US growth easing: Fed

- Fed raised the benchmark lending rate four times last year
- US inflation has so far remained muted
- Fed expected to end the sales of investments it had built up in the wake of the 2008 financial crisi

Washington, United States

The Federal Reserve believes US growth will "step down" this year from last year's rapid pace amid rising global risks, including from tense trade relations, according to minutes released Wednesday.

And given the greater uncertainty about the economic outlook, the central bankers said they were not sure what their next move would be, according to the minutes of the Fed's last policy meeting of January 29-30.

While the US economy is expected to remain solid, the waning stimulus from the Republican-driven tax cuts of 2017 will contribute to the slowing, with "GDP in 2019 to step down somewhat from the pace seen over 2018," the minutes said.


Federal Reserve building is seen in Washington, DC

The Fed raised the benchmark lending rate four times last year but after the last increase in December, policymakers found "the economic outlook had become more uncertain," the minutes said.

As financial markets became roiled amid the trade war between the United States and China, policymakers kept interest rates on hold last month, and sent clear signals that they would be in no hurry to raise them again soon.

The global economy "continued to record slower growth and consumer and business sentiment had deteriorated," the report noted, adding that Brexit, the trade tensions and the recent partial federal government shutdown also were seen as factors "contributing to uncertainty about the economic outlook."

The Fed last month shifted its stance dramatically and said explicitly that officials were prepared to remain patient before deciding on the next move.

The minutes said that wait-and-see posture "would allow time for a clearer picture of the international trade policy situation and the state of the global economy to emerge," in particular regarding "the extent and persistence of the economic slowdown in Europe and China."

Ending asset sales

The Fed minutes show policymakers were concerned about markets and took note of the steep decline seen on Wall Street late last year as "financial asset prices appeared to be sensitive to information regarding trade policy tensions, domestic fiscal and monetary policy, and global economic growth prospects."

But the minutes showed "several" officials believed the economy would be strong enough to require another rate hike this year, while "many" policymakers noted that if uncertainty abated the Fed would have to find a new way to describe policy other than by being "patient."

"Almost all participants thought that it would be desirable to announce before too long a plan to stop reducing the Federal Reserve's asset holdings later this year," the minutes said, but indicated the final amount would remain higher than before the crisis.

Trump threatens tariffs on EU if no deal reached

- Trump has threatened 25 per cent duties on European autos
- Negotiations with the EU have not yet begun
- US negotiating goals include agriculture, while EU officials insist that will be off limits

Washington, United States

US President Donald Trump threatened Wednesday to impose tariffs on European auto imports if he is unable to strike a trade deal with the EU.

"We're negotiating. If we don't make the deal, we'll do the tariffs," Trump told reporters in response to a question on new tariffs.

Trump's renewed threat against the EU auto industry takes on a new edge as it came two days after the Commerce Department delivered a report that sources said found European car imports constitute a national security threat to the United States.

The report could set the stage for the White House to impose tariffs within 90 days, a move Brussels has vowed to parry with its own set of counter-tariffs.

Washington already has used the national security argument to impose steep tariffs on steel and aluminum imports, drawing instant retaliation from the EU, Canada, Mexico and China.

In one of many aggressive moves against US trading partners, Trump, who boasts that he favors tariffs, has threatened 25 percent duties on European autos, especially targeting Germany, which he says has harmed the American car industry.

Trump reached a truce with the EU following a meeting last July with European Commission President Jean-Claude Juncker but on Wednesday expressed frustration with the state of talks.

"We're trying to make a deal," Trump said. "They're very tough to make a deal with, the EU. They've been very difficult over a period of time, over many, many years."

However, negotiations with the EU have not yet begun. The European Commission must seek approval from member states on a negotiating mandate before it can enter into talks. EU trade ministers will meet in Bucharest on Thursday and Friday to review the proposal.

But the sides have differences over what is to be included: the US negotiating goals include agriculture, while EU officials insist that will be off limits, and talks will be restricted to industrial goods and regulatory issues.

India overhauls oil and gas exploration rules to lift output

Reuters | New Delhi

India yesterday revamped rules for future exploration and production of oil and gas blocks in its efforts to attract private investment and increase domestic production.

India imports four out of every five barrels of crude oil it consumes and is likely to shell out more than $100 billion on oil purchases in 2018/19.

"The emphasis of the new rules is for raising hydrocarbon production," Dharmendra Pradhan, India's oil minister said in New Delhi.

Under the new rules, producers will be given pricing and marketing freedom that is currently non-existent in natural gas blocks in India. Explorers will also be given financial incentives for early production from their blocks, Pradhan said.

"Fiscal incentive is also provided on additional gas production from domestic fields over and above normal production," a government statement said.

Pradhan said that state-owned companies Oil and Natural Gas Corp and Oil India will be allowed to induct private players to enhance production from its existing blocks and bring in new technology and capital.

Brazil sees $300bn in savings with pension reform

Brasília, Brazil

Brazil expects to save more than $300 billion over 10 years through a bill presented to Congress Wednesday that aims to overhaul the country's unsustainable pension system, the government said.

The bill, which requires constitutional changes to impose a minimum retirement age and extended pay-in periods for workers in both the public and private sectors, is a crucial plank of right-wing President Jair Bolsonaro's plan to overhaul Latin America's biggest economy.

Bolsonaro personally delivered the much-anticipated text to Congress, where he was jeered and booed by leftist deputies in the opposition.


Bolsonaro

"We are all counting on your abilities and your patriotism to save the Brazilian economy. We don't have any other option," he told the lawmakers.

Eurozone industry slips into contraction

Brussels, Belgium

Eurozone manufacturing slipped into contraction in February, as an industrial slump in Germany continued to weigh down on the European economy, a closely watched survey showed yesterday.

The IHS Markit purchasing managers' index (PMI) for manufacturers only hit a lowly 49.2 in February — below the crucial 50 point level and signalling a contraction in activity. It rose to 51.4 points in February from 51.0 in January, and was better than a forecast of 51.1 points made by analysts surveyed by data firm Factset.

The overall data indicates that gross domestic product (GDP) growth in the eurozone will struggle to reach a feeble 0.1 per cent in the first quarter of this year.

StanChart sets aside $900 million to cover US, British fines

Reuters

Standard Chartered PLC (StanChart) has set aside $900 million to cover fines resulting from regulatory investigations in the United States and Britain, potentially drawing a line under probes which have dogged the bank for years.

News of the provision, made for the fourth quarter of last year, comes ahead of a strategy update from the bank along with its 2018 earnings results on Tuesday, when Chief Executive Bill Winters is widely expected to outline an overhaul of operations.

In a filing to the Hong Kong Stock Exchange on Thursday, StanChart said the provision related to the potential resolution of U.S. investigations into alleged violations of U.S. sanctions, and for probes relating to foreign exchange trading.

The filing is the first time the bank has quantified the possible cost of the investigations. Previously it said only in filings that it was "not practicable" to estimate the financial impact because the range of potential outcomes was too broad. StanChart has been the subject of multiple investigations by U.S. authorities into its dealings with Iran, which is the subject of heavy U.S. sanctions.

In 2012, the bank agreed to pay $667 million to settle alleged sanctions breaches from 2001 through 2007. It also agreed deferred prosecution agreements with the Department of Justice and New York County District Attorney's Office. The agreements were extended to March 31 this year in December 2018.

People pass by the logo of Standard Chartered in Toronto, Ontario

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StanChart also included in the provision a 102.2 million pound ($133.3 million) fine from Britain's Financial Conduct Authority related to historical financial crime controls. It said it was considering its options in relation to the penalty.

The current investigations are examining the extent to which the bank allowed clients with Iranian interests to conduct transactions after 2007, as well as the extent to which it shared such dealings with authorities at the time of the 2012 settlement.

In October, Winters said US authorities were also investigating whether StanChart breached Iran-related compliance rules as recently as 2013.

Media reports said London-based StanChart faced a possible $1.5 billion fine for Iran-related sanctions violations.