UK, EU call in leaders to save trade talks

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Reuters | London/Brussels

European Council President Charles Michel attends a video conference with representatives of member states ahead of the upcoming EU summit, in Brussels, Belgium

British and EU negotiators paused trade talks yesterday to call in their leaders to try to narrow gaps and get an agreement over the line, less than four weeks before Britain completes its Brexit journey out of the bloc.

After failing to agree the basis for a deal, Britain's David Frost and the EU's Michel Barnier said they would brief leaders to seek new impetus for the talks, which stumbled on Thursday when London accused Brussels of making new demands.

On Saturday, Prime Minister Boris Johnson and European Commission President Ursula von der Leyen will speak to try to break the impasse, which sources said was centred on French demands over fishing rights in British waters.

It is the latest twist in what has been months of negotiations which have barely moved on the three thorniest issues - fisheries, ensuring fair competition guarantees and ways to solve future disputes.

But so far neither side has walked away from the talks, suggesting that both still hold out some hope of securing a deal governing almost $1 trillion of annual trade to avoid a disorderly end to more than 40 years of British membership of the European club.

"After one week of intense negotiations in London, the two chief negotiators agreed today that the conditions for an agreement are not met, due to significant divergences on level playing field, governance and fisheries," they said in a statement.

"On this basis, they agreed to pause in order to brief their principals on the state of play of the negotiations. (European Commission) President (Ursula) von der Leyen and Prime Minister (Boris) Johnson will discuss the state of play tomorrow afternoon."

Sterling sank by as much as half a cent against the U.S. dollar, weakening to $1.3425 from $1.3475 before the negotiators' statement. The pound was also lower against the euro.

Down to politicians

Earlier on Friday, there were contradictory reports of how far the talks had progressed, with some EU officials saying they were on the brink of agreement while British officials said the negotiations had reached a "very difficult" point.

Ultimately it will be for the politicians to decide whether they want to shift the negotiating positions and compromise to find grounds for a deal, or instead, to walk away.

The EU has challenged Britain to decide what future it wants for itself outside the bloc's single market and customs union.

Britain formally left the EU on Jan. 31 but has been in a transition period since then under which rules on trade, travel and business remain unchanged.

If the two sides fail to reach a deal, the five-year Brexit divorce will end messily just as Europe grapples with the vast economic cost of the COVID-19 outbreak.

A no-deal exit is the nightmare scenario for businesses and investors, who say it would snarl borders, spook financial markets and sow chaos through supply chains that stretch across Europe and beyond.

The talks soured on Thursday when a British government source said the EU had disrupted talks by trying to force further concessions and France, which fears losing many of its rights to fish in British waters, warned it might rebel. The EU denied making new demands.

French European Affairs Minister Clement Beaune told Europe 1 Radio there was still a risk that talks would fail but added: "I want to tell our fishermen, our producers, the citizens who are listening that we will not accept a deal with bad terms.

"If a good agreement cannot be reached, we will oppose it. Each country has a veto right, so it is possible... We will do our own evaluation of this draft deal, if there is one."

Oil rises, hovers below $50/bbl

Reuters | New York

Brent crude oil futures rose more than 1 per cent yesterday, remaining just under $50 a barrel, as expectations of a US economic stimulus package and the possibility of a vaccine for the coronavirus overrode rising supply and increased COVID-19 deaths.

A bipartisan $908 billion coronavirus aid plan gained momentum in the US Congress.

Brent settled up 54 cents or 1.11pc at $49.25 a barrel. During the session, the contract hit its highest since early March at $49.92. West Texas Intermediate rose 62 cents to $46.26 a barrel, after touching a high of $46.68 a barrel.

Both benchmarks gained for a fifth consecutive week, with Brent up 1.7pc and US crude up 1.9pc.

"We're higher, despite super bearish events - it's all about stimulus," said Bob Yawger, director of energy futures at Mizuho in New York. "You can't go home short this weekend because they could sign a deal this weekend."

Representative picture

OPEC+, comprising of the Organization of the Petroleum Exporting Countries and its allies, on Thursday agreed on a compromise to increase output slightly from January but continue the bulk of existing supply curbs to cope with coronavirus-hit demand.

OPEC and Russia agreed to ease deep oil output cuts from January by 500,000 barrels per day with further as yet undefined increases on a monthly basis, failing to reach a compromise on a broader policy for the rest of 2021.

OPEC+ had been expected to continue existing cuts until at least March, after backing down from plans to raise output by 2 million bpd.

The increase means the group will reduce production by 7.2 million bpd, or 7pc of global demand from January, compared with current cuts of 7.7 million bpd.

While some analysts saw an undersupplied oil market even under the new higher supply quotas, others expected the barrels would tip the market into oversupply.

Wood Mackenzie analysts, for example, expect that if the increases continue through March, there might be 1.6 million bpd unwanted in the first quarter.

The premium of Brent crude futures for nearby delivery to future months is at its highest since February, a structure called backwardation, which usually points to supplies tightening up and suggests receding fears of a current glut.

US production, meanwhile, has recovered from the two-and-a-half-year lows touched in May mainly because shale producers have brought wells back online in response to rising prices.

The US oil rig count rose five to 246, its highest since May, energy services firm Baker Hughes Co said. [RIG/U]

Money managers raised their net long US crude futures and options positions in the week to Dec. 1, the US Commodity Futures Trading Commission (CFTC) said.

Global debt to hit $200 trillion - S&P

Reuters | London

Global debt is set to reach $200 trillion, or 265 per cent of the world's annual economic output, by the end of the year, S&P Global has forecast - although it doesn't expect a crisis any time soon.

The credit ratings giant said it amounted to a 14-point rise as a percentage of world GDP, having been amplified by both the economic plunge caused by COVID and the extra borrowing that governments, firms and households have had to resort to.

"Global debt-to-GDP has been trending up for many years; the pandemic simply exacerbated the rise," S&P's report said.

Yet, despite the big jump and an expected wave of defaults over the coming year, the firm does not expect a major crisis at this stage.

"The projected 14pc surge in global debt-to-GDP in 2020 is unlikely to cause a near-term debt crisis, provided economies recover, vaccines are widely distributed, interest rates remain very low, and borrowing behaviour moderates," the report said.

As long as the world economy gets back on its feet after the pandemic, the global debt-to-GDP ratio should ease back to 256pc by 2023, S&P said.

"We expect the debt growth of corporates, governments, and household to ease as they tend to after recessions," it added.

RBI holds rates, says will ensure ample liquidity

Reuters | Mumbai

The Reserve Bank of India (RBI) kept its key interest rates steady as widely expected yesterday amid persistently high inflation but said it will ensure ample liquidity is provided to stressed sectors to keep a nascent economic recovery on track.

Its monetary policy committee decided to retain an accommodative policy stance at least for the current financial year and into the next to revive growth on a durable basis, while ensuring that inflation remains within target, Governor Shaktikanta Das said in an online briefing.

Das said the economy was rebounding faster than expected from a coronavirus-induced slump earlier in the year but warned signs of recovery were far from being broad based. COVID-19 infections are also continuing to climb, with the tally now 9.57 million people.

Das said MPC members voted unanimously to hold rates and retain the stance. The key lending rate of the RBI or the repo rate was left unchanged at 4 per cent while the reverse repo rate or the key borrowing rate stayed at 3.35pc.

"The MPC is of the view that inflation is likely to remain elevated, barring transient relief in the winter months from prices of perishables," Das said.

"This constrains monetary policy at the current juncture from using the space available to act in support of growth."

Governor Shaktikanta Das

Indian stocks extended earlier gains to hit record highs after the decision, while the Indian rupee strengthened slightly to 73.76 against the dollar. The benchmark 10-year bond yield fell 3 basis points to 5.90pc.

Das announced measures to help improve access to funding for stressed sectors and said the RBI will take further steps when necessary to ensure ample rupee liquidity to sustain visible growth impulses, without impacting inflation.

"Inflation targeting is uppermost in our agenda," Das said in a post policy news conference.

The MPC sees inflation in the current quarter at 6.8pc before cooling slightly to 5.8pc in the Jan-March quarter. The October projections for H2 FY21 were for inflation between 5.4pc-4.5pc.

"We believe that improving signs of growth normalisation and elevated inflation in the near term suggest no additional scope for rate cuts," said Garima Kapoor, economist with Elara Capital.