

'Super Mario' sends stock markets skyward

London, United Kingdom

European Central Bank Mario Draghi sent Europe's stock and bond markets surging yesterday by hinting at further eurozone interest rate cuts, while the euro fell sharply on the news.

Draghi's dovish comments even sparked the fury of US President Donald Trump, who accused the ECB chief of sending the euro down against the dollar to make it "unfairly easier for them to compete against the USA".

Equity investors rejoiced, with Paris stocks soaring 2.1 per cent, London up 1.3pc and Frankfurt leaping 1.8pc in afternoon trade.

"Super Mario is back!" said IG analyst Chris Beauchamp in summary at the market action.

"Despite only having a few months left to his tenure, the head of the ECB has handed his successor a firmly dovish bias, as he leaves the door open to more QE (quantitative easing stimulus) and renewed negative rates at the ECB in order to try once again to kick-start the eurozone economy."

Ahead of a key US monetary policy decision, Draghi renewed openness to lowering eurozone interest rates still further, as well as other steps to boost the bloc's anaemic growth and inflation.



The President of the European Central Bank (ECB) Mario Draghi arrives during Eurogroup meeting at the EU headquarters in Luxembourg

"Further cuts in policy interest rates and mitigating measures to contain any side effects remain part of our tools," Draghi told the ECB's annual economics gathering in Sintra, Portugal.

Central bank governors had already discussed potential rate cuts at a regular meeting of the ECB's governing council in early June, faced with an economy weighed down by trade conflicts making for sluggish price growth.

The prospect of falling interest rates tends to push share prices higher because they cut company borrowing costs and

also boost consumers' disposable incomes.

It also tends to buoy bond markets, which reacted strongly, with the yield on the French government's benchmark 10-year bond turning negative for the first time.

Fed rate cut hints?

Wall Street followed Europe's lead, opening higher ahead of a Federal Reserve meeting which is expected to give further hints about what would be the central bank's first rate cut in more than a decade.

The Fed has raised rates nine

times over the last three and a half years as the economy recovered and put millions of Americans back to work.

Investors are also gearing up for next week's high-stakes G20 summit, where Trump is set to meet his Chinese counterpart Xi Jinping on the sidelines to discuss their trade war.

"So much has been priced in at this stage that it's going to be tough for the (US) central bank to live up to market expectations," Oanda analyst Craig Erlam told AFP.

"Ultimately, how they see

Key figures around 1345 GMT

London - FTSE 100:	▲ 1.3pc at 7,455.07 points
Frankfurt - DAX 30:	▲ 1.8pc at 12,306.17
Paris - CAC 40:	▲ 2.1pc at 5,503.84
EURO STOXX 50:	▲ 1.9pc at 3,448.51
New York - Dow:	▲ 1.3pc at 26,441.31
Tokyo - Nikkei 225:	▼ 0.7pc at 20972.71 (close)
Hong Kong - Hang Seng:	▲ 1.0pc at 27,498.77 (close)
Shanghai - Composite:	▲ 0.1pc at 2,890.16 (close)
Euro/dollar:	▼ at \$1.1201 from \$1.1218 at 2100 GMT
Pound/dollar:	▼ at \$1.2523 from \$1.2534
Dollar/yen:	▼ at 108.51 yen from 108.54 yen
Brent North Sea:	▲ 36 cents at \$61.30 per barrel
Oil - West Texas Inter:	▲ 85 cents at \$52.78

the year out will likely largely depend on trade talks between the US and China, with the next opportunity to overcome the impasse being the G20 next week."

While trade war tensions continue to make waves, the key focus for now is what the Fed plans to do with monetary policy as the tariff stand-off shows signs of impacting the world's top economy.

The latest weak data include construction of new homes dropping in last month, as well as manufacturing activity in New York hitting its lowest level since late 2016.

Oil prices were also affected by Draghi's comments, rebounding from earlier losses to solidly positive gains.

On currency markets, the pound remained under pressure on growing worries that arch-Brexiter Boris Johnson will be elected leader of the ruling Conservatives and thus prime minister, and pull Britain out of the European Union without a divorce agreement.

Sterling is at five-month lows ahead of the next round of the party's leadership vote Tuesday -- and before Thursday's monetary policy update from the Bank of England.

Waves of Chinese tourists invade North Korea

Pyongyang

On a grey stone column in Pyongyang, a mural shows Chinese and North Korean soldiers rushing into battle against US-led forces in the Korean War. Decades later, the monument is a regular stop for new waves of Chinese tourists.

Hundreds of soldiers and workers have been sprucing up the obelisk and its grounds in recent days ahead of a state visit to Pyongyang by Chinese President Xi Jinping this week.

An inscription on it lauds "the Chinese People's Volunteer Army, who fought with us on this land and smashed down the common enemy".

Their "immortal exploits" will "last forever", it proclaims, as will "the friendship forged in blood between the peoples of the People's Republic of China and the Democratic People's Republic of Korea".

Nearly 70

years after Mao Zedong sent millions of soldiers to save Kim Il Sung's troops from defeat as General Douglas MacArthur's men marched up the peninsula, China remains the isolated, nuclear-armed North's key diplomatic backer and main provider of trade and aid.

Now the Friendship Tower, as the monument is known, attracts growing hordes of Chinese tourists -- and the renovations suggest it may also be on Xi's itinerary.

Ordinary Chinese pay travel companies around 2,500 yuan (\$360) for a standard three-day trip, arriving overland by train in Pyongyang to tour the capital's highlights, from the Arch of Triumph to Kim Il Sung Square.

The following day they head south to the Demilitarized Zone that has divided the peninsula since the two sides fought each other to a stalemate in 1953, before returning home.

"I'm very interested in North Korea and

wanted to come to see what North Korea looks like," said Yu Zhi, a retiree from Anhui province visiting Pyongyang, telling AFP that she had a "special feeling" for the country.

"China is very friendly with North Korea," added her fellow traveller, a woman surnamed Jin. "We have been friends for generations."

Lips and teeth

It was not always so. Mao -- whose eldest son Mao Anying was among those killed in what China still calls the "War to Resist US Aggression and Aid the DPRK" -- described the neighbours as "as close as lips and teeth".

Ties then waxed and waned during the Cold War, when founder Kim Il Sung was adept at playing his Soviet and Chinese allies off against each other, and his grandson, the current leader Kim Jong Un, did not visit Beijing to pay his respects for more than six years after inheriting power.

But as he

embarked on a flurry of diplomacy last year he made sure that Chinese President Xi Jinping was the first foreign head of state he met, and he has since done so three more times -- more often than Kim has seen any other leader.

Now Xi is going to reciprocate. At the same time Chinese tourism to the North has reached record highs, according to travel industry sources -- so much so that Pyongyang has imposed a limit on arrivals.

No official figures are available from authorities on either side, but Simon Cockerell, general manager of Koryo Tours, the market leader for Western visitors, said there had been "a huge increase in Chinese tourists".

At peak times 2,000 people a day had been arriving in Pyongyang, he said. "That's far too many because there is no infrastructure to accommodate that many tourists, so problems with train tickets, with plane tickets, hotel space."

As a result North Korean authorities had themselves set a

1,000-a-day cap, he added, although it was unclear whether this applied across the industry or solely to Chinese, who make up the vast majority of arrivals.

"There are issues with just hundreds of people showing up at the same time."

'Choices being made'

China has a proven willingness to use tourism as a geopolitical negotiating weapon -- it banned group tours to South Korea after it deployed a US anti-missile system, THAAD.

With nuclear negotiations at a stalemate the North remains subject to multiple UN Security Council sanctions, and the US imposed a travel ban on its own citizens visiting following the death of student Otto Warmbier, who had been jailed after trying to steal a propaganda poster.

But tourism is not among the sectors targeted by the UN, potentially enabling Beijing to use it as an incentive for its sometimes wayward ally.

The Chinese travel phenomenon is market-driven, rather

than prompted by state order -- as well as the market offered by China's huge population, the two countries' border enables cheap overland journeys.

But simply enabling it to take place, said John Delury of Yonsei University in Seoul, meant "We can infer some choices are being made" by Beijing.

"We know it's a lever they can turn on and off," he said.

Even with the diplomatic process at a standstill, he added, "The Chinese think you have to use this window of opportunity to move things forward. There has to be a path on both sides and so something like opening up tourism is a good way to enable that."

At the Monument to the Three Charters for Reunification on the edge of Pyongyang, where two giant stone women form an arch over a road, a secondary school teacher from Shanghai called Peng said: "We are both socialist countries. I feel there are more Chinese coming to visit."



Tourists from China stand on a viewing deck of the Juche tower overlooking the city skyline of Pyongyang