European stocks climb before EU summit

AFP | London, United Kingdom

Eurozone stock markets rose yesterday ahead of a key EU summit, with the smart money on Britain winning a Brexit delay which analysts said would be welcomed by equity investors.

But there was some nervousness about a possible US-EU trade war after a tariff threat by Washington.

Meanwhile, the European Central Bank held key interest rates at historic lows at a regular policy meeting yesterday.

At a news conference, bank chief Mario Draghi warned of risks weighing on eurozone growth prospects but dismissed fears of a recession. He also said it was too early to take steps to help out banks whose profit margins have been squeezed by negative interest rates.

The next big item on the monetary policy agenda is Wednesday's release of minutes from the US Federal Reserve's latest meeting.

The London stock market lagged behind its eurozone peers as the pound strengthened, typically eating into profits of London-listed multinationals with major earnings in other currencies.

Sterling benefited from the view that a Brexit delay would reduce the chances of a "hard" British exit from the European Union which would be expected to have dire economic consequences.

Traders work ahead of the closing bell on the floor of the New York Stock Exchange (NYSE)

The currency shrugged off news that the UK economy grew by just 0.2pc in February from a month earlier.

'Anything but boring'

Analysts have dubbed the combination of the EU summit, the ECB decision and the Fed minutes "Super Wednesday", making for "anything but a boring day in the markets", as Oanda analyst Craig Erlam put it.

"Today is the day we have all been waiting for; the reason why markets have been so subdued at the start of the week," he said.

European leaders will gather for a summit showdown to decide how long a Brexit delay to grant British Prime Minister Theresa May -- and under what conditions.

Without a postponement, Britain is due to crash out of the European Union at midnight on Friday under a "no-deal" Brexit that could trigger economic chaos.

May has embarked on a last-ditch battle to postpone Brexit from April 12 to June 30 to arrange an orderly departure -- but European leaders are expected to offer her a longer delay of up to a year.

"All eyes are on the EU27 meeting which has the potential to force the UK to choose between no-deal or no-Brexit," said IG analyst Joshua Mahony.

"Meanwhile, US trade wars are back on the agenda," he added.

European and US equities had fallen Tuesday amid a flare-up in trade tensions between Washington and Brussels.

'Wrath of Trump'

US President Donald Trump has threatened to impose tariffs on billions in European imports in retaliation over subsidies to aviation giant Airbus.

The warning from Trump's administration that it would impose levies on more than $11 billion of European imports jolted investors.

Airbus stock was steady in the European afternoon on the first day under new chief executive Guillaume Faury.

The stock had dived 1.86pc lower on Tuesday.

The development stoked concerns about the White House's hardline protectionist agenda that has taken aim at its biggest trading partners.

"Friend or foe, the latest headline suggests no country is exempt from the wrath of President Trump's trade agenda," warned Stephen Innes at SPI Asset Management.

Key figures around 1345 GMT

London - FTSE 100:	■ at 7,426.92 points
Frankfurt - DAX 30:	▲ 0.6pc at 11,919.97
Paris - CAC 40:	▲ 0.4pc at 5,460.20
EURO STOXX 50:	▲ 0.4pc at 3,431.54
New York - Dow:	▲ 0.1pc at 26,173.37
Pound/dollar:	▲ at $1.3075 from $1.3052 on Tuesday
Euro/pound:	▼ at 86.00 pence from 86.29 pence
Euro/dollar:	▼ at $1.1245 from $1.1263
Dollar/yen:	▲P at 111.07 yen from 111.14 yen
Tokyo - Nikkei 225:	▼ 0.5pc at 21,687.57 (close)
Hong Kong - Hang Seng:	▼ 0.1pc at 30,119.56 (close)
Shanghai - Composite:	▲ 0.1pc at 3,241.93 (close)
Oil - Brent Crude:	▲ 24 cents at $70.85 per barrel
Oil - West Texas Inter:	▲ 32 cents at $64.30

IMF warns rising debt makes economy more vulnerable

- The IMF's semi-annual Global Financial Stability Report found vulnerabilities are on the rise across advanced and emerging market economies

AFP | Washington, United States

Rising corporate and government debt levels and the sharp increase in more risky lending could leave the global economy vulnerable to another severe downturn, the International Monetary Fund warned yesterday.

While the concerns "aren't all setting off alarm bells just yet," governments will face challenges in balancing the need to tighten up oversight of the financial sector, at a time when the global economy is slowing, said Tobias Adrian, head of the Monetary and Capital Markets Department.

The IMF's semi-annual Global Financial Stability Report found vulnerabilities are on the rise across advanced and emerging market economies, and they will need "the right mix of policies (to) sustain growth while keeping vulnerabilities in check," he said.

"In the United States, the ratio of corporate debt to GDP is at record-high levels. In several European countries, banks are overloaded with government bonds," Adrian said.

The stock of lower-rated bonds -- ranked BBB -- have quadrupled since the last report in October, while the amount of more risky debt, known as "speculative grade," has doubled, according to the IMF report.

International Monetary Fund Financial Economic Counsellor and Director of the Monetary and Capital Markets Department Tobias Adrian

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And in China, "authorities face a difficult trade-off between supporting near-term growth, countering adverse external shocks, and containing leverage through regulatory tightening," the report said.

Investors could get spooked quickly if there is a sharper-than-expected economic slowdown, if central banks like the Federal Reserve decide to start raising rates again, or if there is a renewed flare up of trade tensions or a no-deal Brexit which could push the British economy into recession and further slow growth in Europe, the report said.

The IMF urged countries to take proactive steps, including limiting the amount of risky credit, boosting bank reserves and lowering government debt in the euro area, while China should continue to crack down on "shadow banking" by non-bank lenders.

Energy costs bump US consumer inflation higher

Washington, United States

A jump in US gasoline and electricity costs drove consumer prices higher in March but underlying trends still pointed to tame inflation pressures, according to government data released yesterday.

The fresh sign that inflation remains subdued -- despite steady job creation and falling unemployment -- will likely comfort Federal Reserve policymakers who have made clear they will be patient before considering raising interest rates again. The consumer price index, a broad measure of changes in costs for household goods and services, rose 0.4 per cent compared to February, according to the Labor Department's monthly report.

It was the biggest increase in more than a year and came in a notch higher than economists had been expecting after energy prices jumped 3.5pc in the month, as did costs for food.

But excluding these volatile categories, the "core" CPI measure was held down by falling prices for clothing, used autos and airfares, rising just 0.1pc, the same as the increase for February.

Compared to March of last year, the index rose to 1.9pc, the highest level in four months, also due to a sudden jolt from food prices which jumped 2.1pc, the biggest increase in three years.

But core CPI for the latest 12 months, fell to 2.0pc, down from 2.1pc in February, for the smallest gain in 13 months and the second decline in a row.

ECB's Draghi warns of 'risks'

Frankfurt am Main, Germany

European Central Bank chief Mario Draghi yesterday warned of risks weighing on growth in the eurozone, describing current economic indicators as "weak".

"The risks surrounding the euro area growth outlook remain tilted to the downside, on account of the persistence of uncertainties related to geopolitical factors, the threat of protectionism and vulnerabilities in emerging markets," said Draghi in Frankfurt.

However, the ECB chief echoed the International Monetary Fund (IMF) forecast for the eurozone by saying there is currently little risk of recession.

European Central Bank President Mario Draghi

"The estimated probability of recession remains low," added the Italian banking boss.