business

Stock markets wait on Fed rate cut

London, United Kingdom

European markets closed little changed yesterday while Wall Street was largely flat as investors waited on a widely expected US interest rate cut to give a clear lead.

Continued uncertainty about the US-China trade stand-off despite some positive commentary added to the sense of caution after interest rate speculation drove sharp gains in Asian trade.

The main focus initially was on comments by John Williams, the influential vice chairman of the Fed's policy-setting board, who said central banks should move quickly to support the economy even when borrowing costs were already low.

He pointed to studies suggesting that when there are few stimulus options available, officials should "move more quickly than you otherwise might," rather than waiting "for disaster to unfold".

While a spokesman later clarified that Williams was not outlining Fed policy and was not flagging a half-point cut, analysts said the remarks provided an insight into how officials were thinking.

Markets have been wavering this week over how big the Fed's expected reduction would be, with 25 basis points priced in but some traders hoping for 50.

Capital Economics said in a research commentary that central banks generally are signalling an easing in monetary policy so as to offset a slowing economy but that may not be enough for stocks.

"We have been here before... The assumption that central banks will prevent much economic damage has sometimes supported equities for a surprisingly long time, before a correction further down the line once it became clear that economic weakness would last," it said.

"Even though we are not forecasting a downturn anywhere close to the financial crisis, we do think that the likely scale of further weakness in the global economy is being widely underestimated."


Traders work after the opening bell at the New York Stock Exchange (NYSE)

Key figures around 1600 GMT

London - FTSE 100:	▲ 0.2pc at 7,508.70 points (close)
Frankfurt - DAX 30:	▲ 0.3pc at 12,260.07 (close)
Paris - CAC 40:	■ at 5,552.34 (close)
EURO STOXX 50:	■ at 3,482.97
New York - Dow:	■ at 27,251.07
Tokyo - Nikkei 225:	▲ 2.0pc at 21,466.99 (close)
Hong Kong - Hang Seng:	▲ 1.1pc at 28,765.40 (close)
Shanghai - Composite:	▲ 0.8pc at 2,924.20 (close)
Euro/dollar:	▼ at $1.1221 from $1.1277 at 2050 GMT
Pound/dollar:	▼ at $1.2504 from $1.2548
Dollar/yen:	▲ at 107.70 yen from 107.30 yen
Brent North Sea crude:	▲ 0.2pc at $62.07 per barrel
West Texas Intermediate:	▼ 0.2pc at $55.30 per barrel

Oil rallies

Oil was firmer but then slipped back off early highs made as the United States and Iran continued to trade brickbats, with President Donald Trump saying a US navy vessel downed an Iranian drone in the strategic Strait of Hormuz, a claimed strongly denied by Tehran.

"With the situation... turning into a powder keg again, Brent crude prices will remain propped up," noted Fiona Cincotta, an analyst at City Index trading group.

On the corporate front, the world's leading brewer AB InBev said it was selling its Australian unit Carlton & United Breweries for 16 billion Australian dollars (US$11.3 billion).

AB InBev, a Belgian-Brazilian behemoth that owns brands such as Stella Artois and Budweiser, is saddled with more than $100 billion in debt from previous acquisitions and so the news gave the shares a sharp boost of more than five per cent.

Trump attacks US Fed, demands rate cut

Washington, United States


US President Donald Trump


US Federal Reserve Board Chair Jerome Powell

President Donald Trump attacked the independent US Federal Reserve yesterday, demanding the central bank reverse course and cut interest rates -- something it is widely expected to do this month.

In another Twitter outburst, Trump called on the Fed to "Correct!" its overreach.

"We are in a World competition, & winning big,... but it is no thanks to the Federal Reserve," he said.

"Had they not acted so fast and 'so much,' we would be doing even better than we are doing right now. This is our chance to build unparalleled wealth and success for the U.S., GROWTH... Don't blow it!"

The US central bank raised the benchmark borrowing rate four times last year but seems almost certain to pull back with the first cut in a decade at its policy meeting July 30-31.

Recent comments from Fed officials seemed to confirm the signal that policymakers are prepared to act to sustain US growth in the face of a slowing global economy and persistent trade tensions with China.

"You don't need to wait until things get so bad to have a dramatic series of rate cuts," Fed Vice Chairman Richard Clarida told Fox Business Network on Thursday.

That comment echoed a statement earlier Thursday from John Williams, the influential vice chairman of the Fed's policy committee, who talked about the need to vaccinate when rates are very low.

"When you only have so much stimulus at your disposal, it pays to act quickly to lower rates at the first sign of economic distress," said Williams, who is president of the New York Federal Reserve Bank.

Following Williams' remarks, the New York Fed told media outlets the speech concerned decades of research and was not about what the central bank may decide at its next policy meeting.

Trump said Friday he liked Williams "first statement much better than his second. His first statement is 100% correct in that the Fed 'raised' far too fast & too early."

The New York Fed had no comment on Trump's tweets, which were only the latest in long series of attacks which have flaunted the recent tradition of protecting the independence of the central bank.

Coal-dependent Poland to compensate industry for carbon costs


Representative picture (Courtesy of BBC)

Warsaw, Poland

Poland's parliament yesterday adopted measures to compensate its industry struggling to cope with surging electricity bills triggered by higher EU carbon emission costs.

Heavily dependent on polluting coal, Poland's power stations have faced rising costs to purchase pollution rights under the EU's emissions trading scheme, costs which they have passed on to consumers including businesses.

Under the scheme Warsaw will spend around 900 million zloty (211 million euro, $237 million) per year beginning in 2020 on payments to energy-intensive firms to help them remain competitive and preserve some 1.3 million jobs, the enterprise and technology ministry said in a Friday statement.

"Around 300 companies from energy-intensive industries, like the chemical, metal and paper sectors, will be entitled to compensation for the costs of purchasing CO2 emission rights included in the price of energy," it added.

The legislation by the right-wing Law and Justice (PiS) government was backed by 420 lawmakers in the 460-seat lower house, with one vote against and six abstentions.

This latest measures come after the government failed to implement a price cap for electricity last year.

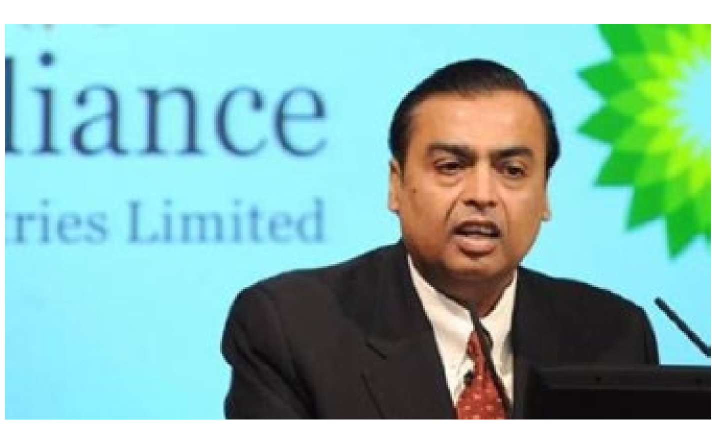
India's Reliance Industries reports 6.8 per cent rise in profits

Mumbai, India

Indian conglomerate Reliance Industries yesterday reported a 6.8 per cent rise in consolidated net profit despite a slowdown in its oil refining business.

The Mumbai-based company owned by Asia's richest man Mukesh Ambani said its consolidated net profit for the three months through June rose to 101.05 billion rupees ($1.47 billion) from 94.59 billion rupees reported for the same quarter a year earlier.

"Our first-quarter earnings were strong despite weak global macro-economic environment and challenging hydrocarbon market conditions," Ambani said in a statement.



> Our first-quarter earnings were strong despite weak global macro-economic environment and challenging hydrocarbon market conditions
>
> MUKESH AMBANI

He added that growth in the company's retail and telecoms operations helped boost overall revenues.

"Our digital services business continues to transform the mobility market in India while scaling newer milestones," he said.

The firm has business interests in refining, retail, petrochemicals and telecommunications.

Reliance said in a statement that its gross refining margin, the profit earned from each barrel of crude was down to $8.1 per barrel in the June quarter as compared to $10.5 per barrel for the same quarter last year.

Refining margins are a key profitability gauge for Reliance, one of the world's largest refiners.

The company was forced to cap its crude imports from sanction-hit Venezuela in March following pressure from the United States. It has also stopped exporting diluents to the crisis-hit South American country.

The company said that its telecom venture Jio signed up 24.5 million subscribers in the June quarter and reported a 45.6 percent rise in its profits to 8.91 billion rupees.

Ambani had launched Reliance Jio with much fanfare in September 2016 offering free services up to March 2017, sparking intense price wars which saw consolidation in the Indian telecom sector.

He is currently engaged in fierce competition with Amazon and Walmart in an ongoing race to dominate India's retail market.

Reliance shares fell over a percent Friday ahead of the earnings announcement, which came after the stock market closed.