24mn against QR25.19mn on Monday.

Gulf institutions' net buying also decreased perceptibly to QR0.7mn compared to QR6.84mn the previous day.

Total trade volume grew 15% to 78.95mn shares, while value was down 1% to QR211.56mn despite 4% higher transactions at 5,377.

The consumer goods sector's trade volume soared 72% to 3.03mn equities, value by 40% to QR17.56mn and deals by 50% to 337.

The transport sector reported a 51% surge in trade volume to 6.37mn stocks, 24% in value to QR15.78mn and 14% in transactions to 236.

The real estate sector's trade volume shot up 48% to 32.52mn shares, value by 46% to QR26.14mn and deals by 44% to 1,283.

The banks and financial services sector saw a 6% rise in trade volume to 21.63mn equities but on a 6% fall in value to QR112.2mn and 10% in transactions to 1,745.

However, the insurance sector's trade volume plummeted 47% to 3.29mn stocks and value by 54% to QR8.35mn, whereas deals grew 20% to 348.

There was a 39% plunge in the telecom sector's trade volume to 2.82mn shares, 14% in value to QR9.49mn and 41% in transactions to 303.

The industrials sector's trade volume was down less than 1% to 9.31mn equities and value by 1% to QR23.04mn, while deals were up less than 1% to 1,125.

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

The insurance, real estate, banking and consumer goods counters witnessed higher than average demand as the 20-stock Qatar Index settled 0.25% higher at 10,300.01 points yesterday

Turkish inflation falls more than expected, paving way for rate cut

Reuters
Ankara

Turkey's annual inflation rate fell slightly more than expected to 15.01% in August, data showed yesterday, resuming its downward trend and likely paving the way for another interest rate cut as soon as next week.

The data boosted the lira and marked another positive surprise after figures on Monday showed Turkey's economy shrank less than expected in the last quarter.

Apart from a brief rise in July, annual inflation has been generally falling after hitting a 15-year high above 25% last October in the wake of Turkey's currency crisis.

Consumer price inflation eased in August from 16.65% in July to hit its lowest year-over-year reading since May last year. It was below a Reuters poll forecast of 15.51.

Month-on-month, consumer inflation stood at 0.86% in August, also less than a poll forecast of 1.3%, data from the Turkish Statistical Institute (TUIK) also showed.

The Turkish lira traded at 5.7745 against the US dollar at 1024 GMT, its strongest in a week, up from 5.8170 before the data.

The recent easing of inflation allowed the central bank to cut interest rates in July for the first time in more than four years, and by a hefty 425 basis points.

Analysts said the positive surprises in August would lead to more monetary easing.

"The expected continuation of the decline in inflation in the coming months gives the central bank room for future rate cuts," said Muammer Komurcuoglu, economist at Is Invest.

"Unless there is an upward surprise on the exchange rate before the (policy) meeting, we expect a 250 basis points cut in the policy rate at the September meeting," he said.

The central bank will hold its next policy meeting on September 12.

The bank slashed its key rate to 19.75% in July, leaving Turkey with a still relatively high real interest rate, and has tied further cuts to further easing in inflation.

Central bank governor Murat Uysal has said there is "considerable" room for manoeuvre on policy as the bank forecasts 13.9% inflation by the end of the year, and 8.2% at the end of 2020.

Turkey's dollar bonds rose after the inflation data, with longer-dated maturities logging the most gains, including the 2045 issue rising 1.3 cents.

But a string of better-than-expected data in recent months, including lower inflation than forecast in four of the last five months, has led to criticism by the main opposition party, the Republican People's Party.

It filed a motion in parliament in June claiming a TUIK methodology adjustment damaged credibility.

Yesterday, Republican People's Party spokesman Faik Oztrak said on Twitter that "despite all the price hikes" monthly CPI was only 0.86%.

TUIK has said suggestions that the data is incorrect or politically influenced are untrue.

Handwritten price signs sit beside displays of fresh fruit for sale at a market stall in the Gungoren district of Istanbul (file). Apart from a brief rise in July, annual inflation has been generally falling after hitting a 15-year high above 25% last October.

Netflix applies for licence under new Turkish rules

Reuters
Istanbul/New York

US online streaming service Netflix has applied for a licence to continue operating in Turkey under new online broadcasting rules.

Turkey last month granted its radio and television watchdog sweeping oversight over all online content, including streaming platforms and news outlets.

Ebubekir Sahin, president of Turkey's television watchdog RTUK, announced Netflix's application yesterday, and said on Twitter that over 600 institutions, including local streaming platforms Puhu TV and Blu TV, had also applied for licences.

As part of obtaining the licence, the Los Gatos, California-based subscription streaming service will set up a local entity and pay 0.5% of revenue generated in Turkey to the government.

The company said it is in discussions to pay similar levies in Spain and Italy.

Netflix serves 1.5mn subscribers in Turkey and only reaches about 10% of the country's broadband households, the company said, making the Turkish market a potentially important and lucrative source of new subscribers as competition mounts.

The company operates one of the world's largest streaming services and has sustained its position at the top by courting new subscribers outside the United States as its US home market matures.

To date, Turkey has not attempted to censor Netflix content, a source familiar with the matter said.

Turkey's new regulation stipulates that content providers should get a fresh licence to continue operating in Turkey, and comply with RTUK guidelines.

If they don't respect the guidelines, they will be given 30 days to change their content, or face having their licences suspended for three months and later cancelled.

The announcement last month did not specify what standards RTUK would expect.

Unlike other popular Internet-based content providers and services, including Alphabet Inc's YouTube and Twitter Inc, which were banned at one time in Turkey, Netflix is generally not a platform for news or current affairs.

"Our goal is to protect children from content that may be inappropriate for their age, while ensuring our members can continue to watch the shows and films of their choice," a Netflix spokesman said on Monday.

Dubai economic slump to persist to 2022: S&P

AFP
Dubai

A slowdown in Dubai's economy since 2014 is forecast to carry on through 2022 due to low oil prices, fallout from the US-China trade war and political turmoil, Standard & Poor's said yesterday.

Growth in the economy has also been impacted by a deterioration in the key real estate and tourism sectors, the international ratings agency said in a report.

Dubai faces high public debt amounting to around $124bn, or 108% of gross domestic product (GDP), divided between the government and state-linked companies, the report said.

The emirate's GDP grew at just 1.94% last year, its lowest since 2010 when the city state was still recovering from the impact of the global financial crisis and defaulting on its debt.

S&P said it expected Dubai's economy to pick up to 2.4% this year, largely due to the completion of projects related to the international trade exhibition Expo 2020 opening in October next year.

After the Expo, growth will then moderate to 2.0% through 2022, it said.

The trade war between the US and China, and lower regional demand due to sanctions on neighbouring Iran, are likely to slow transit trade, an important contributor to the Dubai economy, S&P said.

Dubai's GDP grew at 4.8% in 2013 before starting to decline and the drop accelerated last year after the property sector slumped and the number of tourists stagnated.

The city-state, one of seven emirates that make up the UAE, had expected to attract 20mn visitors annually by 2020 when it hosts the six-month Expo.

But in the past two years, the number of tourists stood at just under 16mn and in the first half of 2019, Dubai welcomed 8.3mn visitors, according to official figures.

The property market, which contributes some 7% to GDP, has been in a downturn since mid-2014, with sale and rent prices shedding a third of their values.

During the past year, the emirate has taken a raft of measures to boost the domestic economy and lure foreign investors by easing residency and business rules, including allowing full ownership of businesses by foreigners outside free trade zones.

The emirate draws 70% of its revenues from fees on a host of transactions, some 24% from taxes and profits of government companies, and just 6% from oil.

Global downturn is starting to gain a foothold in the UAE

Bloomberg
Dubai

Sentiment soured further in the UAE as a gauge of business conditions in the second-largest Gulf economy slumped to an eight-year low.

In an echo of disputes that have roiled global trade, sales to foreign customers posted a "weaker upturn" and new orders stagnated in the UAE in August, according to IHS Markit. Its Purchasing Managers' Index dropped to 51.6 from 55.1 in July, declining for a third month and edging close to the threshold of 50 that separates contraction from growth.

Fears of a global downturn are deepening as signs of a manufacturing slump have emerged from Europe to Asia. Domestic competitive pressures are compounding the outlook for the UAE, a federation of seven emirates that includes Abu Dhabi and Dubai.

Heightened market competition continued to weigh on growth, forcing companies to cut prices by the most since April, according to panellists surveyed by IHS Markit in the monthly release. Activity in the non-oil economy increased "at a notably softer rate" compared to July, with weaker demand curbing the expansion, it said. Even so, customer spending remained robust in the UAE.

Meanwhile hiring eased among UAE firms, with employment numbers largely stagnant within the non-oil sector. But at least for now, next year's World Expo in Dubai is helping support sentiment, according to IHS Markit.

"The dip in activity growth dampened business sentiment in August, although the underlying forecast was still strong," IHS Markit economist David Owen said in the report. "With the Expo 2020 coming, many businesses were positive that the market will see strong levels of activity in the coming year."

A man rides a bicycle in a flooded street following a heavy rain storm on March 9, 2016 in Abu Dhabi. Sentiment soured further in the UAE as a gauge of business conditions in the second-largest Gulf economy slumped to an eight-year low.

Singapore hotels see best month in years amid Hong Kong turmoil

Reuters
Singapore

Singapore's hotel occupancy rates have climbed to their highest in over a decade as travellers and business events switched from Hong Kong, where pro-democracy protests have slammed tourist numbers and wider business sentiment.

Data released on Monday by Singapore's tourism board showed average occupancy rates in the city-state's hotels hit 93.8% in July, the highest in records going back to 2005, and up from 92.5% a year ago.

The data also showed the highest revenue per room in almost four years, a trend analysts and hoteliers said was helped by conferences switching from rival business hub Hong Kong as protests that started in mid-June turned increasingly violent.

"Singapore may benefit twice as much from the Hong Kong fallout as both these destinations share similar traits," said Derek Tan, an analyst at Singapore's biggest bank DBS, citing businesses switching conference venues from Hong Kong. The Global Wellness Summit, a gathering of around 600 health and beauty industry delegates scheduled for mid-October recently said it was moving to Singapore from Hong Kong.

The event's spokeswoman said this was "to ensure travel is as seamless as possible."

Marcus Hanna, general manager of Singapore hotels, Fairmont Singapore and Swissotel The Stamford, said he had a 60-strong business group last month switch from Hong Kong for a five-night stay.

Hanna said his hotels, which offer conference and meeting facilities, have received a number of inquiries from companies looking to move events out of Hong Kong amid the unrest.

Jefferies analyst Krishna Guha said events in Hong Kong would have been a factor in lifting Singapore's hospitality sector. Revenue per available room, a key performance metric for the hotel industry, rose to S$203.7 in July, its highest since October 2015, and from S$200.2 in July 2018.

He said the unrest would have weighed on tourists' summer travel plans, while other factors included tightening hotel supply in Singapore during its peak season for North Asian visitors and a weaker Singapore dollar.

In Hong Kong, the city's airport has suffered repeated disruptions due to demonstrations and hotel operators have reported lower occupancy rates and booking cancellations.

Many countries such as Singapore have advised their citizens to defer non-essential travel to the former British colony. "The outlook remains bleak for September and the rest of the year for destination Hong Kong," said Alicia Seah of travel agency Dynasty Travel, adding that inquiries and bookings have come to a "standstill" since last month's airport shutdown. "There are now spillover effects...with both leisure and business travellers opting to travel to Singapore instead of Hong Kong."

Asia Pacific syndicated loan volume slides to 7-year low

Reuters
Sydney

Syndicated loans in Asia Pacific have fallen in 2019 to their lowest level in seven years as dealmaking activity has been hit by global political uncertainty and volatile financial markets.

The drop in such loans adds to the pressure on commercial banks whose lending books already face competition from low bond yields as well as increases in their own funding costs from regulatory changes.

Banks in the region have lent a total of $281bn so far this year via syndicated loans – where a handful of banks take the initial loan before other institutions join and widen the lending pool – according to data from Refinitiv.

That is down nearly 20% on the same period last year, when $348.3bn worth of such loans were made, and is the lowest since the $227bn loaned in 2012.

These loans are typically used for large deals or projects where the funding needed is too great a risk for a single bank to take on.

"The latest lending data suggests businesses and investors are sitting on their hands rather than engaging in activity that needs debt financing," said KPMG Australian chief economist Brendan Rynne.

"The likely reason for this is the high level of uncertainty the world is currently facing.

The geopolitical ring of fire is hotter than it has been for some time," Rynne said.

The value of announced M&A deals involving Asia Pacific companies reached $634.2bn in the first eight months of the year, down 35.2% compared to the same period in 2018, and the lowest volume since 2014, according to Refinitiv.

Bank of China remained the most active bank in Asia Pacific as it arranged $30.6bn worth of new syndicated loans in the past eight months, but that amount was down from $50.1bn by this point in 2018.

Bank of China remained the most active bank in the region as it arranged $30.6bn worth of new loans in the past eight months, but that amount was down from $50.1bn by this point in 2018. HSBC was second, having been involved with $17.9bn of loans, compared to $14.4bn last year. China's Bank of Communications' share also grew sharply to $15.8bn in the past eight months from $2.6bn in the same period of last year.

A $11.6bn refinancing by CK Hutchison Holdings was the largest syndicated deal so far this year.

The transaction, led by Citigroup and HSBC, was to refinance a bridging loan held by its Italian telecoms subsidiary Wind Tre.

"A range of factors have impacted loan volumes including subdued M&A activity, which is partially due to the increasing trade war rhetoric, curtailed offshore acquisition activity among Chinese firms and volatile investment markets," said Mahendra Kumar, Deutsche Bank's head of loan origination in Asia. "With volatility in the bond markets, we expect borrowers to move back some of the flow transactions to the loan markets after a prolonged bull run in Asian high yield."

Glencore wins transfer pricing court battle

Reuters
Melbourne

Miner and trader Glencore has won a dispute with Australia's tax office after a court ruled it had paid the correct amount of tax on purchases of copper concentrate from a mine that it owns in New South Wales state.

Australia's tax commissioner alleged that Glencore's Swiss head office had failed to pay market rates for the copper it bought from its CSA mine in 2007, 2008 and 2009, and raised its assessment of tax owed by A$92.6mn ($62.5mn).

However, the Federal Court of Australia found that Glencore had established that the price it paid for the copper concentrate was "within an arm's length range", according to a judgement yesterday.

The long-running court case began after Glencore appealed the result of the tax office's audit in 2011-2013.

"Glencore welcomes the Federal Court decision in the matter relating to the pricing of copper concentrate sales by our CSA Mine between 2007 and 2009," the company said in a statement to Reuters.

Global tax authorities have in recent years cracked down on so-called "transfer pricing" when multinationals sell to their parent or subsidiaries abroad at lower prices, potentially avoiding taxes if they lead to the declaration of lower earnings or even losses.

The Australian Taxation Office said it would consider the decision and whether to appeal.

"The most significant issue in multinational taxation is ensuring that the Australian arms of companies have arm's length dealings with offshore related parties," Deputy Commissioner Jeremy Geale said.

"Transfer pricing rules ensure these transactions are priced fairly and that multinational companies do not underpay tax in Australia," he said in a statement to Reuters.

Glencore is still facing a $680mn tax demand from British authorities linked to transfer pricing that it said in February it would "vigorously contest".

The world's biggest listed miner BHP late last year signed an agreement with the Australian Taxation Office to settle a transfer pricing dispute regarding its marketing operations in Singapore.

Papua New Guinea sticks to gas deal with Total

Reuters
Melbourne

Papua New Guinea said yesterday it will honour a gas deal that Total SA signed with a previous government for a $13bn plan to expand gas exports, after securing minor concessions from the French company.

The decision removes uncertainty over the plan to double liquefied natural gas (LNG) exports from the Pacific nation that arose after new Prime Minister James Marape came to power in May promising to win more benefits for the impoverished country.

The Papua LNG gas agreement is one of two agreements needed for Total and its partners, Exxon Mobil Corp and Oil Search Ltd, to go ahead with the LNG expansion plan.

"The government has now cleared Total to proceed full steam ahead with the implementation of the Papua Gas Project," Petroleum Minister Kerenga Kua said in a statement.

Doubts about the gas deal escalated in August, when the government suddenly called for talks to revise the agreement.

Kua said Total had made some concessions, promising to prepare a detailed plan outlining how much local equipment and services would be used in the project and to negotiate with any third party wanting access to the project's petroleum pipelines.

It would also be willing to negotiate for Papua New Guinea to take a stake in the pipelines after the state has repaid all its loans and costs on the project, and would consider buying LNG carriers in a joint venture with the state.

"Most of these are substantial new concessions on potential future benefits," Kua said.

The companies had insisted that the Papua LNG gas agreement that Total signed in April should be honoured, and Oil Search warned in August that costs on the project could rise if it was delayed by prolonged talks. An analyst said the government had capitulated to Total, winning only non-committal offers to consider future steps that might benefit the country.

"This is a big win for the industry, but they can't say that, because they need to let the prime minister and Kua save a little political face," said the analyst, who declined to be named as he had yet to publish a note to clients.

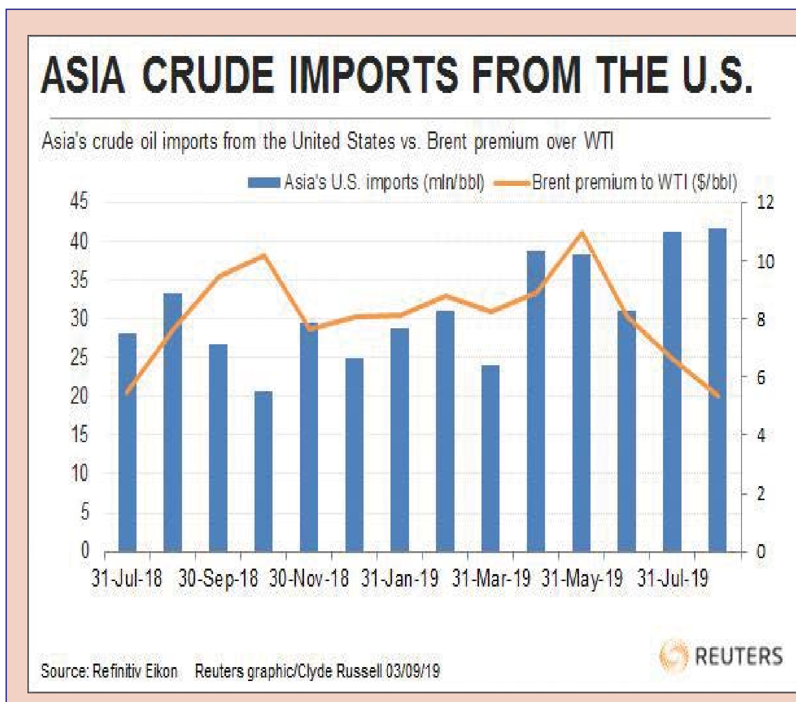
The three companies welcomed the government's decision.

"We are looking forward to working with the Government of PNG to conclude the required gas agreement for the P'nyang project," Exxon Mobil said in an e-mailed comment, referring to the second of the two agreements needed. Shares in Oil Search, which have dropped over the past three months amid uncertainty over the gas agreements, closed 2.1% higher shortly after the government's announcement in a flat broader market.

"There should be a handsome re-rating," Adrian Prendergast, an analyst at Morgans, said a day ahead of the announcement.

"In the time the political developments have been happening it (Oil Search) has really derated more than the total value that we place on this expansion."

At Monday's close, Oil Search shares were down about 14% since the previous prime minster stepped down.



Asia's imports of US crude hit record, but pullback likely

By Clyde Russell
Launceston, Australia

Asia's crude oil imports from the United States climbed to a record in August, but that may be as good as it gets for some time – and it's not just the escalating trade war between Washington and Beijing to blame.

Asia imported 1.34mn barrels per day (bpd) of US crude in August, just eclipsing the 1.33mn bpd in July, according to vessel-tracking and port data compiled by Refinitiv Oil Research.

Part of the strength in arrivals of US crude was down to China, which imported 384,000 bpd in August, the most since June last year and up from 197,000 bpd in July. China started importing US crude in meaningful volumes in July, with the cargoes having been arranged during a brief lull in the extended trade dispute with Washington in the second quarter of this year. Earlier in 2019, and toward the end of 2018, China's imports from the United States had dropped dramatically, with no vessels arriving October and November of last year, as well as January, March and June of this year.

In the other months since September last year, only a handful of US vessels discharged in China, until the resumption of strong volumes in July.

However, this flow is likely to be crimped once again after Beijing imposed a 5% tariff on US crude as part of the latest tit-for-tat tariffs that started on September 1.

Refinitiv data shows three vessels from the United States due to unload in China in September and a further four in October, although it's possible that these cargoes will be sold to buyers outside China while still in transit. The lower imports by China will contribute to a drop in US crude exports to Asia in September, which Refinitiv estimates at 1.04mn bpd.

But it's not only China cutting back on US crude, with other buyers including Japan, India and Taiwan also paring purchases this month.

Only South Korea, the top buyer of US crude in Asia, appears to be importing more, with September arrivals estimated at 584,000 bpd, up from 421,000 bpd in August. While the trade conflict accounts for China's loss of appetite for US crude, the pullback by some other Asian buyers is more likely related to a loss of price competitiveness. When August-arriving cargoes were arranged by Asian buyers, most likely sometime in June, US benchmark West Texas Intermediate (WTI) was trading at a substantial discount to the global benchmark light crude Brent. On June 14, WTI was $9.24 a barrel cheaper than Brent, still fairly close to the $10.99 gap on May 31, which was the widest in a year. Since then WTI's discount has narrowed and was at $4.54 a barrel on Monday, having been as low as $3.60 on August 19.

Higher freight rates for Very Large Crude Carriers (VLCC), ships that carry around 2mn barrels and are the mainstay of the global oil tanker fleet, also erode the advantage of US crude, given the longer sea journey from the Gulf of Mexico to Asia than for many competing light crudes from Africa, Europe and elsewhere in Asia.

A look at physical crude prices also shows a loss of competitiveness for US exporters in recent weeks.

The price of physical WTI in Houston, as assessed by commodity price reporting agency Argus, was at $57.50 a barrel on August 30, the last day it traded given Monday's US public holiday. Nigeria's Bonny Light was at $63.19 a barrel on August 30, a premium of $5.69 a barrel over the US grade. In the middle of May, Bonny Light's premium to WTI Houston was $5.86 a barrel, and it was $5.95 in mid-June.

■ *Clyde Russell is a columnist for Reuters. The opinions expressed here are those of the author.*

Banks in Pakistan attract Rs690bn in fresh deposits

Internews
Karachi

Improved returns following a sustained increase in policy rate has helped attract fresh rupee deposits of Rs690bn this year for Pakistan banks, while reducing the appetite of greenback deposits for domestic investors.

Bankers said deposits of rupee have proved attractive as compared to those in dollars since the two currencies have substantial difference in returns.

The State Bank of Pakistan has been increasing the interest rates for more than a year as they currently stand at 13.25%, making rupee deposits an attractive avenue. Between January and July, rupee deposits of banks have increased by Rs690bn to Rs13.747tn, according to latest data of the State Bank of Pakistan.

Bankers claimed the long-term deposits are getting a 10%-11% return though it varies depending on the individual institution with small banks offering more than the large ones.

On the other hand, short-term deposits yield about 8% or more on rupee deposits.

However, unlike rupee, dollar deposits in local banks give back around 1.5%-2% per annum.

The SBP data show the dollar holdings of commercial banks have increased by $566mn to $7.294bn from January-July.

According to bankers, the exchange rate has achieved stability for more than a month has which reduced the appetite for dollar among investors.

"There are no buyers in the open market which is why we have been selling $7mn-$8mn per day in banks," said Forex Association of Pakistan president Malik Bostan.

From May-July, around $750mn have been sold to banks, as against $317mn in same period last year, figures show.

While bankers were satisfied with the increase in deposits, they are also comfortable with investment in the government papers that offer over 14%.

In the last auction of treasury bills the return on 12-month papers offered 14.24% while the last auction of Pakistan Investment Bonds (PIBs) offered 14.22% for 3-year instruments.

S Korea inflation hits record low; fans case for rate cuts

Reuters
Seoul

South Korea's consumer inflation faltered to its slowest on record in August while second quarter economic growth was revised down on weaker exports, firming up the case for central bank rate cuts as early as next month.

While policymakers were swift to talk down the risks of deflation, heightened expectations of more central bank easing pushed bond prices higher.

The consumer price index was unchanged in August from a year earlier, Statistics Korea data showed, missing the 0.2% rise tipped in a Reuters survey and marking the weakest pace since the country began releasing inflation data in 1965.

Weighing on inflation were weaker consumer demand and declining farm prices as improved weather helped boosted production.

Separately, the Bank of Korea (BoK) revised down economic growth for the June quarter to 1% on-quarter from a 1.1% gain reported earlier, citing weaker exports than estimated earlier.

The weak data dominated discussion at a rare joint meeting between the BoK and finance ministry.

"The BoK shares the same opinion with the finance ministry that we are not in a situation to worry about deflation," BoK senior deputy governor Yoon Myun-shik said at the meeting, adding inflation would pick up soon.

Despite this assurance, treasury bond prices rose broadly with the benchmark 10-year yield shedding 1.5 basis points to 1.285% as of 0228 GMT, far below the central bank's policy rate of 1.50%.

"I don't think the inflation would sharply pick up in the short-run as the BoK predicts," Kim Yu-mi, economist at Kiwoom Securities said, adding deflation remains a real prospect.

Farm products prices plunged 11.4% year-on-year as weather improved while core inflation excluding volatile food and energy prices was 0.8%.

An elevated view shows shoppers and employees at a Hanaro Mart supermarket in Seoul. South Korea's consumer inflation faltered to its slowest on record in August while second quarter economic growth was revised down on weaker exports, firming up the case for central bank rate cuts as early as next month.

South Korea's inflation has been extremely weak by historical standards and a long way off the central bank's 2% target as consumers and companies tighten their spending.

Economists expect South Korea's economic growth to tumble to as low as 1.4% this year from 2.7% last year, marking one of the worst years in five decades.

Tuesday's figures follow grim trade data for August, which showed the exports tumbled for a ninth consecutive month.

Last week, the BoK held benchmark rates steady at 1.50% but kept the door open for what would be the second rate cut this year after July's surprise cut, the first in three years. The government last week drafted the most aggressive budget plan since the global financial crisis to fend off growing domestic and external economic risks.

Ambani's shipyard risks insolvency as banks spurn debt plan

Bloomberg
Mumbai

The shipyard controlled by embattled Indian tycoon Anil Ambani is facing the prospect of bankruptcy after failing to get creditors' approval for restructuring Rs70bn ($970mn) of debt, people familiar with the matter said.

India's bankruptcy tribunal will consider putting Reliance Naval & Engineering Ltd in bankruptcy today as no new repayment plan was submitted after lenders led by IDBI Bank Ltd rejected an earlier offer in July, the people said, asking not to be named as the information is not public.

The court can also defer the decision on bankruptcy.

Any court ruling favouring the banks would deal another blow to the tycoon's stressed empire after his wireless carrier slipped into insolvency earlier this year.

The revival of the shipyard is crucial for the tycoon, who's betting on potential cash flows from government defence contracts as Prime Minister Narendra Modi plans billions of dollars in spending on national security.

While IDBI had sought to move Reliance Naval into insolvency in September 2018, a decision was delayed after industry bodies representing power-generating companies, shipyards and sugar mills successfully challenged the RBI directive that required delinquent borrowers to be pushed into bankruptcy.

However, the risk of bankruptcy reemerged for the submarine maker after it failed to come up with a repayment plan even under RBI's relaxed norms.

Representatives for Reliance Naval and IDBI Bank didn't respond to e-mails and phone calls seeking comments.

The warship maker's loan-recast plan that was rejected in July proposed banks converting part of the debt into equity after the RBI eased rules to provide lenders more discretion in dealing with soured debt, the people said.

The plan didn't involve any upfront payments and proposed a transfer of banks' non-fund exposures such as guarantees and letter of credits from Reliance Naval to another Ambani company Reliance Infrastructure Ltd, the people said.

Meanwhile, Anil Ambani's wider conglomerate is planning to dispose of assets spanning roads to radio stations, aiming to raise about Rs217bn ($3bn) to help pare debt that has ballooned to about Rs939bn at four of its biggest units – excluding the telecom business Reliance Communications Ltd.

Charging ahead? India's electric car revolution faces bumps

Thomson Reuters Foundation
New Delhi

Paritosh Mitra, who drives a motorised rickshaw in Delhi, knows what he wants next and has saved Rs100,000 ($1,390) to get it: an electric rickshaw.

But he won't buy one until it comes with all the basic features that he needs as a commercial driver.

That includes a top speed of at least 40km (25 miles) per hour and convenient recharging.

"There are the e-rickshaws plying the streets now but they are battery operated and have very little speed, so it is of no use to us," Mitra said.

"Also, they need six hours to charge the battery at home and with that they can only move about 50kms, whereas we need to move up to 150kms per day," he told the Thomson Reuters Foundation.

"We need charging points where machines can be charged in 15 minutes."

He's persuaded electric vehicles will cost less to run than using the current diesel or compressed natural gas as fuel - but he's not making the switch just yet.

India's government is pushing hard for a conversion to electric vehicles, to combat worsening pollution in cities and meet the country's commitment to cut its climate changing emissions.

The nation's transport minister in 2017 called for a full switch to electric vehicles by 2030 - something auto manufacturers have protested as too difficult, though the announcement also has ignited a rush to manufacturing everything from electric motorcycles to cars.

The Hyundai Motor Kone electric compact sports utility vehicle stands on display during the vehicle's launch at the Buddh International Circuit in Greater Noida, Haryana. India's transport minister in 2017 called for a full switch to electric vehicles by 2030 - something auto manufacturers have protested as too difficult, though the announcement also has ignited a rush to manufacturing everything from electric motorcycles to cars.

Last month, in the face of a backlash by Indian automotive giants, a government think tank indicated the electric vehicle switch may focus first on two-wheeled vehicles and motorised rickshaws, with a potential deadline as early as 2023.

The country's transport minister also has suggested India may consider creating new highways reserved only for electric vehicles. Still, for now, the road to a rapid switch to electric vehicles remains a bumpy one.

Huge market

Among those most interested in new electric vehicles are drivers of Delhi's ubiquitous motorised rickshaws, who hope the new vehicles could help them avoid rising fuel prices.

Families worried about air pollution - India has 15 of the most polluted cities in the world, including New Delhi - also are looking for alternatives. And foreign automobile and tech companies see India's more than a billion people as a potentially huge market for electric vehicles, charging stations, batteries and other tech needed for an electric vehicle future.

South Korea's Hyundai Motor Company, for instance, committed $250mn last December to build electric vehicles such as its Kona subcompact SUV in India over the next three years.

But some of India's own auto manufacturing giants are worried about the switch.

In July, India's government announced a tax revamp that would cut the cost of electric vehicles between 5% and 12%, and offer tax incentives for companies that install charging stations.

Some of the country's auto industry leaders quickly led a delegation to the finance ministry to ask that the changes be rolled back, or that all vehicles be given the same break.

With buyers anticipating that electric vehicles will be mandatory, they said, their sales are slumping, with traditional fuel passenger car sales down 35% in July compared to a year ago. That slowdown has meant the loss of 230,000 jobs, according to data from the Society of Indian Automobile Manufacturers.

But the government said it had no plans to reduce taxes for traditional vehicles, fearing other big Indian industries could then ask for similar breaks. For now, a few early electric vehicles are appearing on Delhi's streets, mainly small electric cars with space for a driver and one passenger.

Satish Gupta, a retired marketing executive, drives one of them and said it suits his lifestyle - but would not work for everyone.

The vehicle is "much slower," he said. "I can afford this because we are retired and this is perfect for me and my wife visiting friends." "But for my son with a family of four, this is of no use.

They need a conventional motor car," said Gupta lives in Noida, a tree-lined satellite city of New Delhi.

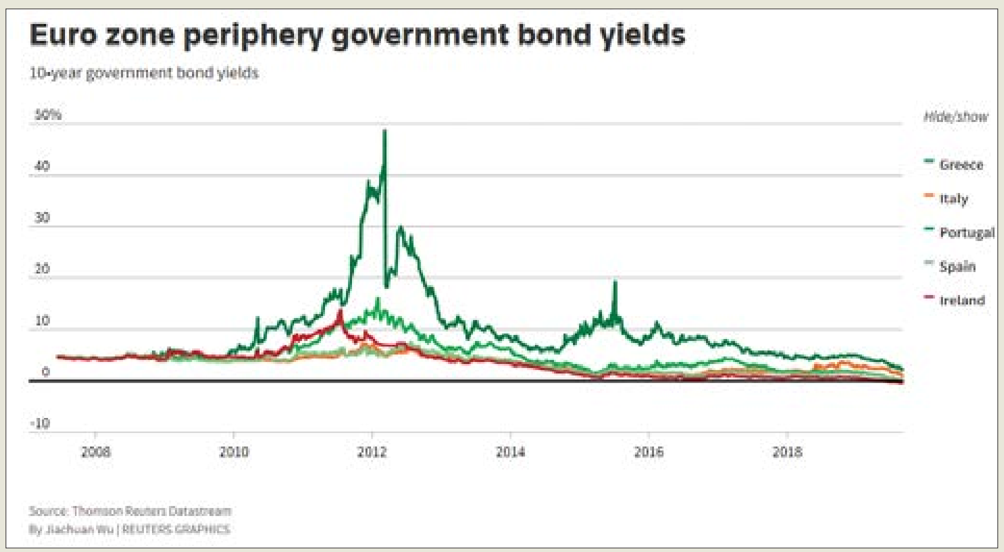
Charging up

For potential electric vehicle users, one of the biggest challenges is recharging points. In 2018, the ministry of power set up processes for installing charging stations but only a few are yet in place in the greater Delhi area, which has well over 20mn people.

According to the website of Tata Power - an arm of Tata Group - the company plans to install some charging infrastructure in Mumbai and Delhi but only for its own vehicles.

Japan's Okiniwa Autotech, which manufactures electric motorcycles, similarly notes on its website that it is willing to set up a network of charging points, but only for its motorbikes.

Italian, German bond yields tumble to fresh record lows



Reuters
London

Italy's 10-year bond yield fell to a new record lows yesterday on optimism that 5-Star members would approve a coalition deal with the Democratic Party, just as safe-haven German Bund yields fell to record lows on renewed political uncertainty in Britain.

Members of 5-Star are holding a ballot on the party's Internet platform from 0700 to 1600 GMT to decide whether the group should join forces with the PD, its traditional foe.

An SWG opinion poll for La7 television channel said 51% of 5-Star supporters backed a tie-up with the PD, while some 69% of PD voters endorsed the idea.

Italy's 10-year bond yield fell below 0.90% for the first time, last down 6 basis points on the day, while the gap over safer German Bund yields tightened to around 161 bps. Bonds were further supported when the two Italian parties unveiled a shared policy programme yesterday to serve as the basis of a new coalition, putting an expansionary 2020 budget at the top of their agenda, but promising that it would not endanger public finances.

"It looks like the market is betting on a yes in the online ballot of 5-Star members," said Luca Cazzulani, rates strategist at UniCredit. "We are a bit more cautious and if there is a no vote the market will be caught off guard."

Even heightened Brexit uncertainty and weak stock markets failed to dent demand for Italian bonds, which tend to move with other risk assets, thanks to reduced political uncertainty in Italy and heightened expectations for rate cuts and stimulus at next week's ECB meeting.

Britain's lawmakers will decide on Tuesday whether to move one step closer to an early election when they vote on the first stage of their plan to block Prime Minister Boris Johnson from pursuing a no-deal Brexit.

UK 10-year gilt yields fell to a record low of 0.34%, set for their biggest two-day fall since early July. That helped push Germany's benchmark 10-year bond yield to a fresh record low at -0.74%. "Bund yields are being pulled lower by UK yields this week... as the UK is inching towards possible snap elections and (on uncertainty of) when such a possible election would be," said KBC strategist Mathias van der Jeugt.

Trade uncertainty is another factor supporting core yields, analysts said.

A lack of progress by the United States and China in scheduling talks in September is in focus. China said on Monday it lodged a complaint against the United States at the World Trade Organisation over its import duties.

Meanwhile, Austria's 10-year bond yield fell to a record low of -0.48% after the country sold €1bn of five and 10-year bonds..

Both bonds received orders of about 1.8-times the amounts sold, despite offering average yields of -0.798% and -0.494% respectively.

Rupee, India stocks suffer rocky start to month on growth angst

Bloomberg
Mumbai

The rupee hit the year's lowest level and stocks fell the most in nearly eleven months on concerns that foreign funds may continue to head for the exits amid the slump in economic growth.

Sovereign bonds rose as the weak data bolstered bets for deeper interest-rate cuts.

The rupee slid as much as 1.4%, with the stronger dollar and a lack of progress on the US-China trade talks also weighing on the currency.

The benchmark S&P BSE Sensex index tumbled 2.1%, the most since October, after completing its longest stretch of monthly losses in three years on Friday.

"A few negatives are weighing on the rupee – not only the GDP data but also a move higher in USD/CNH and weaker equities," said Dushyant Padmanabhan, a forex strategist at Nomura Holdings Inc in Singapore.

The bank remains negative on the currency in the near term.

Gross domestic product growth cooled for a fifth straight quarter to 5% in the three months ended June, the slowest pace since March 2013 and lower than all the forecasts in a Bloomberg survey of economists, a report after trading hours Friday showed.

The nation's markets were shut on Monday.

The weakness comes at a time when the government has little fiscal room to boost the economy with tax revenues lagging estimates.

Even a record $24bn payout by the central bank to federal coffers last week failed to excite markets – foreign funds pulled $2.3bn from shares in August, the biggest outflow since October.

The Sensex fell the most since October as a slew of economic and sectoral data pointed to a deepening slowdown.

Just two of the 31 index members rose, with Reliance Industries Ltd contributing the most to the decline.

The rupee fell 1.4% to end the day at 72.3938 per dollar.

While the soft data hurt stocks, it bolstered wagers for further easing by the Reserve Bank of India.

The yield on the benchmark 10-year note fell four basis points to 6.52%. Yields have dropped more than 100 basis points from the year's peak as the central bank cut rates four times in an attempt to spur growth.

Another 50 basis points of cuts may be in the offing, according to a revised forecast by Goldman Sachs Group Inc.

"Expect government bonds to rally on renewed expectations of monetary easing," said Nagaraj Kulkarni, senior Asia rates strategist at Standard Chartered Plc in Singapore. "GDP has significantly undershot consensus expectations."

Data released since the GDP print suggest the slowdown continues.

India's manufacturing purchasing managers' index slipped in August from a month ago, while collections from the goods and services tax also eased. "In the last four days, we've had many negative macroeconomic data points converge, besides the weak GDP data and automobiles sales," said Chokkalingam G, managing director and founder at Equinomics Research & Advisory in Mumbai. "That made investors nervous."

A bank executive counts 2000 Indian rupee notes at a bank in Srinagar. The rupee slid as much as 1.4%, with the stronger dollar and a lack of progress on the US-China trade talks also weighing on the currency.

US-China trade tensions take toll on EM stocks and currencies

Reuters
London

Continuing US-China trade tensions dented emerging markets yesterday, while Turkey's lira outperformed other currencies after Turkish inflation fell by more than forecast.

The trade dispute between Beijing and Washington, now in its second year, has roiled financial markets, disrupted global supply chains and raised fears of recession in major economies.

"Given that Beijing and Washington are struggling to agree on a date for a fresh round of talks, it suggests the trade war will continue, and we think it will actually escalate further over the coming weeks," Jason Tuvey, Senior EM Economist at Capital Economics, said.

MSCI's emerging market stocks index fell 0.8% with technology stocks dropping 1%, weighed down by Asian heavyweights South Korea and Taiwan.

Stocks in mainland China however, closed higher helped by tech firms as investors cheered Beijing's push for tech independence amid the bruising trade war.

Indian stocks lost more than 1% while the rupee weakened nearly 0.5% as investors returned from a long weekend to react to data showing the country's weakest quarterly economic growth since 2013.

South African stocks shed 0.4%, while the rand was little changed before second-quarter growth figures.

A Reuters poll of economists forecast second-quarter growth expansion at 2.4% compared to a 3.2% contraction in the first.

"A potential positive reaction may only be sustainable if the data surprises the market to the upside and/or in case of relief in the global trade tensions," said analysts from Credit Suisse in a note.Africa's most industrialised economy is grappling with a vast build-up of public sector debt led by cash-strapped state power firm Eskom.

Most developing world currencies moved lower against the dollar as the possibility of a Britain leaving the European Union without a deal dented sterling.

But Turkey's lira rose 0.3% after data showed annual inflation fell by more than expected in August, likely paving the way for lower interest rates before year end.

Turkish dollar-denominated sovereign debt also gained.

Investors will be closely watching developments in Argentina where momentary calm returned as the peso steadied on Monday as capital controls kicked in, but risks remained high as the country slips into a deepening financial crisis.

Asian markets mixed

AFP
Hong Kong

The pound hit a two-and-half-year low yesterday after British Prime Minister Boris Johnson threatened to call a snap election to push through Brexit, while Asian markets were hobbled by worries over China-US trade talks.

Johnson's warning that he will call a poll for October 14 if rebel MPs in his Conservative party vote to force another delay to Brexit raised the possibility of an extended period of uncertainty in Britain, where the economy is already struggling.

"We are leaving on October 31, no ifs or buts," he said in a statement outside 10 Downing Street.

Sterling sank around 1% against the greenback Monday, with weak factory figures adding to the sell-off, and on Tuesday dropped below $1.20 for the first time since January 2017.

The euro was also sitting around levels not since since the second half of the same year as investors prepare for a huge day in Westminster with anti-Brexiteers planning to hold their vote on their return from the summer break.

"The continued political uncertainty will do nothing to lift sterling from its torpor," said Neil Wilson, chief market analyst at Markets.com.

"There is more downside risk and very little to give bulls encouragement… we are very much in uncharted waters here.

We could feasibly see $1.15 or even $1.10 in the coming weeks if traders decide to move against the pound."

The China-US trade impasse was playing on equity investors.

While Donald Trump has said top-level negotiations between the world's top two economies would take place soon, a report said they were having trouble agreeing a schedule for any meeting.

The Bloomberg News story said they had been unable to agree on a US call for parameters for the talks, while Washington turned down Beijing's appeal for a delay to the latest tariffs that kicked in at the weekend.

With the two still at loggerheads, Chinese media blamed the White House.

"It is time the US administration reconsidered its poorly thought-out China-bashing moves," the *China Daily* said in an editorial. "Working to secure a trade deal would be a more fruitful approach."

The Bloomberg report added to concerns that there will be no resolution to the row anytime soon.

"If they're struggling to decide simple itinerary, expectations for anything tangible to arise from the trade talks are looking incredibly dim at this point," said Stephen Innes, Asia-Pacific market strategist at Axi-Trader.

Asian markets were mixed, with investors given no direction by Wall Street, which was closed for Labor Day.

Tokyo ended flat at 20,625.16 and Shanghai closed 0.2% higher at 2,930.15 with Singapore and Wellington up.

But Hong Kong slipped 0.3% to 25,547.18 in the afternoon, Sydney shed 0.1% and Seoul dropped 0.2%.

Taipei, Manila, Mumbai and Jakarta were also in the red.

High-yielding currencies were down against the relatively safe-haven dollar, while the yuan fell to fresh 11-year lows.

However, the Australian dollar edged higher after the country's central bank held off cutting interest rates.

Oil prices edged down again, extending Monday's sharp sell-off on concerns about data showing a lift in output from Opec and Russia, despite a pledge from them to reduce production.

Yuan falls 0.1% to 7.1785 per dollar

Reuters
Hong Kong

An employee counts 100 yuan notes at a bank in Nantong, Jiangsu province. Escalations in the year-long trade conflict led the Chinese currency to its sharpest monthly drop in 25 years in August.

The yuan edged lower yesterday as Sino-US trade tensions showed no sign of abating, but China's central bank again set a firmer-than-expected guidance rate, tempering losses.

China on Monday lodged a complaint against the United States at the World Trade Organisation, after Washington slapped 15% tariffs on various Chinese goods the previous day. Beijing hit back with new duties on US crude oil. Escalations in the year-long trade conflict led the Chinese currency to its sharpest monthly drop in 25 years in August.

The onshore yuan fell almost 0.1% yesterday to finish domestic trading at 7.1785 per dollar, the weakest since February 2008.

But the yuan's losses were limited by the People's Bank of China's fixing, which came in at 7.0884 per dollar, a new 11-1/2-year low but stronger than Reuters' estimate of 7.1099.

Spot yuan can trade 2% either side of this guidance rate. As long as the midpoint stays on the stronger side of 7.1, spot yuan will find support around 7.2, OCBC Wing Hang Bank said in a note yesterday. "Clearly, if there are no concrete developments in the trade talks, the PBoC fixing will set the tone for USDCNY for the time being," Zhou Hao, analyst at Commerzbank, said in a note yesterday afternoon.

The PBoC will likely keep the yuan close to its current levels before US and Chinese trade negotiators meet later this month, even if further yuan weakness may help Chinese exporters and economic growth, said a trader with a foreign bank in Shanghai. "Ultimately, the source of economic pressure is the trade conflict, and the US would not like to see the yuan depreciate too much," he said. Washington labelled China a currency manipulator last month after Beijing let the yuan slip past 7 per dollar. A forex sales banker in Hong Kong said the PBoC has no clear "line in the sand" for yuan prices and will instead focus on "trying to contain volatility at this point in time."

The offshore yuan was trading at 7.184 per dollar, up 0.15% on the day.

As US markets reopen after a long weekend, dollar strength buoyed by rising risks of Brexit may add pressure on the yuan, China Construction Bank (Asia) said in a note yesterday.

BUSINESS

QATAR

Company Name	Lt Price	% Chg	Volume
Zad Holding Co	13.32	0.00	-
Widam Food Co	6.14	0.66	63,287
Vodafone Qatar	1.22	-1.61	1,737,972
United Development Co	1.40	0.00	4,620,116
Salam International Investme	0.40	0.25	1,031,033
Qatar & Oman Investment Co	0.50	0.40	79,640
Qatar Navigation	5.94	-0.17	132,057
Qatar National Cement Co	5.66	-0.70	13,152
Qatar National Bank	19.30	1.05	2,377,228
Qatar Islamic Insurance	6.09	2.35	134,637
Qatar Industrial Manufactur	3.11	0.65	183,047
Qatar International Islamic	8.37	5.28	3,013,820
Qatari Investors Group	1.90	0.53	96,206
Qatar Islamic Bank	16.36	1.18	362,199
Qatar Gas Transport(Nakilat)	2.38	0.42	6,165,845
Qatar General Insurance & Re	3.78	-0.26	29,060
Qatar German Co For Medical	0.62	-2.21	561,736
Qatar Fuel Qsc	21.69	0.32	169,090
Qatar First Bank	0.28	-0.35	5,894,974
Qatar Electricity & Water Co	15.10	0.00	316,568
Qatar Exchange Index Etf	10.18	0.09	8,150
Qatar Cinema & Film Distrib	2.16	0.47	20,000
Al Rayan Qatar Etf	2.32	0.26	1,000
Qatar Insurance Co	3.12	1.30	1,336,221
Qatar Aluminum Manufacturing	0.76	-0.39	1,091,253
Ooredoo Qpsc	6.83	-1.01	1,077,959
National Leasing	0.65	0.31	437,880
Mazaya Qatar Real Estate Dev	0.73	1.67	672,522
Mesaieed Petrochemical Holdi	2.79	-1.76	1,983,403
Al Meera Consumer Goods Co	15.07	0.67	498,278
Medicare Group	7.79	0.00	659,760
Mannai Corporation Qsc	3.46	1.76	26,173
Masraf Al Rayan	3.63	-0.55	6,183,830
Al Khalij Commercial Bank	1.17	0.00	64,880
Industries Qatar	11.06	0.00	651,813
Islamic Holding Group	2.03	-0.98	21,129
Investment Holding Group	0.50	0.40	2,213,622
Gulf Warehousing Company	4.72	-0.21	67,981
Gulf International Services	1.62	0.62	733,356
Ezdan Holding Group	0.59	2.25	26,056,409
Doha Insurance Co	1.05	-0.94	95,000
Doha Bank Qpsc	2.73	0.74	1,970,356
Dlala Holding	0.69	0.00	-
Commercial Bank Psqc	4.51	-2.38	1,036,471
Barwa Real Estate Co	3.40	-0.29	1,171,734
Al Khaleej Takaful Group	1.84	1.66	1,693,743
Al Ahli Bank	0.75	-0.93	2,022,626

KUWAIT

Company Name	Lt Price	% Chg	Volume
Sultan Center Food Products	44.10	1.15	27,310
Kuwait Foundry Co Sak	564.00	0.03	-
Kuwait Financial Centre Sak	98.50	-0.51	695,480
Ajial Real Estate Entmt	125.00	0.00	-
Kuwait Finance & Investment	41.70	0.24	699,830
National Industries Co Ksc	180.00	0.00	-
Kuwait Real Estate Holding C	28.00	3.70	59,010
Securities House/The	45.50	0.00	353,520
Boubyan Petrochemicals Co	779.00	0.78	74,540
Al Ahli Bank Of Kuwait	315.00	0.00	-
Ahli United Bank (Almutahed)	332.00	0.00	120,185
National Bank Of Kuwait	991.00	-0.30	2,677,841
Commercial Bank Of Kuwait	500.00	0.00	1,600,000
Kuwait International Bank	274.00	0.37	463,036
Gulf Bank	300.00	0.00	711,387
Al-Massaleh Real Estate Co	38.10	0.00	-
Al Arabiya Real Estate Co	25.70	1.58	1,401,400
Kuwait Remal Real Estate Co	26.80	-3.94	301,301
Alkout Industrial Projects C	840.00	0.00	-
A'ayan Real Estate Co Sak	64.90	-0.15	1,242,277
Investors Holding Group Co.K	9.90	1.02	1,606,600
Al-Mazaya Holding Co	54.90	2.43	7,745,806

KUWAIT

Company Name	Lt Price	% Chg	Volume
Al-Madar Finance & Invt Co	117.00	0.86	623,804
Gulf Petroleum Investment	23.90	3.02	534,012
Mabanee Co Sakc	772.00	0.00	192,532
Inovest Co Bsc	66.30	5.57	500,010
Al-Deera Holding Co	12.80	0.00	-
Mena Real Estate Co	38.80	2.37	2,251,082
Amar Finance & Leasing Co	41.50	0.00	-
United Projects For Aviation	440.00	0.00	-
National Consumer Holding Co	55.00	0.00	-
Amwal International Investme	55.00	0.00	-
Equipment Holding Co K.S.C.C	18.70	-2.09	150,050
Arkan Al Kuwait Real Estate	78.10	0.00	-
Gfh Financial Group Bsc	74.30	0.13	241,914
Energy House Holding Co Kscp	20.00	0.00	50,000
Kuwait Co For Process Plant	202.00	1.00	5,000
Al Maidan Dental Clinic Co K	1,240.00	0.00	-
National Shooting Company	12.00	7.14	76,250
Al-Ahleia Insurance Co Sakp	429.00	0.00	-
Wethaq Takaful Insurance Co	28.00	0.00	-
Salbookh Trading Co Kscp	40.00	-0.74	586,900
Aqar Real Estate Investments	79.00	0.00	-
Hayat Communications	60.00	0.00	9,900
Soor Fuel Marketing Co Ksc	120.00	0.00	8,657
Tamkeen Holding Co	5.20	0.00	-
Alargan International Real	129.00	0.00	-
Burgan Co For Well Drilling	85.00	0.00	-
Kuwait Resorts Co Kscc	59.90	-0.17	28,510
Oula Fuel Marketing Co	119.00	-0.83	111,757
Palms Agro Production Co	59.00	0.00	-
Mubarrad Holding Co Ksc	62.00	0.00	1,000
Shuaiba Industrial Co	150.00	0.00	-
Aan Digital Services Co	17.70	4.12	5,462,287
First Takaful Insurance Co	42.50	0.00	-
Kuwaiti Syrian Holding Co	38.20	0.00	2,104
National Cleaning Company	58.50	-1.52	44,252
United Real Estate Company	62.00	0.00	-
Agility	759.00	-0.13	344,750
Kuwait & Middle East Fin Inv	69.90	7.54	2,325,910
Fujairah Cement Industries	52.00	-1.70	13,700
Livestock Transport & Tradng	185.00	1.65	20
International Resorts Co	12.60	0.00	-
National Industries Grp Hold	238.00	0.00	2,701,285
Warba Insurance Co	63.00	0.00	-
First Dubai Real Estate Deve	34.20	26.67	10,632,799
Al Arabi Group Holding Co	77.00	0.00	25,000
Kuwait Hotels Sak	100.00	0.00	-
Mobile Telecommunications Co	575.00	0.52	8,446,115
Effect Real Estate Co	20.50	0.00	-
Tamdeen Real Estate Co Ksc	308.00	0.00	-
Al Mudon Intl Real Estate Co	18.60	-2.11	335,000
Kuwait Cement Co Ksc	270.00	-0.37	12,338
Sharjah Cement & Indus Devel	66.00	-2.08	4,100
Kuwait Portland Cement Co	1,203.00	0.00	15,740
Educational Holding Group	320.00	0.00	-
Bahrain Kuwait Insurance	200.00	0.00	-
Asiya Capital Investments Co	34.30	0.00	19,815
Kuwait Investment Co	140.00	0.00	16,500
Burgan Bank	345.00	0.00	1,565,469
Kuwait Projects Co Holdings	226.00	1.35	1,427,021
Al Madina For Finance And In	16.70	0.00	288,927
Kuwait Insurance Co	333.00	-0.60	300
Al Masaken Intl Real Estate	63.10	0.00	-
Intl Financial Advisors	43.50	3.33	2,379,311
First Investment Co Kscc	33.40	0.00	1,852,410
Al Mal Investment Company	13.00	2.36	334,000
Bayan Investment Co Kscc	40.00	-5.44	199,510
Egypt Kuwait Holding Co Sae	450.00	0.00	-
Coast Investment Development	31.70	0.63	239,251
Privatization Holding Compan	53.80	0.00	-
Injazzat Real State Company	76.00	-7.32	20,000
Kuwait Cable Vision Sak	16.10	0.63	14,576
Sanam Real Estate Co Kscc	37.00	0.00	-
Ithmaar Holding Bsc	22.30	0.00	-
Aviation Lease And Finance C	263.00	0.00	53,099
Arzan Financial Group For Fi	26.80	0.00	1,821,648
Ajwan Gulf Real Estate Co	13.60	0.00	1,538,491
Kuwait Business Town Real Es	41.00	-0.24	182,000
Future Kid Entertainment And	86.60	0.00	-
Specialities Group Holding C	74.10	-1.33	70
Abyaar Real Eastate Developm	14.50	2.11	6,463,665
Dar Al Thuraya Real Estate C	162.00	0.00	-
Kgl Logistics Company Kscc	39.90	0.50	892,277
Combined Group Contracting	237.00	-1.25	591,740
Jiyad Holding Co Ksc	43.70	0.00	-
Warba Capital Holding Co	67.50	-9.88	81,501
Gulf Investment House Ksc	50.90	1.60	192
Boubyan Bank K.S.C	578.00	0.35	172,558
Ahli United Bank B.S.C	286.00	0.35	5,057,629
Osos Holding Group Co	105.00	0.00	-

KUWAIT

Company Name	Lt Price	% Chg	Volume
Al-Eid Food Ksc	61.20	0.00	-
Qurain Petrochemical Industr	340.00	0.00	2,928,433
Advanced Technology Co	930.00	0.00	-
Ekttitab Holding Co Sak	16.90	0.60	25,082
Real Estate Trade Centers Co	21.00	0.48	820
Acico Industries Co Kscc	143.00	0.00	-
Kipco Asset Management Co	92.00	0.00	-
National Petroleum Services	1,099.00	0.00	-
Alimtiaz Investment Group	132.00	0.76	1,214,325
Ras Al Khaimah White Cement	61.50	-3.91	10,959
Kuwait Reinsurance Co Ksc	158.00	0.00	-
Kuwait & Gulf Link Transport	72.50	-0.96	112,626
Humansoft Holding Co Ksc	3,200.00	0.00	42,293
Automated Systems Co Kscc	80.00	0.00	-
Metal & Recycling Co	60.00	0.00	-
Gulf Franchising Holding Co	160.00	0.00	-
Al-Enma'a Real Estate Co	46.00	0.00	1,836,087
National Mobile Telecommuni	705.00	-0.42	52,922
Sanad Holding Co Kscc	0.00	0.00	-
Unicap Investment And Financ	46.30	7.18	20,722
Al Salam Group Holding Co	38.40	1.32	2,494,237
Al Aman Investment Company	57.40	2.50	3,110
Mashaer Holding Co Ksc	72.50	0.00	632,857
Manazel Holding	28.00	7.69	130,489
Tijara And Real Estate Inves	42.00	0.00	-
Jazeera Airways Co Ksc	971.00	0.10	74,300
Commercial Real Estate Co	93.70	0.64	10,500
National International Co	67.40	0.00	-
Taameer Real Estate Invest C	18.70	1.08	69,716
Gulf Cement Co	57.50	0.00	-
Heavy Engineering And Ship B	404.00	0.00	128,190
National Real Estate Co	83.00	1.22	130,659
Al Safat Energy Holding Comp	20.50	2.50	40,150
Kuwait National Cinema Co	770.00	0.00	-
Danah Alsafat Foodstuff Co	26.10	-1.88	1,991,548
Independent Petroleum Group	442.00	0.00	-
Kuwait Real Estate Co Ksc	84.00	0.60	588,000
Salhia Real Estate Co Ksc	337.00	0.30	54,909
Gulf Cable & Electrical Ind	436.00	0.46	64,233
Kuwait Finance House	747.00	0.27	2,186,501
Gulf North Africa Holding Co	59.00	0.00	-
Hilal Cement Co	96.00	0.00	-
Osoul Investment Kscc	69.00	-2.82	64,641
Gulf Insurance Group Ksc	660.00	0.00	-
Umm Al Qaiwain General Inves	73.50	0.00	-
Aayan Leasing & Investment	56.80	-1.05	9,475,630
Alrai Media Group Co Ksc	34.00	0.00	-
National Investments Co	135.00	0.75	1,975
Commercial Facilities Co	195.00	-2.01	57,070
Yiaco Medical Co. K.S.C.C	66.50	0.00	-
Dulaqan Real Estate Co	350.00	0.00	-
Real Estate Asset Management	95.40	0.00	-

OMAN

Company Name	Lt Price	% Chg	Volume
Voltamp Energy Saog	0.18	0.00	12,408
Vision Insurance Saoc	0.12	0.00	-
United Power/Energy Co- Pref	1.00	0.00	-
United Power Co Saog	2.50	0.00	-
United Finance Co	0.06	0.00	99,797
Ubar Hotels & Resorts	0.13	0.00	-
Takaful Oman	0.12	0.00	-
Taageer Finance	0.10	0.00	-
Sweets Of Oman	0.55	0.00	-
Sohar Power Co	0.10	0.00	-
Sohar International Bank	0.11	-0.88	85,000
Smn Power Holding Saog	0.08	0.00	-
Shell Oman Marketing - Pref	1.05	0.00	-
Shell Oman Marketing	1.03	0.00	50,000
Sharqiyah Desalination Co Sa	0.29	0.00	-
Sembcorp Salalah Power & Wat	0.11	0.00	630,000
Salalah Port Services	0.60	0.00	-
Salalah Mills Co	0.51	-9.89	20,842
Salalah Beach Resort Saog	1.38	0.00	-
Sahara Hospitality	3.09	0.00	-
Renaissance Services Saog	0.25	-8.30	141,330
Raysut Cement Co	0.36	0.00	84,597
Phoenix Power Co Saoc	0.08	3.75	7,658
Packaging Co Ltd	2.21	0.00	-
Ooredoo	0.52	0.77	311,842
Ominvest	0.35	2.35	49,557
Oman United Insurance Co	0.20	9.55	820,384
Oman Telecommunications Co	0.60	0.67	142,176
Oman Refreshment Co	1.35	0.00	220
Oman Qatar Insurance Co	0.09	-1.11	194,910

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	0.13	0.00	-
Oman Investment & Finance	0.11	0.00	988,620
Oman Intl Marketing	0.52	0.00	-
Oman Flour Mills	0.66	0.00	-
Oman Fisheries Co	0.08	0.00	131,843
Oman Europe Foods Industries	1.00	0.00	-
Oman Education & Training In	0.23	0.00	-
Oman Chromite	3.64	0.00	-
Oman Chlorine	0.36	0.00	-
Oman Ceramic Company	0.42	0.00	-
Oman Cement Co	0.22	1.38	64,528
Oman Cables Industry	0.81	0.00	-
Oman & Emirates Inv(Om)50%	0.07	-4.05	14,000
Natl Aluminium Products	0.20	-8.84	130,464
National Real Estate Develop	5.00	0.00	-
National Mineral Water	0.09	0.00	-
National Life & General Insu	0.31	0.00	-
National Gas Co	0.16	1.29	10,000
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	0.18	0.56	123,950
Muscat Thread Mills Co	0.08	0.00	-
Muscat Insurance Co Saog	0.78	0.00	-
Muscat Gases Company Saog	0.14	0.00	-
Muscat Finance	0.06	0.00	-
Muscat City Desalination Co	0.10	0.97	48,000
Majan Glass Company	0.18	0.00	-
Majan College	0.17	0.00	-
Hsbc Bank Oman	0.13	-0.78	1,662,763
Hotels Management Co Interna	1.25	0.00	-
Gulf Stone	0.12	0.00	-
Gulf Mushroom Company	0.31	0.00	-
Gulf Investments Services	0.07	-1.33	67,400
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	0.07	0.00	-
Galfar Engineering&Contract	0.08	1.20	5,397,843
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	3,000
Dhofar Generating Co Saoc	0.19	0.00	-
Dhofar Fisheries & Food Indu	1.28	0.00	-
Dhofar Cattlefeed	0.13	0.00	-
Dhofar Beverages Co	0.26	0.00	-
Construction Materials Ind	0.04	0.00	-
Computer Stationery Inds	0.26	0.00	-
Bankmuscat Saog	0.45	0.90	648,654
Bank Nizwa	0.09	0.00	62,982
Bank Dhofar Saog	0.14	0.70	455,000
Arabia Falcon Insurance Co	0.10	0.00	-
Aloula Co	0.53	0.00	-
Al-Omaniya Financial Service	0.09	3.53	11,594
Al-Hassan Engineering Co	0.02	0.00	-
Al-Fajar Al-Alamia Co	0.75	0.00	-
Al-Anwar Ceramic Tiles Co	0.10	3.19	975,873
Al Suwadi Power	0.07	0.00	41,355
Al Sharqiya Invest Holding	0.08	1.32	115,197
Al Maha Petroleum Products M	0.80	0.00	518
Al Maha Ceramics Co Saoc	0.17	0.00	2,405
Al Madina Takaful Co Saoc	0.08	1.23	4,744,429
Al Madina Investment Co	0.02	0.00	-
Al Kamil Power Co	0.38	0.00	-
Al Jazerah Services -Pfd	0.55	0.00	-
Al Jazeera Steel Products Co	0.23	0.00	-
Al Jazeera Services	0.12	-3.17	8,000
Al Izz Islamic Bank	0.07	1.41	45,334
Al Buraimi Hotel	0.88	0.00	-
Al Batinah Power	0.07	0.00	180,284
Al Batinah Hotels	1.13	0.00	-
Al Batinah Dev & Inv	0.08	0.00	-
Al Anwar Holdings Saog	0.09	0.00	43,400
Al Ahlia Insurance Co Saoc	0.32	0.00	-
Ahli Bank	0.12	0.00	-
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

'Earnings recession' signals more pain for South Korean equities

Bloomberg
Seoul

Earnings growth of South Korea's largest companies is seen slowing in the second half, which would mark the worst annual profits in at least 18 years. The "earnings recession" can only mean more pain for stock investors, analysts say.

The aggregate earnings per share of Kospi index companies fell 44% in the second quarter from a year earlier, the most among all benchmarks in Asia, according to data compiled by Bloomberg.

That follows a 34% slump in the first period. Adding to the gloom, the government said Tuesday that inflation slid to a record zero in August and the economy grew slower than an original estimate in the second quarter.

"There's been a broad weakness across the board for earnings," said Erik Zipf, who runs a $447mn emerging-market fund at DuPont Capital Management, in a telephone interview from New York. "The domestic economy is not doing fantastic, and exports are being negatively impacted by trade things going on."

The benchmark Kospi index is down 11% this year in US dollar terms, the worst performer in the region. The export-reliant economy, whose companies supply most of the world's electronics and semiconductors, has borne the brunt of a prolonged US-China trade spat.

A diplomatic row with Japan that resulted in export curbs to South Korea has also hurt manufacturing at home.

"Investors are extremely cautious about Korea stocks – they don't even do bottom-up stock picking anymore," Hana Financial Investment analyst Lee Kyung Soo wrote in an Aug. 28 report. "Value stocks are everywhere in Korea as they fell too much.

Any optimism about the Korean stock market vanished long ago." In the second quarter, companies in all sectors missed earnings estimates, according to Hana Financial. Total operating income of Kospi index stocks are estimated to drop 24% in the 2019 financial year, according to data compiled by Bloomberg. That will be the sharpest drop since Bloomberg started compiling the data in 2002.

"The problem is analysts are cutting estimates for the coming quarters, which means earnings are not hitting bottom yet," Hana's Lee wrote. "It is meaningless for analysts to talk about 'undervalued stocks' as growth is so weak."

Aggregate earnings per share for the third quarter are expected to fall 27% year-on-year, according to data compiled by Bloomberg. That's before an estimated 32% gain in the last quarter of the year – but that's from a low base a year ago.

"The Korea stock market may turn around starting from the end of 2019 or in early 2020, along with a rebound in corporate earnings," said Woong Park, chief executive officer at Eastspring Investments in Seoul. "Experts say the memory chip industry is expected to bounce back no later than the first half of 2020."

Signage for Korea Exchange is displayed atop the company's building in Seoul. The benchmark Kospi index is down 11% this year in US dollar terms, the worst performer in the region.

Asia's unpredictable markets rock trader conviction in positions

Bloomberg
Seoul

Lee Yoonjae, who runs currency trading at one of Korea's biggest brokerages, has a strategy to share in these volatile times: Don't hold positions for more than a day and make a radical cut in your trading volume.

While many players would say volatility provides opportunities to profit, NH Investment and Securities Co's Lee believes the level of uncertainty seen over the last month has brought a lot more danger than normal.

"Acknowledge that you can never conquer the markets," said Lee, who's been trading currencies in Seoul for more than a decade. "Surrender, and be ready to discard your position anytime."

He's gone from holding some positions for as long as four days to no more than a day now, while scaling back trading volume to less than two-thirds of previous levels. When there is no discernible market direction, the best thing to do is prioritise risk management over chasing big profits, according to Lee.

Lee and his peers in Seoul are grappling with an economy that's grinding lower and uncertainty in almost every direction – problems that have beset traders around the world this year. South Korea's woes are myriad, from US-China fallout to an escalating trade dispute with Japan, troubles in the tech industry and North Korean missile tests.

Volatility in major currencies spiked in August to around the highest level in seven months, and it's held there amid a new round of tit-for-tat tariff increases between the US and China.

The outlook is darkened further as US President Donald Trump fires off conflicting signals on trade and the government in Beijing prepares for more trouble.

Amid all this, the won has weakened more than 8% against the dollar this year, making it the worst-performing currency in Asia.

NH's Lee sees declines and choppiness ahead for the won, which presents a challenge as Korean brokerages push to expand in a market that's dominated by the nation's banks.

The currency may slide to as low as 1,250 per dollar in the second half of this year, from yesterday's close of 1,215.70, he said.

The median of forecasts compiled by Bloomberg is for the won at 1,205 per dollar in the fourth quarter of this year. Lee said that if it does recover, gains in the won are likely to be capped around 1,200.

Still, given that the won has fallen so dramatically, in the unlikely event that all unfavourable forces go away, it has the capacity to bounce back more quickly than other Asian currencies, he said.

BUSINESS

DJIA

Company Name	Lt Price	% Chg	Volume
Apple Inc	205.49	-1.56	2,587,627
American Express Co	118.06	-1.92	197,240
Boeing Co/The	353.44	-2.93	357,500
Caterpillar Inc	115.96	-2.55	237,795
Cisco Systems Inc	46.60	-0.45	2,163,150
Chevron Corp	115.38	-1.99	450,386
Walt Disney Co/The	135.53	-1.26	563,157
Dow Inc	41.79	-1.97	760,000
Goldman Sachs Group Inc	197.73	-3.03	160,728
Home Depot Inc	224.31	-1.58	359,369
Intl Business Machines Corp	134.28	-0.92	193,004
Intel Corp	46.81	-1.27	2,408,302
Johnson & Johnson	128.37	0.01	542,405
Jpmorgan Chase & Co	107.92	-1.77	658,679
Coca-Cola Co/The	55.21	0.30	804,689
Mcdonald's Corp	217.18	-0.36	255,514
3M Co	158.46	-2.02	145,118
Merck & Co. Inc.	86.41	-0.07	534,276
Microsoft Corp	136.68	-0.86	2,891,852
Nike Inc -Cl B	84.37	-0.15	313,490
Pfizer Inc	36.09	1.52	2,811,401
Procter & Gamble Co/The	121.09	0.72	487,238
Travelers Cos Inc/The	146.72	-0.16	85,306
Unitedhealth Group Inc	229.52	-1.91	234,983
United Technologies Corp	128.10	-1.64	141,103
Visa Inc-Class A Shares	180.08	-0.41	434,871
Verizon Communications Inc	57.94	-0.38	598,407
Walgreens Boots Alliance Inc	50.21	-1.91	549,801
Walmart Inc	114.72	0.40	604,807
Exxon Mobil Corp	68.24	-0.36	1,183,310

FTSE 100

Company Name	Lt Price	% Chg	Volume
Anglo American Plc	1,773.00	-0.52	3,583,936
Associated British Foods Plc	2,324.00	1.66	800,302
Admiral Group Plc	2,129.00	-1.48	506,544
Ashtead Group Plc	2,265.00	-1.05	1,191,872
Antofagasta Plc	833.60	-2.59	3,228,863
Auto Trader Group Plc	508.60	-4.51	4,084,523
Aviva Plc	352.30	-0.96	7,465,585
Astrazeneca Plc	7,430.00	-1.37	1,724,069
Bae Systems Plc	554.80	-0.04	3,608,107
Barclays Plc	137.32	-0.16	23,474,961
British American Tobacco Plc	2,912.50	0.38	2,055,688
Barratt Developments Plc	622.00	-1.64	3,717,180
Bhp Group Plc	1,764.60	-0.06	5,849,017
Berkeley Group Holdings/The	3,882.00	-0.54	358,945
British Land Co Plc	511.00	-0.54	3,429,242
Bunzl Plc	2,057.00	-0.10	570,471
Bp Plc	502.90	-0.18	35,149,586
Burberry Group Plc	2,186.00	0.05	838,477
Bt Group Plc	166.08	-0.59	16,084,356
Coca-Cola Hbc Ag-Di	2,800.00	1.60	552,795
Carnival Plc	3,410.00	-2.52	541,186
Centrica Plc	70.32	0.14	17,911,938
Compass Group Plc	2,138.00	0.94	1,659,911
Croda International Plc	4,678.00	-1.35	309,937
Crh Plc	2,764.00	-0.22	1,110,223
Dcc Plc	7,080.00	0.51	135,835
Diageo Plc	3,625.50	0.96	3,102,323
Direct Line Insurance Group	280.70	-1.40	4,514,551
Evraz Plc	486.30	-1.74	1,830,294
Experian Plc	2,599.00	0.19	1,063,162
Easyjet Plc	923.00	-3.31	2,155,748
Ferguson Plc	6,270.00	2.12	661,811
Fresnillo Plc	764.00	2.41	1,792,135
Glencore Plc	235.95	-0.40	29,060,150
Glaxosmithkline Plc	1,743.40	0.38	5,622,781
Gvc Holdings Plc	653.60	0.96	3,426,617
Hikma Pharmaceuticals Plc	2,040.00	0.15	515,480
Hargreaves Lansdown Plc	1,890.00	-0.24	649,503
Halma Plc	1,993.00	0.23	532,556
Hsbc Holdings Plc	593.70	-0.20	26,146,960
Hiscox Ltd	1,560.00	0.06	525,110
Intl Consolidated Airline-Di	417.70	-1.76	3,787,181
Intercontinental Hotels Grou	5,155.00	-0.15	373,084
3I Group Plc	1,127.00	0.49	1,343,252
Imperial Brands Plc	2,153.00	0.33	930,503
Informa Plc	849.60	-2.88	3,364,424
Intertek Group Plc	5,580.00	-0.07	238,797
Itv Plc	116.95	0.34	9,770,679
Johnson Matthey Plc	3,003.00	1.49	637,444
Kingfisher Plc	195.40	-0.56	9,500,960
Land Securities Group Plc	776.00	-0.33	2,413,426
Legal & General Group Plc	220.20	-1.48	13,813,423
Lloyds Banking Group Plc	49.59	-1.45	151,176,322
London Stock Exchange Group	7,034.00	0.20	314,409
Micro Focus International	1,113.80	2.41	2,923,314
Marks & Spencer Group Plc	186.75	-1.50	6,504,310
Mondi Plc	1,580.00	-0.72	1,232,989
Melrose Industries Plc	182.45	-0.92	11,757,068
Wm Morrison Supermarkets	181.90	-1.41	9,014,053
National Grid Plc	869.10	0.95	5,884,735
Nmc Health Plc	2,593.00	1.49	465,641
Next Plc	5,934.00	-0.27	254,632
Ocado Group Plc	1,344.00	1.17	985,087
Paddy Power Betfair Plc	0.00	0.00	-
Prudential Plc	1,349.00	-1.64	4,843,914
Persimmon Plc	1,864.00	-2.13	969,784
Pearson Plc	839.40	-0.17	1,260,406
Reckitt Benckiser Group Plc	6,471.00	0.51	1,103,908
Royal Bank Of Scotland Group	183.95	-1.23	10,019,316
Royal Dutch Shell Plc-A Shs	2,279.50	-0.72	4,618,084
Royal Dutch Shell Plc-B Shs	2,269.50	-0.42	7,401,054
Relx Plc	2,010.00	-0.05	2,555,240
Rio Tinto Plc	4,129.00	-0.43	2,441,286
Rightmove Plc	533.20	-1.59	1,834,841
Rolls-Royce Holdings Plc	765.00	-1.14	2,363,121
Rsa Insurance Group Plc	523.00	-1.02	1,470,942
Rentokil Initial Plc	455.20	-0.89	2,766,638
Sainsbury (J) Plc	197.55	0.43	4,403,244
Schroders Plc	2,754.00	-0.22	490,595
Sage Group Plc/The	711.20	1.46	1,926,597
Segro Plc	789.80	0.10	2,221,626
Smurfit Kappa Group Plc	2,460.00	-2.46	341,133
Standard Life Aberdeen Plc	248.90	-1.35	5,783,117
Ds Smith Plc	329.70	-3.48	6,570,798
Smiths Group Plc	1,670.50	-0.48	685,438
Scottish Mortgage Inv Tr Plc	516.50	-0.29	1,703,715
Smith & Nephew Plc	1,987.00	-0.15	1,445,499
Spirax-Sarco Engineering Plc	8,025.00	-0.19	152,754
Sse Plc	1,156.00	0.61	3,176,844
Standard Chartered Plc	624.80	-0.48	5,956,130
St James's Place Plc	921.60	0.09	1,043,504
Severn Trent Plc	2,067.00	0.05	752,953
Tesco Plc	225.00	0.36	16,565,779
Tui Ag-Di	835.00	0.89	1,368,795
Taylor Wimpey Plc	146.40	-0.61	9,661,761
Unilever Plc	5,324.00	1.01	2,043,811
United Utilities Group Plc	817.20	0.15	2,016,161
Vodafone Group Plc	157.90	0.79	48,121,473
John Wood Group Plc	359.50	-1.45	2,282,616
Wpp Plc	969.00	0.08	1,544,295
Whitbread Plc	4,398.00	-0.25	403,639

TOKYO

Company Name	Lt Price	% Chg	Volume
Japan Airlines Co Ltd	3,332.00	0.57	849,100
Recruit Holdings Co Ltd	3,208.00	0.50	2,785,500
Softbank Corp	1,496.50	0.13	4,893,500
Kyocera Corp	6,303.00	-0.11	769,200
Nissan Motor Co Ltd	656.30	1.33	7,922,100
T&D Holdings Inc	1,050.50	0.38	1,363,900
Toyota Motor Corp	7,005.00	0.76	3,578,200
Kddi Corp	2,833.00	-0.67	3,621,100
Nitto Denko Corp	4,984.00	1.74	610,800
Hitachi Ltd	3,725.00	1.83	2,141,100
Takeda Pharmaceutical Co Ltd	3,686.00	1.10	3,636,600
Jfe Holdings Inc	1,255.00	0.84	2,032,200
Sumitomo Corp	1,617.50	1.57	3,171,100
Canon Inc	2,761.00	0.02	1,840,700
Eisai Co Ltd	5,288.00	-0.92	621,400
Nintendo Co Ltd	40,530.00	0.37	665,200
Shin-Etsu Chemical Co Ltd	10,700.00	1.61	721,800
Mitsubishi Corp	2,604.00	0.19	3,892,000
Smc Corp	39,970.00	0.78	150,800

WORLD INDICES

Indices	Lt Price	Change
Dow Jones Indus. Avg	26,058.06	-345.22
S&P 500 Index	2,906.99	-19.47
Nasdaq Composite Index	7,888.48	-74.40
S&P/Tsx Composite Index	16,394.29	-47.78
Mexico Bolsa Index	41,813.26	-294.97
Brazil Bovespa Stock Idx	99,986.28	-639.42
Ftse 100 Index	7,268.19	-13.75
Cac 40 Index	5,466.07	-26.97
Dax Index	11,910.86	-42.92
Ibex 35 Tr	8,809.20	-6.30
Nikkei 225	20,625.16	+4.97
Japan Topix	1,510.79	+5.58
Hang Seng Index	25,527.85	-98.70
All Ordinaries Indx	6,673.54	-3.98
Nzx All Index	1,849.89	+25.20
Bse Sensex 30 Index	36,562.91	-769.88
Nse S&P Cnx Nifty Index	10,797.90	-225.35
Straits Times Index	3,090.63	+7.67
Karachi All Share Index	22,069.75	-161.72
Jakarta Composite Index	6,261.59	-28.96

TOKYO

Company Name	Lt Price	% Chg	Volume
Nidec Corp	13,715.00	-0.04	329,000
Isuzu Motors Ltd	1,139.00	0.57	1,066,000
Unicharm Corp	3,286.00	0.37	596,800
Nomura Holdings Inc	436.80	2.68	19,342,600
Daiichi Sankyo Co Ltd	6,807.00	-0.29	1,257,300
Subaru Corp	2,919.00	2.42	2,798,100
Sumitomo Realty & Developmen	3,928.00	-0.38	694,400
Ntt Docomo Inc	2,711.50	0.31	2,526,700
Sumitomo Metal Mining Co Ltd	3,115.00	1.83	1,938,500
Orix Corp	1,597.50	0.63	4,327,700
Asahi Group Holdings Ltd	5,018.00	0.84	803,800
Keyence Corp	62,300.00	-1.14	230,900
Mizuho Financial Group Inc	155.10	-0.06	53,669,200
Sumitomo Mitsui Trust Holdin	3,503.00	1.01	868,300
Japan Tobacco Inc	2,215.00	-1.14	5,387,900
Sumitomo Electric Industries	1,258.50	0.72	1,012,300
Daiwa Securities Group Inc	464.20	1.40	4,592,000
Softbank Group Corp	4,726.00	-0.59	6,076,700
Panasonic Corp	819.30	0.64	4,782,100
Fujitsu Ltd	8,293.00	-0.54	765,200
Central Japan Railway Co	20,475.00	-0.46	254,200
Nitori Holdings Co Ltd	15,260.00	-0.23	169,600
Ajinomoto Co Inc	1,948.50	0.44	886,200
Daikin Industries Ltd	13,210.00	0.46	638,800
Mitsui Fudosan Co Ltd	2,556.50	0.41	2,688,400
Ono Pharmaceutical Co Ltd	1,915.50	-0.39	1,328,900
Toray Industries Inc	749.30	-1.11	5,432,300
Bridgestone Corp	4,014.00	-0.45	1,704,800
Sony Corp	6,098.00	1.03	3,876,500
Astellas Pharma Inc	1,520.50	0.70	5,156,300
Hoya Corp	8,608.00	0.60	343,000
Nippon Steel Corp	1,489.00	1.40	2,246,900
Suzuki Motor Corp	4,085.00	0.00	1,205,200
Nippon Telegraph & Telephone	5,140.00	0.41	1,847,700
Jxtg Holdings Inc	444.40	1.16	14,347,600
Murata Manufacturing Co Ltd	4,449.00	-0.49	2,475,300
Kansai Electric Power Co Inc	1,302.00	0.70	1,061,900
Denso Corp	4,479.00	0.90	750,900
Sompo Holdings Inc	4,265.00	-0.14	637,300
Daiwa House Industry Co Ltd	3,312.00	-0.57	1,101,000
Dai-Ichi Life Holdings Inc	1,460.00	0.38	2,147,100
Mazda Motor Corp	882.20	1.17	4,021,500
Komatsu Ltd	2,259.50	0.29	2,085,100
West Japan Railway Co	8,840.00	-0.11	381,300
Kao Corp	7,705.00	1.17	1,009,400
Mitsui & Co Ltd	1,685.50	1.35	3,331,900
Daito Trust Construct Co Ltd	13,555.00	-1.17	188,100
Otsuka Holdings Co Ltd	4,314.00	-0.78	726,900
Oriental Land Co Ltd	15,540.00	1.04	394,500
Sekisui House Ltd	1,866.50	-0.32	1,534,800
Secom Co Ltd	9,039.00	0.43	642,400
Tokio Marine Holdings Inc	5,459.00	-0.11	953,300
Aeon Co Ltd	1,856.00	-0.03	1,145,700
Asahi Kasei Corp	974.80	1.29	2,458,500
Kirin Holdings Co Ltd	2,068.50	-0.19	1,516,100
Marubeni Corp	677.30	0.83	3,479,700
Mitsubishi Ufj Financial Gro	511.20	-0.12	22,729,800
Mitsubishi Chemical Holdings	736.80	0.24	3,747,900
Fanuc Corp	17,955.00	-2.26	1,180,100
Fast Retailing Co Ltd	62,190.00	0.26	487,500
Ms&Ad Insurance Group Holdin	3,379.00	-0.24	698,600
Kubota Corp	1,528.00	0.76	1,607,200
Seven & I Holdings Co Ltd	3,794.00	0.88	1,280,100
Inpex Corp	892.80	-1.20	3,577,700
Resona Holdings Inc	419.40	0.77	8,731,500
Fujifilm Holdings Corp	4,558.00	1.31	1,083,900
Yamato Holdings Co Ltd	1,822.50	0.80	660,200
Chubu Electric Power Co Inc	1,570.50	0.54	732,900
Mitsubishi Estate Co Ltd	2,020.50	-0.07	2,274,100
Mitsubishi Heavy Industries	3,986.00	0.08	584,100
Sysmex Corp	6,805.00	1.67	395,000
Shiseido Co Ltd	8,679.00	0.01	920,100
Shionogi & Co Ltd	5,675.00	0.55	751,500
Terumo Corp	2,999.00	-0.89	1,869,500
Tokyo Gas Co Ltd	2,711.00	1.33	701,700
Tokyo Electron Ltd	19,015.00	-1.17	1,126,900
East Japan Railway Co	10,030.00	0.05	346,100
Itochu Corp	2,108.00	-0.02	2,782,900
Ana Holdings Inc	3,619.00	0.56	613,400
Mitsubishi Electric Corp	1,286.00	0.39	2,690,500
Sumitomo Mitsui Financial Gr	3,478.00	0.09	2,116,900

SENSEX

Company Name	Lt Price	% Chg	Volume
Adani Ports And Special Econ	361.30	-1.20	1,638,833
Asian Paints Ltd	1,576.75	-2.44	1,289,263
Axis Bank Ltd	645.70	-2.74	8,461,431
Bajaj Finance Ltd	3,258.50	-2.22	1,199,726
Bharti Airtel Ltd	336.85	-2.87	4,226,095
Bharti Infratel Ltd	248.25	-0.88	2,517,752
Bajaj Auto Ltd	2,764.20	-0.86	493,182
Bajaj Finserv Ltd	7,026.30	-1.31	237,446
Bharat Petroleum Corp Ltd	356.20	0.27	7,865,099
Cipla Ltd	469.55	-0.61	1,564,714
Coal India Ltd	181.05	-2.00	7,054,535
Dr. Reddy's Laboratories	2,532.80	-0.97	385,453
Eicher Motors Ltd	15,775.80	-2.97	192,668
Gail India Ltd	126.80	-2.31	6,691,666
Grasim Industries Ltd	696.25	-2.07	2,353,131
Hcl Technologies Ltd	1,108.35	0.73	2,043,447
Housing Development Finance	2,089.90	-3.53	4,009,112
Hdfc Bank Limited	2,210.95	-0.76	2,857,169
Hero Motocorp Ltd	2,557.45	-0.57	867,231
Hindalco Industries Ltd	178.40	-3.28	4,927,852
Hindustan Petroleum Corp	256.80	-1.29	4,493,899
Hindustan Unilever Ltd	1,841.85	-2.13	1,195,923
Icici Bank Ltd	392.15	-4.27	20,194,305
Indiabulls Housing Finance L	454.55	-0.18	19,335,680
Indusind Bank Ltd	1,343.95	-3.71	6,169,187
Infosys Ltd	814.25	-0.08	5,647,088
Indian Oil Corp Ltd	117.25	-4.25	13,533,847
Itc Ltd	241.55	-1.67	9,546,229
Jsw Steel Ltd	210.15	-3.36	5,563,093
Kotak Mahindra Bank Ltd	1,414.30	-1.20	2,752,565
Larsen & Toubro Ltd	1,294.40	-2.55	3,617,815
Mahindra & Mahindra Ltd	515.45	-2.52	3,379,359
Maruti Suzuki India Ltd	6,049.70	-1.21	1,173,373
Ntpc Ltd	117.65	-3.29	7,635,093
Oil & Natural Gas Corp Ltd	117.15	-3.34	8,243,808
Power Grid Corp Of India Ltd	197.05	-1.72	5,340,832
Reliance Industries Ltd	1,206.40	-3.38	8,563,009
State Bank Of India	268.40	-1.99	21,241,863
Sun Pharmaceutical Indus	439.35	-2.45	9,396,440
Tata Steel Ltd	331.40	-3.91	9,220,653
Tata Consultancy Svcs Ltd	2,251.60	-0.35	2,545,060
Tech Mahindra Ltd	704.50	1.56	5,044,667
Titan Co Ltd	1,059.65	-4.11	1,858,383
Tata Motors Ltd	112.65	-3.47	36,905,736
Upl Ltd	553.35	-1.75	3,021,248
Ultratech Cement Ltd	3,885.55	-4.11	673,895
Vedanta Ltd	134.15	-3.59	8,146,883
Wipro Ltd	253.65	-0.29	2,205,559
Yes Bank Ltd	58.75	-2.00	196,326,964
Zee Entertainment Enterprise	361.00	-3.24	2,968,075

Anti-Brexit protesters march outside the Houses of the Parliament in London yesterday. Markets fear that a no-deal Brexit could be disastrous for the British economy, at least in the short term, and could plunge the country into recession.

Pound rebounds as Johnson loses majority in parliament ahead of key Brexit vote

AFP
London

The British pound hit multi-year lows against the dollar yesterday amid fears of a no-deal Brexit but rebounded after Prime Minister Boris Johnson lost his working parliamentary majority ahead of a crucial Brexit vote.

"For all the uncertainty that lies ahead, markets see a Boris Johnson led no-deal Brexit as the worst-case scenario and thus treat anything that undermines that as pound positive," said Joshua Mahony at IG.

Sterling struck $1.1959 in early European business, its worst trading level since 1985 with the exception of a 2016 "flash crash" which took it even lower for a very short moment.

But then a Conservative lawmaker joined the opposition ahead of a showdown with rebel MPs over Brexit that could lead to a snap election within weeks.

"Though there is no doubt plenty of pain on the horizon, sterling managed to shake off the excesses of its Tuesday's slide as the session went on," said Connor Campbell at Spreadex.

The UK leader insists that Britain will leave the European Union with or without a deal on October 31.

Across Europe, London's FTSE 100 fell 0.2% to close at 7,268.19 points; Frankfurt's DAX 30 was down 0.4% at 11,910.86, while Paris' CAC 40 lost 0.0.5 % at 5,466.07. The EURO STOXX 50 fell 0.3% at 3,422.56.

Markets fear that a no-deal Brexit could be disastrous for the British economy, at least in the short term, and could plunge the country into recession.

While the pound's weakness makes imports into Britain more expensive, for example oil which is traded in dollars, it cheapens exports.

However, a general election could see the main opposition Labour party win power, led by Jeremy Corbyn whose policies are widely regarded as being unfriendly towards business.

Analysts acknowledged they could not see much upside for sterling in any likely scenario.

"It seems there is no good near-term outcome. We either have an increased risk of no-deal, the possibility of a Corbyn government or more uncertainty," Craig Erlam, senior market analyst at Oanda trading group, told AFP yesterday.

"It would appear traders don't view any of these options as being particularly favourable for the pound," Erlam added.

In commodities trading, oil prices extended losses on concerns about data showing a lift in output from Opec and Russia, despite a pledge from them to reduce production.

HONG KONG

Company Name	Lt Price	% Chg	Volume
Ck Hutchison Holdings Ltd	66.60	-0.52	3,905,632
Hang Lung Properties Ltd	17.78	0.91	4,782,786
Ck Infrastructure Holdings L	51.40	0.10	2,200,608
Hengan Intl Group Co Ltd	51.40	-0.48	2,005,081
China Shenhua Energy Co-H	15.88	0.00	10,408,938
Cspc Pharmaceutical Group Lt	16.24	1.50	43,806,280
Hang Seng Bank Ltd	160.70	-0.06	1,653,065
China Resources Land Ltd	31.25	-0.95	5,739,378
Ck Asset Holdings Ltd	51.75	-1.05	4,837,434
Sino Biopharmaceutical	11.68	-1.18	33,596,736
Henderson Land Development	35.60	-1.39	4,220,147
Aia Group Ltd	75.00	-0.20	15,283,896
Ind & Comm Bk Of China-H	4.92	-0.61	119,502,185
Want Want China Holdings Ltd	6.08	-0.98	10,920,765
Sun Hung Kai Properties	107.90	-0.09	6,823,749
New World Development	9.63	-0.21	7,669,609
Geely Automobile Holdings Lt	11.74	-2.81	39,802,392
Swire Pacific Ltd - Cl A	75.65	0.00	577,260
Sands China Ltd	35.15	0.86	6,221,471
Wharf Real Estate Investment	41.30	-0.36	2,534,994
Clp Holdings Ltd	78.85	0.57	2,339,175
Country Garden Holdings Co	9.80	-0.20	14,834,179
Aac Technologies Holdings In	33.95	-0.15	4,660,938
Shenzhou International Group	107.50	-0.19	1,901,230
Ping An Insurance Group Co-H	90.50	0.33	18,279,096
China Mengniu Dairy Co	30.60	-2.08	10,331,139
Sunny Optical Tech	109.70	0.46	9,189,683
Boc Hong Kong Holdings Ltd	25.70	-0.77	8,651,797
China Life Insurance Co-H	18.00	-0.88	25,111,725
Citic Ltd	9.33	-0.64	6,223,352
Galaxy Entertainment Group L	49.00	0.62	8,646,213
Wh Group Ltd	6.32	0.80	17,023,504

HONG KONG

Company Name	Lt Price	% Chg	Volume
Hong Kong & China Gas	15.00	0.67	13,015,967
Bank Of Communications Co-H	5.10	-0.97	13,854,443
China Petroleum & Chemical-H	4.58	-1.51	60,419,778
Hong Kong Exchanges & Clear	236.80	-0.34	3,190,522
Bank Of China Ltd-H	2.98	-0.67	124,352,888
Hsbc Holdings Plc	55.95	-0.18	12,569,096
Power Assets Holdings Ltd	51.20	-0.68	3,037,253
Mtr Corp	44.50	1.14	5,566,141
China Overseas Land & Invest	24.55	-1.01	5,133,554
Tencent Holdings Ltd	329.20	-0.60	13,962,630
China Unicom Hong Kong Ltd	7.75	-1.27	15,942,832
Link Reit	86.45	0.35	7,576,130
Sino Land Co	10.80	-0.18	8,732,101
China Resources Power Holdin	9.98	-1.38	4,569,979
Petrochina Co Ltd-H	3.87	-0.51	48,592,859
Cnooc Ltd	11.44	-1.04	33,710,058
China Construction Bank-H	5.74	-1.20	314,687,996
China Mobile Ltd	64.75	-0.23	6,793,800

GCC INDICES

Indices	Lt Price	Change
Doha Securities Market	10,300.01	+25.86
Kuwait Stocks Exchange	4,784.21	+4.90
Oman Stock Market	4,016.62	+13.96

The European Central Bank headquarters building in Frankfurt. The heads of the German and Dutch central banks, as well as an ECB executive board member, said they see no compelling need to resume bond purchases, and the Austrian governor said he'll probably be critical of more easing.

ECB watchers look to France for stimulus hint as policy makers split

Bloomberg
Frankfurt

One influential European Central Bank voice has been notably absent so far in the debate over whether to ramp up stimulus.

Bank of France governor Francois Villeroy de Galhau, monetary chief for the eurozone's second-largest economy, has yet to say whether he thinks the bloc needs a major package including an interest-rate cut and the restart of quantitative easing.

His silence is becoming conspicuous after a week which exposed divisions on the Governing Council over the way forward. The heads of the German and Dutch central banks, as well as an ECB executive board member, said they see no compelling need to resume bond purchases, and the Austrian governor said he'll probably be critical of more easing. At the same time, the Spanish and Finnish governors said restarting QE must remain an option.

That split makes Villeroy's position potentially critical for market expectations over what officials will deliver when they meet on September 12. While President Mario Draghi has effectively primed markets for action, investors are uncertain how far he'll be able to go.

"Villeroy de Galhau might be able to influence the magnitude of the move." said Anatoli Annenkov, senior economist at Societe Generale in London. "If we have the known hawks, they can be outvoted. If there's more opposition, that might be a different thing."

The French governor has until today evening to make his view public, after which the Governing Council goes into its quiet period. Because of a rota system to smooth decision-making, he doesn't have a vote at the meeting itself. In practice though, his views will still carry weight and policy makers rarely resort to voting, aiming instead for consensus or unanimity.

Villeroy hasn't commented on monetary policy since before the last session in July, when the council ordered ECB staff to examine all policy options including resuming QE. That decision was sparked in part by concern that investors and the public might be doubting the institution's ability to boost inflation.

Villeroy said in early July that there must be no doubt over the ECB's ability to increase stimulus.

But he has also said policy should be guided by economic data rather than market expectations. Such sentiment was echoed last week by ECB Vice President Luis de Guindos, who said investor bets should be taken "with a pinch of salt."

Traders in money markets are pricing around 17 basis points of easing at the meeting. Some, such as RBC Capital Markets, are looking for an immediate 20 basis-point cut in the deposit rate – currently minus 0.4% – with more to come later in the year. Banks including Goldman Sachs, Nomura, and ABN Amro predict a new round of QE.

The economic outlook looks bleak, with US trade protectionism and the UK's Brexit troubles hitting confidence. A report on Monday confirmed that eurozone manufacturing has been in recession for seven months, and services could follow.

Despite €2.6tn ($2.9tn) of bond purchases from 2015 to the end of last year, half a decade of negative interest rates and free loans to banks, consumer-price growth is at 1% – just half the ECB's goal.

Yet Bundesbank President Jens Weidmann, his German colleague on the ECB's Executive Board, Sabine Lautenschlaeger, and Dutch Governor Klaas Knot all said last week that QE should only kick in again if the economy deteriorates further. The opposing view has been most forcefully put forward by Finland's Olli Rehn, who called last month for a comprehensive stimulus package that would overshoot market expectations. Bank of Spain chief Pablo Hernandez de Cos said on Saturday that it would be a mistake to take QE off the table at the next meeting because it complements and enhances the other measures.

Slovak governor Peter Kazimir said last week that the 25-person Governing Council will need "broad unity" to maintain its credibility.

That's something Draghi has largely managed to achieve in his eight years in office, persuading most of the doubters to join him.

This time, in his penultimate policy meeting before handing over to Christine Lagarde, his task will be harder if the council remains so deeply divided. That makes clarification of Villeroy's position all the more important.

"If the Germans really don't want a big package and the French are lukewarm then it starts to become a bit of an issue for Draghi," said Gilles Moec, chief economist at Axa in London. "My impression is that hawks really are fed up and quite a few doves may be starting to think – is this worth it?"

Finance industry on trial over €10bn lost German taxes

Bloomberg
Berlin

Germany's most convoluted tax case in recent memory gets a human face this week when two former investment bankers make their debut in court. But more than the duo's dealings, it's the role of the financial services industry at large that will come under scrutiny.

The two men, Martin S, 41, and Nicholas D, 38, are charged with helping orchestrate transactions in the latter part of the last decade involving corporate shares and their dividends that resulted in more than €400mn ($443mn) in tax losses. Both are co-operating with authorities in a bid to avoid jail time.

The former bankers will be equal parts defendants and star witnesses in a trial starting today that's been one year in the making. Their case is part of a previously widespread trading practice across the industry known as Cum-Ex. Lawmakers estimate the financial engineering cost the government more than €10bn in lost revenue, a shortfall the treasury is keen to recoup from those involved.

"It'll be a pilot case that'll write legal history and break ground for others to come," Gerhard Schick, a former German lawmaker who has followed the Cum-Ex case for years. "The criminal clean-up is finally entering its crucial phase."

The charges were brought by Cologne prosecutors, who are leading the biggest of several Cum-Ex investigations in Germany. Hearing the case is a court in nearby Bonn, home to a special tax authority that's handling issues involving foreign investors.

Cum-Ex transactions, spawned from various forms of dividend stripping, relied on the sale of borrowed shares just before a company was scheduled to pay dividends.

This allowed more than one investor to claim a refund on a tax that was normally paid only once, effectively double-dipping at the expense of the state.

There's potentially much to gain from helping authorities shed light on the dealings, given the outsize financial damages involved. Under German law, schemes with tax losses exceeding 1mn euros usually carry jail time with no suspension possible – the higher the amount, the longer the term. At the same time, cooperation can help reduce or even get a prison sentence waived altogether.

Representatives for the two men – who are both British citizens – declined to comment. They could only be identified by their first names due to German press law. In one of the most closely followed German tax cases, FC Bayern Munich President Uli Hoeness was given a 3 1/2 year prison sentence in 2014 for evading evading €28.5mn in tax – a fraction of the sum involved in the Bonn case.

The indictment lists 34 cases that prosecutors pieced together, and the account reads like a who's who of the financial services community. Cum-Ex transactions required the finely-tuned collaboration of an entire industry: a buyer taxable in Germany, as well as short sellers who borrowed the stock from pension or investment funds, along with trading desks at investment banks and brokers who facilitated the deals.

Martin S told investigators that next to vehicles set up for the purpose of buying stock, some German lenders also fulfilled that role – among them private bank MM Warburg & Co and some regional banks. The short sellers were often investments banks, including Macquarie Group Ltd, Barclays Plc, and Banco Santander SA, a role also taken by Royal Bank of Scotland Group Plc, Morgan Stanley and Merrill Lynch & Co, according to other witnesses.

Among investment banks that lent stock, cooperating witnesses cited Deutsche Bank AG, State Street Corp, and Sweden's SEB AB. Brokers included Tullett Prebon Group Holdings Plc and ICAP. Banks were allegedly also among the investors funds in funds that did Cum-Ex transactions, among them Credit Suisse Group AG and Bank of Ireland Group.

In some of the cases selected for the charges, Deutsche Bank and Merrill Lynch acted as prime brokers for funds that did trades. Deutsche Bank, BNP Paribas SA and BHF, a company later acquired by Bank of New York Mellon Corp, were among lenders which acted as custody banks, issuing crucial tax certificates.

In response to questions from Bloomberg, Deutsche Bank said that unlike many competitors, it didn't do Cum-Ex trades on its own account.

However, the bank was involved in clients' Cum-Ex transactions, including typical banking services such as financing securities transactions .

Warburg said it never sought double refunds and never intended do to transactions to that aim. Santander referred to its interim report stating it's being investigated and is co-operating with authorities. SEB said it was a market participant in securities lending but has no information about lending to short sellers involved in Cum-Ex.

South Africa's second-quarter growth beats expectations

Reuters
Pretoria

South African GDP grew more than expected in the second quarter thanks to a recovery in mining and manufacturing, official data showed yesterday, in a reprieve for President Cyril Ramaphosa as the economy looks set to dodge recession this year.

After a downturn in the first half of 2018 when farming plunged, the economy has struggled to regain momentum, posting a shock contraction in the first quarter of this year.

Analysts said while the second-quarter GDP print could see South Africa avoid recession in 2019, it was not enough to stop credit rating downgrades linked to debt issues including bailouts for state power utility Eskom.

"It's a great relief. A huge positive, but in reality it won't do much for the credit rating situation.

That's more about debt," said Wayne McCurrie, portfolio manager at FNB Wealth and Investments.

The rand extended gains after the data, firming more than 0.5% to a session high of 15.1125.

GDP growth in the three months to June was 3.1%, after a revised contraction of 3.1% in the first quarter, Statistics South Africa said.

Economists polled by Reuters had predicted an expansion of 2.4% for the quarter.

The second-quarter growth was the highest since the fourth quarter of 2017.

Year-on year GDP growth was 0.9% compared with zero previously.

The data showed mining output grew by 14.4% in the second quarter, after declining by 10.8% previously.

Manufacturing output rose 2.1%, rebounding after declining 8.8% in the first quarter.

"There was a strong rebound in iron prices in the months leading to this quarter...and remember with mining in the first quarter there were challenges with electricity supply and those have eased a bit," said Mike Manamela, chief director for national accounts at the statistics office.

Growth in Africa's most industrialised economy hinges heavily on saving power firm Eskom, which is drowning in debt.

At the start of the year, it implemented power outages that triggered a slowdown across most sectors in the first quarter.

Fixing Eskom, which supplies more than 90% of the power in South Africa, is one of the biggest challenges Ramaphosa faces.

It is regularly cited by ratings agencies as one of the main threats to South Africa's investment-grade credit rating status and economic growth prospects.

Moody's, the last of the three big international ratings agencies to keep South African debt at investment grade, said in July that government's proposal to provide additional financial support to Eskom was "credit negative". The government said it would give Eskom 59bn rand ($3.87bn) of additional financial support over the next two years, on top of an already-promised bailout of 230bn rand spread over the next decade.

"We could avoid a recession this year with even zero growth in the next quarter," said Isaah Mhlanga, chief economist at Alexander Forbes.

"But there's absolutely no room for Ramaphosa to manoeuvre.

The macroeconomic fundamentals are still very weak."

The IMF has warned that South Africa's public debt, forecast at 55% of GDP in February by Treasury but likely to be revised upwards at the October mini-budget, is reaching uncomfortable levels.

US IPOs hope for market volatility reprieve

Reuters
New York

US companies planning to launch initial public offerings (IPOs) in the coming weeks are hoping that August's bout of stock market volatility will subside this month, according to investment bankers and capital markets lawyers advising them.

The US trade war with China caused the stock market to seesaw in August.

The CBOE Volatility index, Wall Street's fear gauge, rose around 17.7% last month, the second-biggest monthly jump so far in 2019.

Last month was also the worst August for US stocks in four years.

Market volatility can prevent IPOs from going ahead because it makes it difficult for investment bankers to price them by balancing demand and supply for the shares on offer.

However, August is traditionally a slow month for IPOs due to the summer holidays. Only seven IPOs took place last month.

By contrast, almost 70 companies have registered with the US Securities and Exchange Commission for an IPO, according to research firm Renaissance Capital, which estimates companies could raise more than $15bn from September until the end of 2019.

WeWork owner The We Company, food delivery platform Postmates Inc and fitness startup Peloton Interactive are among the companies expected to launch IPOs by the end of the year.

Representatives for the three companies declined to comment on their IPO plans. "I can safely say that this has been one of busiest Augusts we have ever had in terms of IPOs getting geared up for September," said David Goldschmidt, global head of capital markets at US law firm Skadden, Arps, Slate, Meagher & Flom.

The US Securities and Exchange Commission headquarters in Washington, DC. Almost 70 companies have registered with the SEC for an IPO, according to research firm Renaissance Capital, which estimates companies could raise more than $15bn from September until the end of 2019.

The US market for IPOs typically gets back up to full speed once dealmakers and investors return to work after the Monday Labor Day holiday.

So far in 2019, companies have raised $36.5bn through IPOs, down slightly on the same point in 2018 but the third most active year since the 2008 financial crisis, according to financial data provider Refinitiv.

While the shares of this year's two most high-profile IPOs, Uber Technologies Inc and Lyft Inc, have performed poorly after their flotation, most IPOs have fared well in 2019.

Renaissance Capital's IPO-focused exchange-traded fund is up more than 30% so far in 2019, around double the rise in the S&P 500 Index over the same period.

Strong IPO performers have included plant-based burger maker Beyond Meat Inc and video conferencing company Zoom Video Communications Inc

"Conditions could all change with a tweet (such as from US President Donald Trump) but, when you look at the overall market backdrop, it feels maybe not perfect but still very good for IPOs," said Mike O'Donovan, partner in investment bank PJT Partners Inc's strategic advisory business.

In the background for companies weighing the timing of their IPO, is whether or not political rhetoric from US presidential candidates could make for even rougher conditions.

The run-up to a US presidential election has typically not had a major impact on prospective IPOs, though the November 2020 face-off between Republican Trump and a Democratic challenger is expected by market participants to trigger more volatility, given the polarisation in US politics.

"We are urging companies to be ready as soon as possible because the IPO windows have been so unpredictable," said Andrew Fabens, partner at Gibson, Dunn & Crutcher and co-chair of the law firm's capital markets practice.

The likes of home-sharing company Airbnb Inc, payments startup Stripe and job search platform ZipRecruiter are expected to pursue IPOs next year, and it is unclear how close their IPOs would be to the presidential election.

Spokesman for Airbnb and ZipRecruiter declined to comment on a possible IPO.

Stripe did respond to a request for comment.

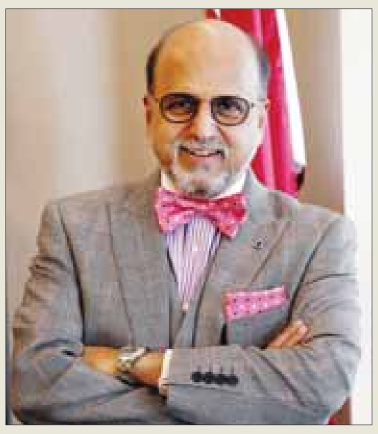
"It would be incorrect to say the IPO window closes around elections," said Alex Wellins, co-founder of IPO advisory and investor relations firm Blueshirt Group LLC.

"That said," Wellins added, "most people expect very high levels of volatility around this particular election."

BANKING ON KNOWLEDGE

Emerging economies growth contingent on global sustainability

By Dr R Seetharaman



According to IMF July 2019, China economy is expected to grow by 6.2% in 2019. The negative effects of escalating tariffs and weakening external demand have added pressure to an economy already in the midst of a structural slowdown and needed regulatory strengthening to rein in high dependence on debt.
China consumer inflation edged up to 2.8% in July 2019. There is escalation in trade tension between the two largest economies US and China in recent times and has contributed to volatility in financial markets. The Chinese yuan had breached 7 against the US dollar and has fallen by more than 4% YTD. Chinese capital market is up more than 17% YTD. Chinese bond issues exceeded $828bn in the first half of 2019 as against $578bn in the first half of 2018.
According to IMF July 2019, the Brazil economy is expected to grow by 0.8% in 2019 as against the January 2019 forecast of 2.5% in 2019. Brazilian inflation expectations for this year have fallen to fresh lows, according to a recent central bank survey. The central bank board, will meet this month and we need to see whether policy makers have the space to maintain their rate-cutting.
The Brazil real has fallen below 4.18 levels against the US dollar and weakened by close to 8% YTD. Brazil capital market is up by more than 14% YTD. Brazil bond issues exceeded $28bn in the first half of 2019 as against $35.8bn in the first half of 2018.
According to IMF July 2019, Russian economy is expected to grow by 1.2% in 2019 as against the January 2019 forecast of 1.6% in 2019. The annual inflation rate in Russia was 4.6% in July of 2019. The Russian rouble is near 67 levels against the US dollar and has surged by close to 3.5% YTD.
Russia capital market is up by more

than 20% YTD on account of recovery in oil prices. Russian bond issues exceeded $25.3bn in the first half of 2019 as against $18.08bn in the first half of 2018.
According to IMF July 2019, South African economy is expected to grow by 0.7% in 2019 as against the January 2019 forecast of 1.4% in 2019. The annual inflation rate in South Africa fell to 4.0% in July 2019.
The FTSE/ JSE Africa All shares index is up by close to 4% YTD. The South African rand is below 15.2 against the US dollar and has weakened by more than 6% YTD. The South Africa bond issue is close to $5.3bn in the first half of 2019 as against $3.7bn in the first half of 2018. India growth for 2019 brought down to 7% in IMF July 2019 forecast from 7.5% in IMF January 2019 forecast.
The India consumer price inflation rate was at 3.15% in July 2019. Indian rupee had also breached 72 against the US dollar this week.
The Indian bond issue is close to $57.4bn in the first half of 2019 as against $46.26bn in the first half of 2018. India's capital market is flat this year. The government also decided to relax norms for foreign direct Investment in several sectors including single brand retail, digital media and the manufacturing sector as part of an all-out effort to boost the flagging economy.
The revoking of the foreign portfolio investor surcharge, the announcement of consolidation and upfront recapitalisation of public sector banks with a capital infusion of 55,250 crore are enablers for economic acceleration. RBI could come up with more rate cuts to complement government efforts. According to IMF July 2019, the emerging market and developing economy group is expected to grow at 4.1% in 2019 as against the January 2019 forecast of 4.5% in 2019. The dollar index has reached 99 levels and is putting pressure on emerging economies currencies. The emerging economies growth is contingent on global sustainability.

■ *Dr R Seetharaman is Group CEO of Doha Bank.*

US manufacturing activity shrinks for first time in 3 years

Reuters
Washington

US manufacturing activity contracted for the first time in three years in August, with new orders and hiring declining as trade tensions weighed on business confidence, which could renew fears of a sharp economic slowdown.

Other data yesterday showed construction spending barely rising in July. Data on consumer spending had suggested that while the economy was slowing, it was not losing momentum as rapidly as financial markets were flagging.

The Institute for Supply Management (ISM) said its index of national factory activity dropped to a reading of 49.1 last month from 51.2 in July.

A reading below 50 indicates contraction in the manufacturing sector, which accounts for about 12% of the US economy. Last month marked the first time since August 2016 that the index broke below the 50 threshold.

August's reading was also the lowest since January 2016 and was the fifth straight monthly decline in the index.

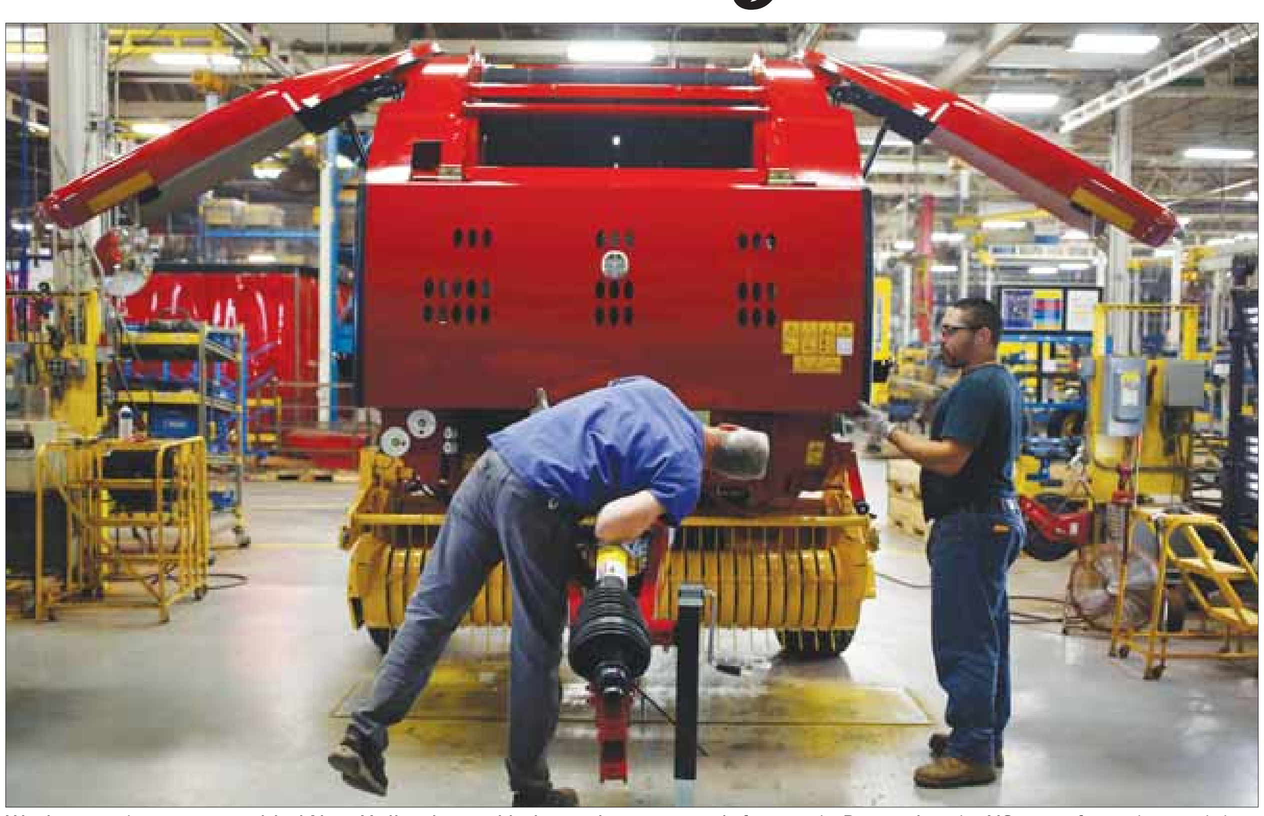
The ISM said there had been "a notable decrease in business confidence," adding that "trade remains the most significant issue, indicated by the strong contraction in new export orders."

Economists polled by Reuters had forecast the ISM index would slip to 51.0 in August. The year-long US-China trade war is eroding business sentiment, with business investment contracting in the second quarter for the first time in more than three years.

That, together with an inventory bloat, is undercutting manufacturing, with output declining for two straight quarters. Weak manufacturing and business investment are offsetting some of the boost to the economy from strong consumer spending.

A new round of US tariffs on imports of Chinese goods, mostly consumer products like clothing, footwear and televisions, took effect on September 1. These duties are expected to slow consumer spending.

Additional US tariffs are due to be imposed in December. With trade tensions still simmering in the background, the Federal Reserve is expected to cut interest rates again this month to keep the longest economic expansion in history on track. The Fed lowered its short-term interest rate by 25 basis points in July for the first time since 2008, citing trade tensions and slowing global growth.



Workers review an assembled New Holland round baler at the company's factory in Pennsylvania. US manufacturing activity contracted for the first time in three years in August, with new orders and hiring declining as trade tensions weighed on business confidence, which could renew fears of a sharp economic slowdown.

Financial markets have fully priced in another quarter-percentage-point cut at the Fed's September 17-18 policy meeting. The ISM's forward-looking new orders sub-index dropped to a reading of 47.2 last month, the lowest level since June 2012, from 50.8 in July.

A gauge of factory employment tumbled to 47.4, the weakest reading since March 2016, from 51.7 in July.

Manufacturing employment is being closed watched after the workweek dropped to its lowest level since November 2011 in July and factories cut overtime. US stock indexes extended losses after the data.

Yields on US Treasuries tumbled while the dollar was slightly stronger against a basket of currencies.

In a separate report on Tuesday, the Commerce Department said construction spending edged up 0.1%. Data for June was revised up to show construction outlays decreasing 0.7 instead of falling 1.3% as previously reported.

Economists polled by Reuters had forecast construction spending would rise 0.3% in July.

Construction spending fell 2.7% on a year-on-year basis in July. Investment in public construction projects increased 0.4% after tumbling 3.1% in June.

Spending on state and local government construction projects rebounded 0.6%. That followed a 3.7% plunge in June. Outlays on federal government construction projects fell 2.4% in July after surging 4.3% in the prior month.

Spending on private construction projects dipped 0.1% in July, reversing June's 0.1% gain. Investment in private residential projects rose 0.6%, the most in eight months, after being unchanged in June.

Private residential investment was boosted by a 1.4% jump in single-family home building.

There were also gains in home renovations. Land and labour shortages have constrained home-building even as mortgage rates have dropped sharply from last year's levels.

Spending on residential construction has contracted for six straight quarters, the longest such stretch since the Great Recession. Spending on private nonresidential structures, which includes manufacturing and power plants, dropped 0.8% in July to a seven-month low. That followed a 0.2% rise in June.

Investment in nonresidential construction fell at its steepest pace in more than three years in the second quarter.

Italy is targeting expansionary 2020 budget with Salvini sidelined for now

Bloomberg
Rome

Italy's new government would push through an expansionary 2020 budget and demand a review of European Union fiscal rules, according to a draft programme seen by Bloomberg.

The 26-point agenda pledges to avert an increase in sales tax that's due to kick in next year by cutting spending and raising revenue in other areas. Next year's budget will also cut taxes on labour and introduce a minimum wage, but it won't jeopardise public finances, according to the draft.

Premier-designate Giuseppe Conte is drawing up a programme with the anti-establishment Five Star Movement and the centre-left Democratic Party, as he prepares to report back to President Sergio Mattarella on his attempt to form a new administration.

Conte is striving to draw a line under a turbulent year in Rome which saw his government plagued by infighting and clashes with the European Commission. Italy may be heading for calmer waters now after Conte thwarted an attempt by right-wing populist Matteo Salvini to seize power by pulling out of the previous coalition last month.

Conte has one more hurdle to clear before he can seal the new alliance. Five Star activists are voting on whether to govern with the Democrats, who were one of their biggest political enemies until a few weeks ago. While there is some uncertainty over the outcome of the vote, Five Star activists have tended to endorse the party leadership's decisions in the past.

The risk for investors is that Salvini could still mount a comeback. The League leader has decried the new coalition as an anti-democratic stitch up.

While his support has been dented over the summer, his party still has a clear lead in opinion polls and he is already set on driving a wedge between the partners in the new coalition.

For now though, the draft programme for the new administration is attempting to lay the foundation for a period of stability. It pledges to "pursue an expansionary economic policy, without compromising the balance of public finances.'' Avoiding the sales tax hike in 2020 will require finding savings of about €23bn ($25bn) from elsewhere in the budget.

The document also promises to seek with the new European Commission "to relaunch investments and reinforce social cohesion, promoting changes necessary to overcome the excessive rigidity of European limits on state budget policies.'' "There is a need for rules which promote also growth, not just stability,'' the draft adds.

Just who would steer Italy's economy has yet to be decided, according to officials from Five Star and the Democrats who declined to be named discussing confidential negotiations.

Options for the post of finance minister include Salvatore Rossi, former director general of the Bank of Italy, Dario Scannapieco, vice-president of the European Investment Bank, and Roberto Gualtieri, a Democrat member of the European Parliament, the officials said.

The draft promises a new tax on internet giants who shift profits out of the countries where they are doing business in order to reduce their liabilities – a controversial measure introduced by France this year. Other policies include reviewing highway concessions, cutting the number of lawmakers in the Rome parliament as soon as possible and seeking new EU rules on illegal immigration.

The draft makes no mention of an earlier Five Star demand to separate commercial and investment banks.

While a review of EU fiscal rules may happen in coming years with the new commission, imminent changes are unlikely. Simplifying the bloc's rules, which have often been criticised as too convoluted, will not necessarily give Italy more space for expansionary plans.

India plans mega banks, but analysts say bet on rivals instead

Bloomberg
Mumbai

Equity analysts predict that India's move to merge several of its state banks will slow their loan growth, and many brokers advise buying shares of the lenders' rivals who stand to benefit from the uncertainty. While the mergers will reduce the number of state-owned banks to 12 from 27 and are aimed at creating bigger and healthier lenders, the time needed for integration and challenges related to staff, branch and process overlaps are expected to be the main immediate risks.
Prime Minister Narendra Modi's government late Friday surprised analysts by announcing a series of mergers that will create four new lenders that will hold business worth Rs55.8tn ($781bn), or about 56% of the Indian banking industry.
The announcement came minutes before data showed economic growth in Asia's third-biggest economy slumped to a six-year low of 5%, below the weakest estimate of 39 economists polled by Bloomberg. India's NSE Nifty 50 Index dropped 0.9% to 10,922.80 in Mumbai.
The NSE Nifty Bank Index, a gauge of 12 lenders, dropped 1.4%, while the NSE Nifty PSU Bank Index – comprising 12 state-owned banks – slid 3%. Punjab National Bank's 5.6% decline was the most among state lenders, while Syndicate Bank was the lone gainer, rising 2.5%.
Here is what some of the analysts are saying:
Caution on merger candidates: "Mergers will keep state-run banks "busy in the integration process for a prolonged period and thus help private banks further consolidate their business market share," Emkay Global analysts Anand Dama and Rahul Malani wrote in a note yesterday.
Emkay downgrades Indian Bank to hold from buy, and maintains sell on Punjab National Bank, Canara Bank and Union Bank, citing merger overhang. The analysts retain buy on SBI and a positive bias toward private banks, with ICICI Bank and HDFC Bank as top picks among large stocks.
Value lies outside: "Consolidation comes with its own set of challenges in HR, process integration, branch rationalisation," analysts led by Kunal Shah at Edelweiss Securities Ltd in Mumbai, wrote in an investor note on Friday. "Ideally, value lies in places outside the involved banks and within this space, we like State Bank of India as it is better positioned to grow," they wrote.
Loan growth slows: "We have observed that historically, when state-owned banks merge, smaller banks' loan-book growth slows sharply, as the primary focus of management shifts to integration," Vishal Goyal and Ishank Kumar, analysts at UBS Securities India, said in a note on Saturday.
ICICI Bank Ltd and Axis Bank Ltd remain UBS's most-preferred picks.
Smaller lenders lose: The mergers may not be favourable for the smaller lenders based on the share-swap ratios decided in past state-owned bank combinations, analysts led by Adarsh Parasrampuria at Nomura Financial Advisory & Securities (India), wrote in a note on Saturday. "We continue to prefer private corporate banks such as ICICI and Axis Bank and we see value in State Bank, where merger-related uncertainty will not be there."
Deepen credit crunch: "Consolidation is a good long-term move, but could weigh on near-term growth and potentially worsen the credit crunch," analysts led by Sumeet Kariwala at Morgan Stanley wrote in a note on Monday. The brokerage remains underweight on Punjab National Bank and Canara Bank.
Credit growth pangs: Mergers are "unlikely to revive credit growth," Credit Suisse Group AG's analysts Ashish Gupta and Kush Shah wrote in a note on Monday. "Given the limited flexibility on restructuring and rationalisation, meaningful cost synergies from PSU bank mergers are unlikely", the note added.
Strengthening the system: Citigroup Inc said the mergers "are significant and should strengthen the banking system in the medium to long term." Fewer banks will mean the government's capital infusion will be concentrated and will aid in talent management, analysts including Manish Shukla wrote in a note, upgrading shares of Bank of Baroda Ltd to buy from neutral.
Faster bad-loan resolution: "Near-term impacts could potentially be slower growth but faster NPL resolution, while medium-term impacts could include lower lending spreads in segments where SOE banks are market leaders," Goldman Sachs Group Inc analyst Rahul Jain wrote in a note.