

US Treasury Secretary Yellen warns Congress on debt limit

Reuters | Washington

US Treasury Secretary Janet Yellen urged lawmakers yesterday to increase or suspend the nation's debt limit as soon as possible and warned that if Congress does not act by Aug. 2, the Treasury Department will need to take "extraordinary measures" to prevent a US default.



Janet Yellen

As a partisan fight over raising the debt ceiling erupted in Congress, Yellen told House of Representatives Speaker Nancy Pelosi in a letter that the outstanding debt of the United States will be at the statutory limit on Aug 1.

"Today, Treasury is announcing that it will suspend the sale of State and Local Government Series (SLGS) securities at 12:00 p.m. on July 30, 2021," Yellen said in the letter, also sent to other congressional leaders from both parties.

The suspension will continue until the debt ceiling is suspended or raised, Yellen said.

"If Congress has not acted to suspend or increase the debt limit by Monday, August 2, 2021, Treasury will need to start taking certain additional extraordinary measures in order to prevent the United States from defaulting on its obligations," Yellen added.

A failure to work out differences over whether government spending cuts should accompany an increase in the statutory debt limit, currently set at \$28.5 trillion, could lead to a federal government shutdown - as has happened three times in the past decade - or even a debt default.

India's Reliance revenue rises 58% as oil and gas business recovers

Reuters | Bengaluru

Indian conglomerate Reliance Industries Ltd reported a 58% jump in quarterly revenue yesterday, led by a strong show at its dominant oil and gas business.



The logo of Reliance Industries is pictured in a stall at the Vibrant Gujarat Global Trade Show at Gandhinagar, India

India's most valuable company, which operates the world's biggest refining complex at Jamnagar in western India, benefited from a sharp increase in product prices on the back of higher crude prices. Brent prices surged 18.2% in the June quarter due to tight supplies.

"Stronger oil fundamentals, vaccination programs and better demand outlook have resulted in a steady rise in crude prices throughout the first quarter," the company, led by billionaire Mukesh Ambani, said in a statement.

Revenue surged to 1.44 trillion rupees, fuelled by an over 70% jump in the oil-to-chemicals business.

Consolidated profit, however, fell to 122.73 billion rupees (\$1.65 bn) in the quarter ended June 30, from 132.33 bn rupees a year earlier, mainly hit by a rise in tax expenses.

Jio, the company's telecom operations, added 14.3 million customers as of June end, fewer than the 15.4 m in the previous quarter.

The company has used up nearly all airwaves it won, and additional airwaves have been used to create capacity for the next 200 m customers on the network, an executive said on a post-earnings conference call. Reliance has been diversifying from its core oil and gas business as it focuses on retail and telecoms.

The retail network, which consists of more than 12,000 stores and supermarkets, reported a near 50% drop in footfall in the first quarter from the previous three months as the second wave of COVID-19 ravaged the country.

"COVID-related restrictions on store operations during the quarter impacted our retail business operations and profitability," Chairman Ambani said in a statement.

"This is a temporary phenomenon," he added.

S&P 500, Nasdaq hit record highs

Reuters

The S&P 500 and Nasdaq indexes hit record highs yesterday and were on track to end the week with gains, helped by megacap growth stocks and strong earnings from social media companies, while a weak forecast from Intel hit chipmakers.

Twitter Inc gained 4.2% after it reported quarterly revenue growth, while Snapchat-owner Snap Inc surged 22.5% on beating estimates for user growth and revenue.

Strong results from the social media firms set a positive precedent for Facebook Inc, which jumped 6.7%.

Other growth firms including Amazon.com, Apple Inc, Microsoft Corp and Google-owner Alphabet Inc rose ahead of their quarterly results next week.

Technology and communication services, which house some of those big tech heavyweights, added 0.9% and 2.5% respectively, and were among the top gaining S&P sectors.

US weighs crackdown on China's import of Iran oil

● US will not resume talks until Raisi takes over

● China received a daily average of 557,000 barrels of Iranian crude between November and March

Reuters | Dubai

The United States is considering cracking down on Iranian oil sales to China as it braces for the possibility that Tehran may not return to nuclear talks or may adopt a harder line whenever it does, a US official said.

Washington told Beijing earlier this year its main aim was to revive compliance with the 2015 Iran nuclear deal and, assuming a timely return, there was no need to punish Chinese firms violating US sanctions by buying Iranian crude, he said.

That stance is evolving given uncertainty about when Iran may resume indirect talks in Vienna and whether incoming Iranian President-elect Ebrahim Raisi is willing to pick up where the talks ended on June 20 or demands a fresh start.

The US official, speaking on condition of anonymity, said Iran - which has said it will not resume talks until Raisi takes over - has been "very murky" about its intentions.

"If we are back in the JCPOA, then there's no reason to sanction companies that are importing Iranian oil," the US official said, referring to the 2015 Joint Comprehensive Plan of Action under which Iran curbed its nuclear program in return for relief from economic sanctions.

"If we are in a world in which the prospect of an imminent return to the JCPOA seems to be vanishing, then that posture will



European External Action Service (EEAS) Deputy Secretary General Enrique Mora and Iranian Deputy at Ministry of Foreign Affairs Abbas Araghchi wait for the start of a meeting of the JCPOA Joint Commission in Vienna, Austria

have to adjust," he added.

The Wall Street Journal first reported Washington was considering tightening enforcement of its Iran sanctions, notably against China, which received a daily average of 557,000 barrels of Iranian crude between November and March according to Refinitiv Oil Research.

Chinese refiners are the biggest importers of Iranian oil. Reuters reported on Thursday that the Chinese logistics firm China Concord Petroleum Co has emerged as a central player in the supply of sanctioned oil from Iran and Venezuela.

That US officials are hinting at a possible crackdown may be a veiled threat that Washington

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has ways to exact a price from Tehran, said Brookings Institution analyst Robert Einhorn.

"It's probably to send a signal to Raisi that if the Iranians are not serious about coming back to the JCPOA, the US has options and there will be costs," Einhorn said.

How Beijing, whose relations with Washington are strained over issues from human rights to the South China Sea, might react will depend on whether it blames Iran or the United States for the impasse in the talks, he said.

WAITING FOR NEW PRESIDENT

One Iranian official said it was up to Iran's supreme leader when talks resume, suggesting this could happen when Raisi takes over on Aug. 5 or a few weeks later. He also said it was unclear if Iran's chief nuclear negotiator, Abbas Araqchi, would remain.

"We should wait for the new president to take office and decide whether he wants to change the nuclear team or not. It seems that Dr. Araqchi will not be changed, at least during the handover period," said this official on condition of anonymity.

A second Iranian official said Raisi and his nuclear team insist on starting from scratch and refuse to pick up the talks where they ended in June.

"They want their own terms and conditions and they have more demands like keeping the 60% enrichment or chain of advanced centrifuges and not dismantling them as demanded by Washington," he said.

The uncertainty is forcing the United States to examine new approaches, even though US and European officials have said there are no good options to reviving the JCPOA.

"If... we were to conclude that the talks are dragging on for too long and we don't have a sense of whether they are going to reach a positive outcome, then of course we would have to take a fresh look at our sanctions enforcement, including on Chinese entities that were purchasing Iranian oil," the US official said, declining to predict the timing of any decision.

"It's not ... black and white," he said. "We'll make it based on the time it's taking for Iran to come back and the posture they will take if and when they do come back."

US business activity cools further in July

● PMI fell to a reading of 59.8 from 64.6 in June

Reuters | Washington

US business activity grew at a moderate pace for a second straight month in July amid supply constraints, suggesting a cooling in economic activity after what was expected to have been a robust second quarter.

Data firm IHS Markit said yesterday its flash US Composite PMI Output Index, which tracks the manufacturing and services sectors, fell to a four-month low of 59.7 from 63.7 in June. A reading above 50 indicates growth in the private sector.

Businesses are battling shortages of raw materials and labour, which are fanning inflation, in the aftermath of the economy's reopening after severe disruptions caused by the COVID-19 pandemic. The survey's findings



People shop at a street fair near Times Square in New York City

fit in with economists' views that growth will slow after accelerating in the second quarter, thanks to massive fiscal stimulus.

Even with the boost from government money fading, the economy remains supported by strong demand, with households having accumulated at least \$2.5 trillion in excess savings during the pandemic. The labor market recovery is also

gaining traction and wages are rising as companies compete for workers.

But the Delta variant of the coronavirus, which is behind a resurgence in new COVID-19 infections in parts of the country with low vaccination rates, could result in consumers being more cautious.

"While the second quarter may therefore represent a peaking in the pace of economic

growth according to the PMI, the third quarter is still looking encouragingly strong," said Chris Williamson, chief business economist at IHS Markit. "Short-term capacity issues remain a concern, constraining output in many manufacturing and service sector companies while simultaneously pushing prices higher as demand exceeds supply."

The government is due to publish its snapshot of second-quarter gross domestic product next Thursday. Growth estimates are converging around a 9.0% annualized rate. The economy grew at a 6.4% pace in the first quarter.

The IHS Markit survey's flash services sector PMI fell to a reading of 59.8 from 64.6 in June, slowing further from May's record high. Economists polled by Reuters had forecast a reading of 64.8 this month for the services sector, which accounts for more than two-thirds of US economic activity.