POLICY TIGHTENING | Page 4

Treasury traders slash Fed-hike expectations as economy shrinks

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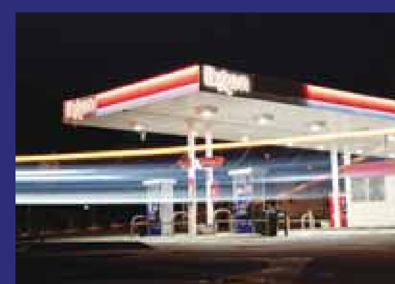


SURGING OIL, GAS PRICES : Page 2

Exxon, Chevron post blowout earnings, ramp up buybacks

MoCI undersecretary meets WIPO deputy director general

HE the Undersecretary of the Ministry of Commerce and Industry, Sultan bin Rashid al-Khater, has met with ambassador Hasan Kleib, deputy director general of the World Intellectual Property Organisation (WIPO), and his accompanying delegation, which is currently visiting Qatar.

The meeting touched on various co-operation aspects between Qatar and WIPO, and discussed strengthening the partnership between the two sides. The convening parties sought to evaluate the implementation of joint projects and programmes, as well as future opportunities to enhance partnerships and mechanisms to support and develop national intellectual property (IP) policies and competencies.

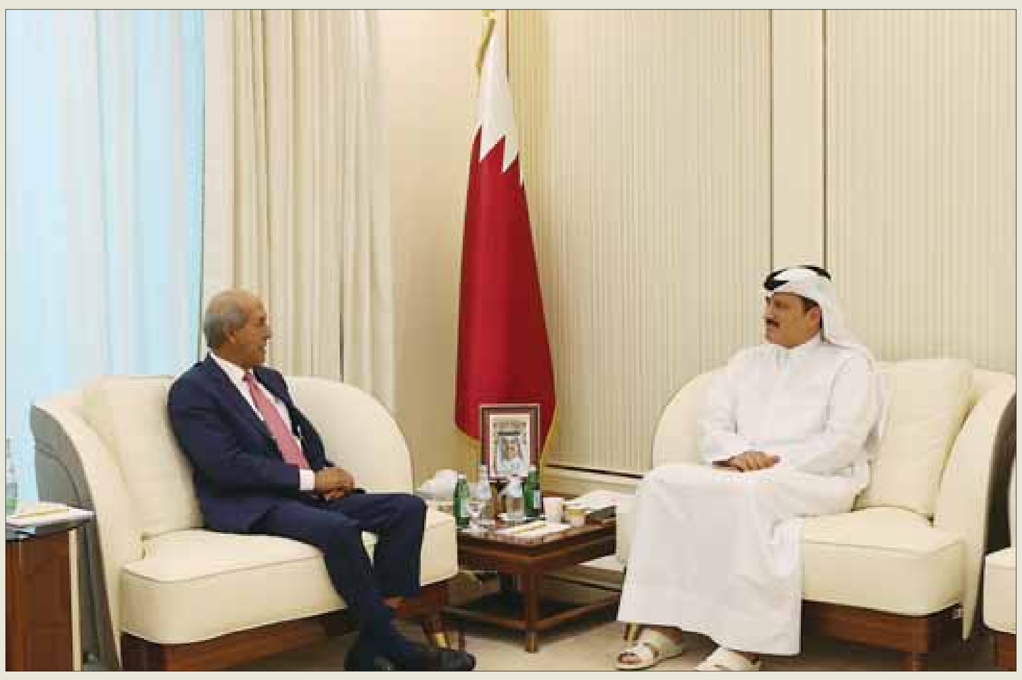
Furthermore, al-Khater extended Qatar's appreciation to WIPO for its support in developing IP policies and systems in the State of Qatar, particularly in terms of the development of the National IP Strategy, which capitalises on the memoranda of understanding (MoUs) signed between the two sides.

The various joint projects aim to achieve the objectives in the State of Qatar's national development plan, in line with the national economic policy.

They also align with economic diversification policies and the transition to a knowledge-based economy within the framework of Qatar National Vision 2030.

At the conclusion of the meeting, al-Khater reiterated Qatar's commitment and permanent support to WIPO in developing a balanced and effective international IP system that encourages innovation and creativity. WIPO is a global forum for IP expertise, services, policy, and co-operation. It provides technical assistance to its member states to help build relevant skills and capabilities.

Moreover, WIPO is one of the oldest specialised UN agencies and one of the largest international organisations in Geneva.



HE the Undersecretary of the Ministry of Commerce and Industry, Sultan bin Rashid al-Khater, with Hasan Kleib, deputy director general of the World Intellectual Property Organisation (WIPO) during the meeting.

Qatar's PPI rises 55.66% year-on-year in June

QNA
Doha

The PPI in the State of Qatar for June 2022 increased 55.66% year-on-year (y-o-y) but was down 1.14% sequentially, official data showed yesterday.

The Planning and Statistics Authority released yesterday its monthly Producer Price Index (PPI) of the Industrial sector for June 2022.

The four main components of the index are Mining (weight: 82.46%), Manufacturing (weight: 15.85%), Electricity (weight: 1.15%), and Water (weight: 0.52%). For Mining, the June PPI showed a decrease by 1.39% when compared with PPI of May, primarily due to the price decrease on "Crude petroleum and natural gas" by 1.38%, while "Other mining and quarrying" increase by 0.77%. On an annual basis, it rose 61.13%. Manufacturing saw a sequential decline of 0.14% in June 2022.

The price decrease is seen in: "Refined petroleum products" by 2.00%, followed by "Beverages" by 0.76%, and "Chemicals and chemical products" by 0.24%.

The increasing prices were noticed in "Basic metals" by 2.88%, followed by "Rubber and plastics products" by 2.06%, "Printing and reproduction of recorded media" 1.43%, "Food products" by 0.41%, and "Cement & other non-metallic mineral products" by 0.22%. On annual basis, the PPI increased by 35.60%.

The major groups which explain this price increase were: "Refined Petroleum products" by 46.17%, followed by "Rubber and Plastics products" by 39.78%, "chemicals and chemical products" by 38.18%, "Basic metals" by 35.86%, "Cement & other nonmetallic mineral products" by 9.98%, and "Food products" by 1.86%, offset by declines in "Printing and reproduction of recorded media" by 3.08%, and "Beverages" by 2.04%. Electricity, gas, steam and air conditioning supply showed an increase of 7.54% compared to May 2022.

When compared the PPI of June 2022, it showed an increase of 10.38%. For Water, PPI declined 1.27% sequentially, and increased 8.52% year-over-year.

US labour costs increase strongly in Q2; consumer spending accelerates 1.1%

Reuters
Washington

US labour costs increased strongly in the second quarter as a tight jobs market continued to boost wage growth, which could keep inflation elevated and give the Federal Reserve cover to continue its aggressive interest rate hikes.

Other data yesterday showed consumer spending accelerating in June, though the uptick was tied to higher costs for gasoline as well as a range of other goods and services, with monthly prices surging by the most since 2005.

Soaring inflation contributed to the economy's contraction in the first half of this year, leaving it on the brink of a recession.

"The Fed will continue to grapple with trying to tame inflation without tipping the economy into a recession," said Dante DeAntonio, an economist at Moody's Analytics in West Chester, Pennsylvania. "The data on wage and price growth will not do them any favours as upward pressure clearly remains even as the overall economy has weakened."

The Employment Cost Index, the broadest measure of labour costs, increased 1.3% last quarter after accelerating 1.4% in the January-March period, the Labor Department said.

Economists polled by Reuters had forecast the ECI would rise 1.2% in the second quarter.

Labour costs surged 5.1% on a year-on-year basis, the largest rise since the current series started in 2001, after increasing 4.5% in the first quarter.

The ECI is widely viewed by policymakers and economists as one of the better measures of labour market slack and a predictor of core inflation, as it adjusts for composition and job-quality changes.

It is being closely watched for signs of whether wage growth has peaked as economists and investors try to gauge the pace of the Fed's interest rate hikes.

The US central bank on Wednesday raised its policy rate by another three-quarters of a percentage point.

It has now hiked that rate by 225 basis points since March.

In a separate report, the Commerce Department said consumer spending, which accounts for more than two-thirds of US economic activity, rose 1.1% last month after gaining 0.3% in May.

Economists had forecast consumer spending would accelerate by 0.9%. The data was included in the advance gross domestic product report for the second quarter, which was published on Thursday.

That report showed inflation-adjusted consumer spending increased at its slowest pace in two years amid declines in purchases of goods, particularly food, because of higher prices.

Gross domestic product contracted at a 0.9% annualised rate last quarter after falling at a 1.6% pace in the first quarter.

The economy shrank 1.3% in the first half of the year.

Consumer spending last month was inflated by higher prices for gasoline and other energy products.

Consumers also spent more on healthcare and motor vehicles.

Indonesian chamber's economic growth plan to boost ties with Qatar

By Peter Alagos
Business Reporter

The Aceh Chamber of Commerce and Industry (Kadin Aceh) will be establishing an economic development plan aimed at building stronger bilateral relations between Indonesia and Qatar in a wide variety of sectors, an official has said.

Dr Phil Suraiya IT MA, vice chair of Kadin Aceh, told *Gulf Times* that the chamber's economic development plan includes the following industries: oil and gas (energy), agriculture and fisheries, halal tourism, and connectivity and transportation "through a collaboration with Qatar Airways."

According to Suraiya, who recently led an Indonesian business delegation in the country, the plan will be initially presented to the Qatar-Indonesia Business Council (QIBC) and to the respective embassies of both countries.

"Kadin Aceh is also planning to forge cooperation ties with Qatar Chamber to establish a sustainable mechanism of dialogue and platform for discussion and other development plans.

"We are also in talks with Farhan al-Sayed, the president of Qatar-Indonesia Business Council, in order to develop strong institutional, trade, and business relations between our chamber and QIBC," she explained.

QIBC president Farhan al-Sayed (centre) presenting a token of appreciation to members of an Indonesian delegation, which visited Doha recently. Indonesian businessman and philanthropist, Dr Rusli Bintang (left), and Dr Phil Suraiya IT MA, vice chair of Kadin Aceh, who headed the delegation.

Suraiya added: "Our visit to Doha was also to meet colleagues and to follow up on a potential collaboration between Qatar and Aceh in the fields of education, culture, and economic development.

"We also look to collaborate with Qatar in the field of education as we have universities and colleges focused on nursing and health. The province of Aceh, in particular, and the island of Sumatra, in general, could have positive prospects for partnership in the field of health."

QIBC president Farhan al-Sayed further explained that the Indonesian delegation arrived in Doha to enhance cooperation between Qatar and Aceh, a semi-autonomous Indonesian province on the northwest tip of Sumatra Island. Aside from Suraiya, who is also a senior advisor of the Human Resource Development of Aceh, al-Sayed said he also met with other members of the delegation, such as Indonesian businessman and philanthropist, Dr Rusli Bintang, as well as Dr Harmani Harun, vice rector of Malahayati University.

"The delegation's objectives on this visit were to improve connectivity between Qatar and Indonesia and how to take it to a higher level in the field of general trade, education, the export of coffee, fruits, vegetables, and halal food, as well as various other projects.

Aside from investment opportunities in agriculture and infrastructure, al-Sayed said discussions were held with Korina Refinery Aceh director Said Malawi, who was also a member of the delegation representing Aceh's oil refinery sector.

According to Malawi, the Indonesian government is inviting investors from Qatar to explore Aceh's refinery sector and forge joint projects for different downstream products, such as jet fuel, diesel, and lube oil, among others.

CORPORATE RESULTS

Exxon, Chevron post blowout earnings, ramp up buybacks

The two largest US oil companies, Exxon Mobil Corp and Chevron Corp, posted record revenue yesterday, bolstered by surging crude oil and natural gas prices and following similar results for European majors a day earlier.
The US pair, along with UK-based Shell and France's TotalEnergies, combined to earn nearly $51bn in the most recent quarter, almost double what the group brought in for the year-ago period. All four have ramped up share buybacks in recent months, capitalising on high margins derived from selling oil and gas.
Exxon outpaced its rivals with second-quarter net income of $17.9bn, several billion dollars ahead of its previous record reached in 2012, which was aided by asset sales in Japan. The fifth major, BP Plc, reports next week.
The companies posted strong results in their production units, helped by the surge in benchmark Brent crude oil futures , which averaged around $114 a barrel in the quarter.
The results from the majors are sure to draw fire from politicians and consumer advocates who say the oil companies are capitalising on a global supply shortage to fatten Profits and gouge consumers. A windfall tax does not provide "incentive for increased production, which is really what the world needs today," said Exxon chief financial officer Kathryn Mikells, in an interview with Reuters.
The companies say they are merely meeting consumer demand, and that prices are a function of global supply issues and lack of Investment. The majors have been disciplined with their capital and are resisting ramping up capital expenditure due to pressure from Investors who want better returns and resilience during a Down cycle.
"In the short term (cash from oil) goes to the balance sheet. There's no nowhere else for it to go," Chevron CFO Pierre Breber told Reuters.

Eni

Italian energy giant Eni said yesterday that its profits sky-rocketed in the second quarter as energy prices soared in the wake of the Ukraine war.
Eni said in a statement that bottom-line net profit increased 15-fold to €3.81bn ($3.9bn) in the period from April to June. Second-quarter sales were up 94%, the statement said.
Both figures exceeded analysts' expectations.
At an underlying level, too, operating profit more than doubled to €5.84bn, "driven by the favourable commodity price environment, strong refining margins and the focus on cost management", Eni said.
Like the rest of the sector, Eni has profited from soaring oil and gas prices linked to the global recovery after the coronavirus pandemic, and Russia's invasion of Ukraine.
The only shadow on the second-quarter results was that Eni's production of hydrocarbons fell by 1% to 1.57mn barrels a day.
The company said this was primarily due to "force majeure events in Libya, Nigeria and Kazakhstan". Eni's rivals have had a similarly bumper second quarter, with French giant TotalEnergies reporting a net profit of $5.7bn, Britain's Shell reporting $18bn, and Norway's Equinor almost $6.8bn.
For the whole of 2022, Eni confirmed it was aiming for operating profit of "at least" €1.2bn.
The company has started to balance its portfolio with the increased development of renewable energies, and is committed to cut greenhouse gas emissions of its energy products by 80% by 2050.
In June, Eni postponed plans to list on the Milan stock exchange its renewable energy and retail division, known as Plenitude, due to "volatility and uncertainty" on the financial markets.
The initial public offering "has been postponed but remains our intention," chief executive Claudio Descalzi said.
Plenitude was born out of the merger in April 2021 of Eni's retail gas and electricity division with its renewable energy unit.

Swiss Re

Swiss reinsurance giant Swiss Re said that rising interest rates had enabled it to return to profit after downturns in financial markets, the Covid-19 pandemic and the war in Ukraine pushed it into the red earlier in the year.
"Swiss Re returned to profitability in the second quarter of 2022... after the first quarter was marked by negative impacts from the financial market downturn, the Covid-19 pandemic and reserving for the war in Ukraine," the group said in a statement.
"Rising interest rates are clearly positive for the reinsurance sector, and we are starting to see the benefits come through," said chief financial officer John Dacey.
Swiss Re said it booked net profit of $405mn in the period from April to June, compared with a loss of $248mn in the preceding three months.
Nevertheless, taking the two quarters combined, first-half net profit fell by 85% to $157mn, Swiss Re said.
Net premiums and fee income — the equivalent of sales for insurance companies — increased by 1.9% to $21.2bn in the first six months, Swiss Re said.
"Growth was negatively affected by adverse foreign exchange developments."
Swiss Re said after setting aside $283mn reserves in the first quarter for potential impacts from the war in Ukraine, it did not increase them in the second quarter.

NatWest

British bank NatWest said that its profits rose in the first half, as revenues climbed on the back of higher UK interest rates.
NatWest, which in March returned to majority private ownership after years of government control, said net profit grew by 2.7% to £1.9bn ($2.3bn) in the period from January-June.
Revenues swelled by more than a fifth to £6.2bn, as NatWest followed the Bank of England in raising interest rates.
And while rising rates also help savers, they hurt borrowers as loan repayments jump.
"We have delivered a strong financial performance in the first half of the year...reflecting the strong profit and capital generation capacity of the business in the current interest rate environment," said NatWest, formerly known as Royal Bank of Scotland.
The Bank of England has raised its key interest rate five times since December, lifting it to 1.25% from a record-low of 0.1%, in a bid to combat runaway inflation.
The majority of the hikes have been by 0.25 percentage points. Some analysts predict the BoE could hike by as much as 0.5 percentage points next Thursday.
British annual inflation hit a new 40-year high of 9.4% in June, further eroding workers' wages in a cost-of-living crisis.

AstraZeneca

Covid-vaccine maker AstraZeneca said that profits fell sharply in the first half on ballooning costs linked to its takeover of US biotech firm Alexion.
The pharmaceutical group added that sales of its Covid-19 vaccine Vaxzevria slumped 49% in the second quarter.
Net profit slumped 64% to $746mn compared with the first six months of last year, AstraZeneca said in a statement.
Operating expenses jumped 33%, "reflecting the addition of Alexion, and continued investment in new launches and the pipeline" of drugs, the group said.
That offset a 48% jump in revenue to more than $22bn.
Revenue rose strongly thanks to sales of Alexion medicines.
The group said annual revenue from Covid-19 medicines is anticipated to be broadly flat compared with 2021.
Astra said the majority of Vaxzevria revenue this year was set to come from initial contracts struck as the pandemic took hold. After initially offering the vaccine at cost, Astra is selling Vaxzevria — developed alongside University of Oxford — for profit.
Astra added that growth of its preventative antibody treatment Evusheld was offsetting an expected decline in Vaxzevria sales.
"We have made great progress in our efforts to combat Covid-19," AstraZeneca chief executive Pascal Soriot said.
"Vaxzevria is estimated to have saved more than 6mn lives during the first year of roll-out, and Evusheld has protected hundreds of thousands of immunocompromised people, enabling them to return to a more normal life."
Soriot added that "Evusheld continues to demonstrate activity against new variants". Widespread vaccination across the European Union, combined with the less deadly Omicron variant, have seen the levels of people being hospitalised or dying from Covid drop dramatically.
Overall, however, "pharma giant AstraZeneca has once again reported strong second quarter sales and earnings, driven by growth in oncology, or cancer treatments", noted Keith Bowman, investment analyst at Interactive Investor.
"In all, ongoing investment costs in drug development continue to weigh."

Sony

Sony trimmed its annual net profit forecast, partly due to acquisition expenses from the purchase of US game studio Bungie, creator of hits like "Halo" and "Destiny". The PlayStation maker announced in February it would buy Bungie for $3.6bn, weeks after rival Microsoft unveiled a landmark pact to acquire "Call of Duty" maker Activision Blizzard.
Microsoft says its massive merger, valued at around $69bn, will make it the third-largest gaming company by revenue, behind Tencent and Sony — a major shift in the booming gaming world.
Sony Group now predicts net profit for 2022-23 will total ¥800bn ($6bn), down from its previous estimate of ¥830bn.
Higher-than-expected acquisition expenses are "mainly due to the acquisition of Bungie, Inc being completed earlier than the assumed timing", it said.
Lower sales of games by non-house developers will likely dent its overall sales figures this financial year, the Japanese conglomerate said, but this would be "partially offset" by a weaker yen.
The company has faced challenges rolling out its PlayStation 5 console, which remains difficult to get hold of more than 18 months since its launch, in part due to pandemic supply-chain disruption and the global chip shortage.
Sony sold 11.5mn PS5s last year, and Totoki said the company would maintain its annual sales target of 18mn, while hinting it could make more consoles if Covid-19 lockdowns in China ease further.
"We would like to consider accelerating production and sales (of PS5s) so we can ship many products in time for the year-end shopping season," he said.
For the PS5, "the problem is more about supply than demand," Hideki Yasuda, senior analyst at Toyo Securities, told AFP before the earnings release.
A US economic slowdown could open up shipping opportunities, even though it poses broader risks for businesses like Sony, Yasuda added.

Amadeus

Spanish travel reservations giant Amadeus said that it booked a profit in the second quarter as the lifting of most Covid-19 global travel restrictions allowed air travel to resume.
"In the second quarter of 2022, we saw an acceleration in the travel industry's pace of recovery which drove our performance and brought us closer to pre-pandemic levels," Amadeus said in a statement.
"Our travel agency bookings performance accelerated, supported by industry recovery and market share gains, driving our growth across regions, particularly in North America," said chief executive Luis Maroto.
Amadeus, the sector world leader, said it booked adjusted profit of €247mn ($253mn) from April to June, compared with a loss of €24mn in the same period a year earlier.
Sales jumped by 89% to €1.18bn in the second quarter, the statement said.
Bookings were up 132% at 109.2mn and the number of passengers boarded soared by 140% to 396.7mn, Amadeus said.
According to the International Air Transport Association, which represents most of the world's airlines, the sector is set to lose $9.7bn this year after losing $137.7bn in 2020, the year when most pandemic lockdowns were in place.

IAG

British Airways parent IAG said it flew back into profit for the first time since the start of the Covid pandemic, boosted by a "strong recovery" in demand.
IAG said in a statement that it swung back to net profit of €133mn ($135mn) in the second quarter from a loss of €981mn a year earlier.
The group had already forecast a return to annual profit after Covid travel curbs were fully lifted.
"In the second quarter, we returned to profit for the first time since the start of the pandemic following a strong recovery in demand across all our airlines," said chief executive Luis Gallego. "This result supports our outlook for a full-year operating profit." There were "no signs" of any weakness in demand, Gallego said.
The airline conglomerate slashed first-half losses to €654mn from 2bn euros last time around.
IAG had collapsed into annual losses in 2020 and 2021 as Covid ravaged global demand for international air travel, forcing BA and its peers to slash thousands of jobs.
IAG owns various airlines that also include Ireland's Aer Lingus and Spain's Iberia and Vueling.
Aviation is still in recovery mode from the deadly Covid pandemic that grounded planes worldwide.
Nevertheless, the outlook for the sector remains fragile due to major disruptions, notably staff shortages.
Airlines and airports are struggling to recruit staff having sacked thousands of workers as the world entered Covid pandemic lockdowns.
"Our industry continues to face historic challenges due to the unprecedented scaling-up in operations, especially in the UK where the operational challenges of Heathrow airport have been acute," Gallego said.
"We will continue working with the industry to address these issues as aviation emerges from its biggest crisis ever."
IAG is nevertheless expanding its ageing fleet with fuel-efficient aircraft, positioning itself for the recovery.
So far this year, IAG has announced the addition of 50 new Boeing 737s and 59 Airbus A320neo family aircraft.
These will help replace more than 60% of its short-haul fleet by 2028. IAG's share price edged up 0.1% in early London deals following the results.
"The post-pandemic trajectory is moving in the right direction, despite headwinds from staff shortages, passenger delays, strikes and cancellations," said analyst Richard Hunter at Interactive Investor.

Hermes

Hermes, the French maker of luxury fashionwear, said that profits rose sharply in the first six months, driven by strong sales in all geographic regions.
Hermes said in a statement that net profit advanced by 40% to €1.64bn ($1.7bn) in the period from January to June.
Revenues were up 29% at €5.475bn and the group's operating margin — a key profitability yardstick — reached a record high of 42.1%. "The very dynamic results over the first six months of the year testify to the growth across our 16 business lines and the strong desirability of our objects," said chief executive Axel Dumas.
Hermes said that all the geographical areas posted strong growth in the first half, with its operations in Asia showing particularly resilience, despite the sanitary context in China.
Looking ahead, the group said that "the impacts of the health context are still difficult to assess."
In the medium-term, "despite the economic, geopolitical and monetary uncertainties around the world, we confirm an ambitious goal for revenue growth at constant exchange rates," Hermes said.

Jupiter Fund

British asset manager Jupiter Fund Management reported a fall in its half-yearly profit due to an increase in outflows as key global markets are buckling under rising geopolitical tensions and inflationary concerns.
Global fund managers, who saw their assets under management (AUM) reach record levels during the pandemic, are now witnessing an increase in their outflows, with investors cautious as Britain's inflation scaled a four-decade high.
Jupiter saw its net outflows rise to £3.6bn ($4.39bn) in the six-month period ended June 30, compared with £2.3bn last year.
The company reported AUM of £48.8bn, down from £55.3bn, as at March 31. "Our overall AUM and net outflow position is disappointing," said chief executive officer Andrew Formica.
Jupiter, the second-largest provider of retail funds in Britain after the acquisition of Merian Global Investors, saw a 67% plunge in its half-yearly profit before tax to £18.8mn.

Pemex

Mexican state energy giant Pemex reported a sharp increase in second quarter profit compared with a year earlier thanks to higher oil sales and prices. The company announced net earnings of 131.4bn pesos ($6.5bn) for the three months through June, up from 14.4bn pesos in the same period of 2021.
Revenue increased 88.6% to 655.2bn pesos.
The group lost around $23bn in 2020 as it joined other oil firms worldwide hit by an economic slump that caused oil prices to briefly turn negative for the first time.
But it has since staged a strong rebound on the back of higher energy prices fuelled by rising demand and supply concerns fuelled by Russia's invasion of Ukraine.
Since taking office in late 2018, Mexican President Andres Manuel Lopez Obrador has sought to help Pemex with cash injections and other measures following years of declining production.
Even so, credit ratings agency Moody's downgraded Pemex from Ba3 to B1 earlier in July, putting it deeper in junk bond territory due to concerns about its debt.
Pemex said its total debt stood at $108.1bn at the end of the second quarter.

BNP Paribas

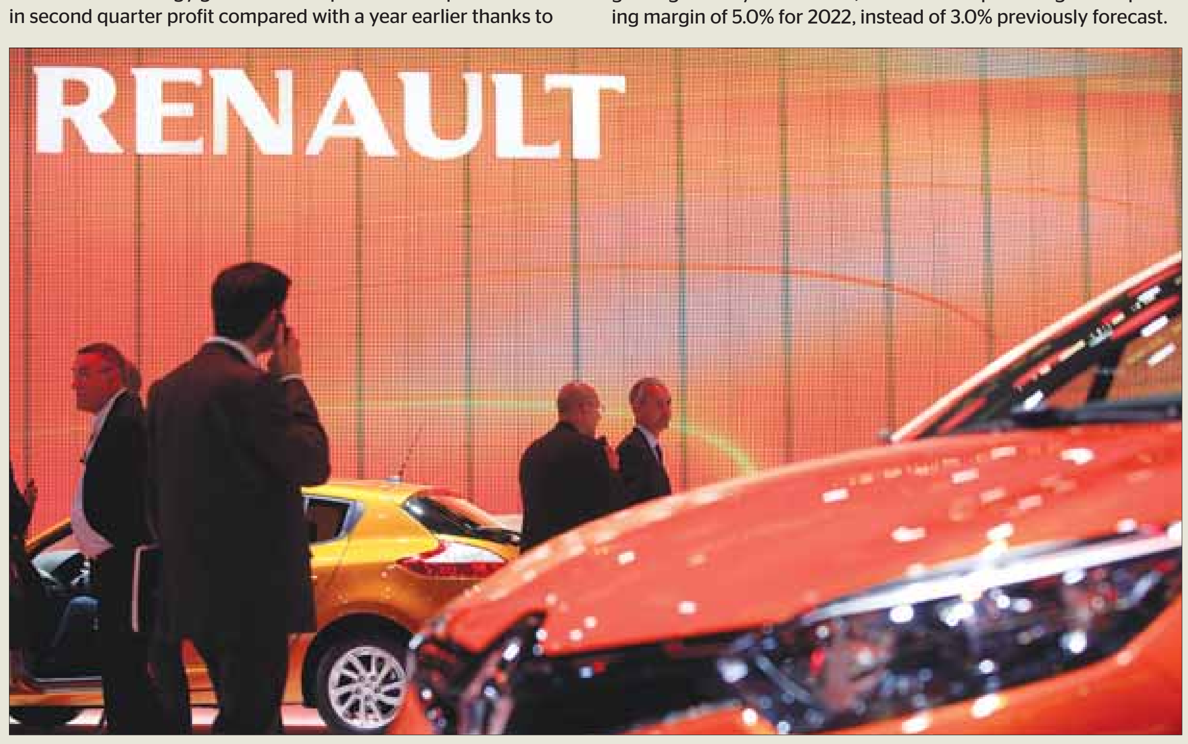
BNP Paribas SA posted its highest profit on record as lending income rose amid the prospect of higher interest rates and volatile markets lifted securities trading in the second quarter.
Revenue at the unit that houses BNP's retail operations rose 11%, reflecting higher fees, rising rates and gains in specialized businesses, the Paris-based firm said in a statement.
In the corporate and investment bank, equities trading rose 16%, double what the biggest Wall Street banks reported, after a series of deals to make BNP one of the top European firms in that business.
Net income of €3.18bn ($3.25bn) was the highest in Bloomberg records going back to 2000.
Chief executive officer Jean-Laurent Bonnafe has used the financial strength of BNP, one of the biggest and most valuable banks in the region, to bulk up in recent years as rivals struggled with negative rates.
After agreeing to sell his firm's US arm, he's well positioned to deploy excess capital for more deals as rising borrowing costs make banking in Europe profitable again.
Under Bonnafe, BNP has already struck deals to take on Deutsche Bank AG's prime brokerage assets as well as hedge funds clients from Credit Suisse Group AG.
The bank also agreed to buy the stake it didn't already own in Exane SA.
That paid off as revenue from equities trading rose to €878mn in the second quarter, beating analyst estimates as well as its biggest peers. Fixed-income trading also beat estimates, though it fell short of the 30% plus gains at peers including Deutsche Bank.

P&G

Higher prices helped Procter & Gamble score increased quarterly profits despite a hit to China sales, and executives yesterday described inflation as having a relatively limited impact thus far on demand.
Chief executive Jon Moeller alluded to "significant headwinds" faced by the consumer products giant including a strengthening US dollar, higher costs and Covid upheaval, but praised the performance of the firm behind well-known brands like Pampers diapers and Crest toothpaste.
The company "delivered strong top-line growth, earnings growth and significant cash return to shareholders in the face severe cost and operational headwinds," Moeller said in a statement.
Profits in the final quarter of the company's fiscal year rose $3.1bn, up five percent on revenues of $19.5bn, which were three percent higher than the year-ago period.
Sales were boosted by an eight percent increase in pricing. However, P&G executives said sales in China suffered an 11 percent hit due to Covid-19 lockdowns, with the earnings release highlighting the impact in beauty, grooming and health care.
With restrictions in China easing "we are seeing a gradual return to consumer mobility," said chief financial officer Andre Schulten. "And that is certainly helping consumption."
Schulten said P&G has seen relatively little incidence of consumers "trading down" to lower-priced products because of inflation. "You see consumers may be skimp for a period of time, use up inventory," he told reporters on a briefing. "But it's more benign than we would have expected based on historical data."

Renault

French carmaker Renault said that its decision to quit the Russian market pushed it deep into the red in the first half of 2022, but it was confident that new models would help steer it around.
Renault said in a statement that it booked net losses of €1.6bn ($1.6bn) from January to June, compared with profit of €368mn for the same period a year earlier.
By contrast, underlying or operating profit, jumped by 160% to €939mn.
First-half revenues were more or less stable, inching forward by 0.3% to €21.1bn, the carmaker said.
Renault is "resolutely pursuing its in-depth transformation and turnaround of its activities," said chief executive, Luca de Meo.
"These first-half results are a proof of this: Despite all the headwinds related to the stop of the activity in Russia, the semiconductor crisis and cost inflation, the group continues to improve its operating performance and is beginning to benefit from the success of new launches."
In May, Renault sold its 100-percent stake in Renault Russia and its 68% stake in AVTOVAZ.
As a result of discontinuing those operations, Renault took a hit of €2.3bn on its first-half accounts, mainly due to write-downs on real estate, plant and equipment, intangible assets and goodwill, the statement said.
But with that now in the rear-view mirror, Renault said it was upgrading its full-year forecast, and was now pencilling in an operating margin of 5.0% for 2022, instead of 3.0% previously forecast.



Hint of a Fed pause opens door to Asia's emerging markets

Reuters
Singapore

As the United States pushes ahead with its steepest interest rate hikes in a generation, investors are unusually poised to buy in Asia's emerging markets, betting authorities can tame inflation without triggering the capital-flight chaos of previous cycles.

While no rally is underway, steadying currency, debt and equity markets suggest investors may have already stopped rushing for the exits.

Beaten-down currencies such as South Korea's won and the Malaysian ringgit rallied on Thursday, and stock and bond markets in Seoul, Kuala Lumpur, Jakarta and Manila responded positively to the Federal Reserve's latest rate hike. The Fed, which met market expectations with a 75 basis point (bp) rise overnight, has now lifted rates by a total of 150 bps in two meetings — the fastest pace since the early 1980s.

The target window for the benchmark funds' rate is at its mid-2019 level of 2.25% to 2.5%.

But chair Jerome Powell noted slowing spending and production and foreshadowed an eventual slowdown in hikes. Traders have taken the remarks as confirmation that a peak in US interest rates is near and, with it, a top for the dollar and a trough for despair.

"These days emerging market currencies, especially Asian currencies, have been — from my point of view — oversold," said Masafumi Yamamoto, chief currency strategist at Mizuho Securities in Tokyo.

"Looking at the rising US equity market and the less-hawkish communication by Powell, this is supporting Asian currencies and other emerging market (EM) currencies, and the recovery of EM should continue."

Bellwether markets in South Korea and Indonesia are showing signs that the worst may be over.

Rather than collapsing, benchmark 10-year bonds in Indonesia have held up relatively well: The yield premium over Treasuries has actually narrowed this year.

South Korea's won, which has been battered by equity outflows on expectations that the country's growth-exposed heavy industry and high-tech manufacturing sectors will suffer as conditions tighten, has also paused for breath.

Having dropped nearly 9% for the year so far, the won was heading for its best onshore session in nearly a month on Thursday and has lifted about 2% from mid-July's 13-year low.

"In six to 12 months time, when inflation comes off globally and Fed tightening slows, that might benefit the won," said Bank of Singapore strategist Moh Siong Sim.

The moves are a far cry from the outset of the last Fed tightening cycle in 2013, when India and Indonesia were counted among the so-called "fragile five" emerging market countries, with assets on the front line of vulnerability to rising US rates.

Indonesian stocks are set for their best month since April, since they are on course at least not to fall again, and the rupiah currency has dropped only 5% this year, even as the greenback's strength has lifted the US dollar index by about 11%.

In 2013, by contrast, Indonesia's currency fell 21%, the 10-year yield soared 330 bps and stocks were flat as world equity markets rallied.

"What we've been pleasantly surprised with so far is that this time round the Asian markets have actually held up relatively well given the pressure that they've been under," said Thu Ha Chow, head of fixed income for Asia at Dutch asset manager Robeco.

"We're obviously waiting, like everybody else, for earnings…but high-quality corporates have been relatively stable."

Risks abound, of course — especially as some central banks, notably in Thailand and Indonesia, are being slow to follow in the Fed in raising interest rates.

Neither country has lifted policy rates from pandemic lows, inviting downward pressure on their currencies that could in turn exacerbate inflation and outflows. Investors expect both to move soon, however. "When the tide runs out and you're still not doing the right thing and raising rates, then all bets are off," said Howe Chung Wan, head of Asia fixed income at Principal Global Investors in Singapore, regarding Indonesia.

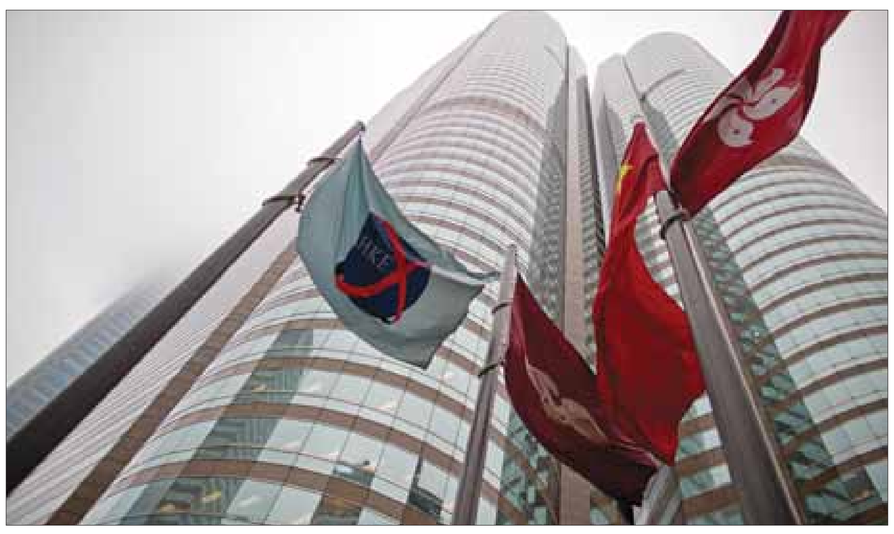
He expects inflation can breach Bank Indonesia's target band this year and force an interest rate rise sooner than policymakers intend.

But, he added, if that happens in a market convinced that global inflation can be tamed, then investors will find confidence.

"This is where the EM investors are going to be, when we clear out on the Fed, when we think inflation is peaking, this is where we want to be."

Asian bourses mixed as US contraction lifts bets

AFP
Hong Kong


An external view of the Hong Kong Stock Exchange. The Hang Seng Index closed down 2.3% to 20,156.51 points yesterday.

Asian stocks were mixed yesterday after another contraction in the US economy reinforced recession fears but boosted expectations that the Federal Reserve will slow its pace of interest rate hikes.

In Tokyo, the Nikkei 225 closed down 0.1% to 27,801.64 points; Hong Kong Hang Seng Index ended down 2.3% to 20,156.51 points and Shanghai Composite closed down 0.9% to 3,253.24 points yesterday.

After an extended period of pessimism on trading floors fuelled by soaring inflation and the US central bank's monetary tightening campaign, investors are beginning to speculate that the market may have reached its nadir. The world's top economy shrank 0.9% in April-June following a 1.6% retreat in the first quarter, as it was buffeted by the four-decade-high spike in inflation and rising borrowing costs.

But the reading was taken as a sign of good news, as it could give the Fed room to take its foot off the pedal, with Treasury yields — considered a barometer of future interest rates — easing.

Officials are expected to continue lifting rates, but analysts estimate they will announce a 50-basis-point rise in September, compared with 75 at the past two meetings.

And some analysts said the quick, sharp pace of increases would allow the bank to begin cutting sooner in 2023.

Others said any recession would likely only be shallow and short.

The news saw all three main indexes on Wall Street rally more than 1%, with tech firms — which are susceptible to higher rates — leading the way.

The gains extended a rally Wednesday that came after Fed chief Jerome Powell hinted that the bank could start to take it easier in its tightening. Most of Asia followed suit in early trade but struggled to maintain the momentum as the day progressed.

Tokyo, Shanghai, Singapore and Manila all fell. Hong Kong was also buffeted by a tech selloff, led by Alibaba after traders grew worried about its upcoming earnings report.

Sydney, Seoul, Mumbai, Taipei, Jakarta and Wellington rose. Paris rose more than 1% at the open after data showed the French economy grew more than expected in the second quarter thanks to a bounce in exports, while Frankfurt was also up despite a disappointing GDP reading from Germany.

London was also up in early trade.

The prospect of US rates not rising as fast as previously expected hit the dollar, which has soared in recent months against most other currencies.

The greenback dropped below 133 yen on Thursday for the first time since mid-June, having hit a 24-year high of 139.39 yen just two weeks ago.

A second successive contraction is widely considered a technical recession, though it is not officially considered so in the United States until identified as such by the National Bureau of Economic Research.

But while debate rages over that issue, the consensus is that the economy is struggling.

"The more important point is that the economy has quickly lost steam in the face of four-decade high inflation, rapidly rising borrowing costs, and a general tightening in financial conditions," wrote Sal Guatieri, of BMO Capital Markets.

China is also struggling, hit by painful Covid-induced lockdowns in major cities including Shanghai and Beijing that have hammered all sectors and supply chains.

On Thursday, the country's leadership offered a dour assessment of the world's number two economy but presented no plans to stimulate growth, leaving traders disappointed.

EM stocks, currencies fall

Reuters
Singapore

Emerging market stocks and currencies were on course to end the month lower, with China slowdown worries heightening yesterday after Beijing omitted previous calls that it would strive to meet its 2022 economic growth target.

Mainland China stocks were well in the red, while Hong Kong's main index dropped 2.4% to two-month lows, brining losses in July to 8% — its worst monthly fall in a year.

The broader emerging market stock index, heavily skewed towards blue-chip Chinese firms, lost 0.4% despite gains across most other bourses in Asia, emerging Europe and Africa.

After narrowly avoiding a contraction in the second quarter due to widespread Covid-19 lockdowns, China will try hard to achieve the "best possible" results for the economy this year, state media reported after a high-level meeting of the ruling Communist Party.

The meeting stopped short of addressing its previous full-year growth target of around 5.5% for the world's second-largest economy.

The day's decline added to the monthly losses for emerging market stocks, down 0.7%, as well as the currency benchmark, down 0.3%.

Risk appetite has been dampened by worries about China's Covid-19 curbs hitting growth and fears that aggressive monetary policy tightening by major central banks across the world could tip economies into recession.

Adding to investor worries, data released on Thursday showed the US economy unexpectedly contracted in the second quarter.

But this was interpreted as one more reason for the US Federal Reserve to ease its foot off the tightening pedal, and drove the dollar to six-week lows, giving some breathing space to emerging currencies.

The Indian rupee firmed 0.4% and looked set to post its best session in nearly four months, while South Africa's rand hit a three-week peak.

Mexico's peso extended gains to sixth session.

Against a strong euro, the Polish zloty jumped 0.4% after data showed inflation growth slowed significantly in July from last month, in line with expectations.

"We think this is only temporary and we will see inflation pick up again in the coming months," FX strategists at ING said.

But the July data should give the National Bank of Poland ammunition for a dovish U-turn, they said.

EU begins to prepare public opinion for winter gas siege

By John Kemp
London

European Union policymakers have started to prepare the public for siege conditions this winter if gas supplies from Russia are completely cut, an effort to demonstrate diplomatic resolve as well as avoid panic later in the year.

In recent weeks, officials from Germany and other EU member states have begun to talk openly and urgently about the need for immediate reductions in consumption in advance of the peak winter heating season.

They have also started to plan publicly for compulsory allocation, including rationing and prioritisation among industrial users, as well as sharing among member states in the event there is not enough gas to supply everyone.

The stated reason is to accelerate the accumulation of inventories over the remainder of the summer to ensure European countries enter the winter with the highest possible inventories.

In reality, inventories are rising relatively rapidly and are already above the long-term seasonal average in most member states and across the region as a whole.

Inventories across the EU and the United Kingdom (EU28) stood at 751 terawatt-hours (TWh) on July 24 compared with a ten-year seasonal average of 698 TWh.

EU28 stocks were rising at a rate of 5.11 TWh per day in the seven days to July 24 compared with a ten-year seasonal average of 4.61 TWh.

In Germany, the largest stock holder, inventories of 161 TWh were above the long-term average of 145 TWh, and rising at 0.6 TWh per day, compared with a long-term average of 0.72 TWh per day.

On current trends, the European Union as a whole, and Germany in particular, are already likely to enter the winter with above average levels of gas in storage.

The problem is that it will not be enough if pipeline supplies from Russia are cut completely.

EU storage is designed to cope with seasonal swings in consumption not to withstand a war-like strategic blockade.

EU storage sites are currently filled to 67% of their maximum capacity, including 67% in Germany, 71% in Italy and 76% in France.

But current storage is equivalent to just 18% of annual consumption for the European Union as a whole, including 16% in Germany, 18% in Italy and 21% in France.

Even if storage sites can be filled to 90% or more of their maximum, inventories cannot withstand semi-blockade conditions for more than a few months without being depleted to critically low levels or exhausted completely.

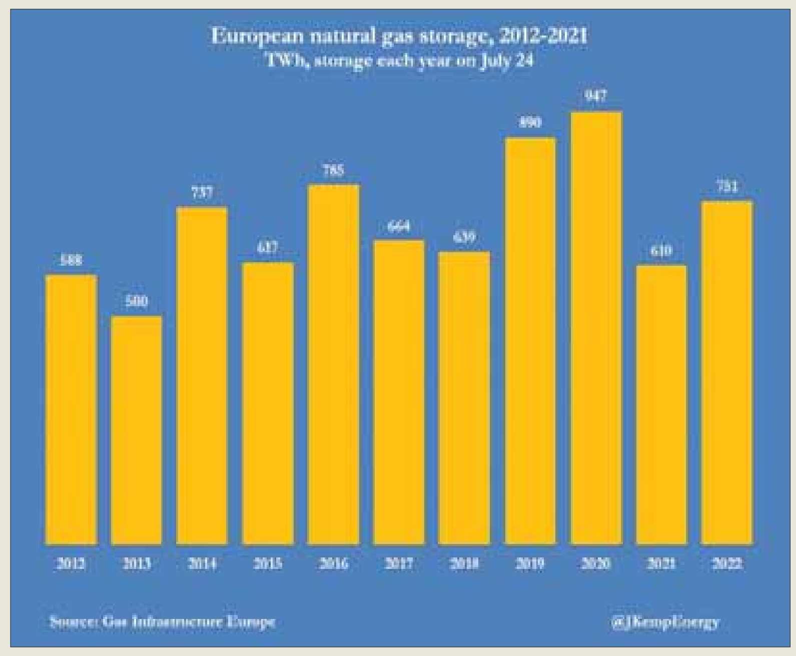
And if storage lasts through the winter of 2022/23 it would still need to be rebuilt before the winter of 2023/24, which would be extremely difficult under siege conditions.

Therefore, the unstated reason for the recent talk about consumption cuts and possible rationing is that large-scale and sustained demand reductions are the only way to withstand a possible gas siege.

Public planning for reduced consumption and compulsory allocation is intended to signal resolve and deter Russia from attempting a siege in the first place.

In the event one occurs anyway, it is intended to harden public opinion for the privations ahead, including some physical discomfort, significantly higher utility bills, and a severe economic contraction.

■ *John Kemp is a Reuters market analyst. The views expressed are his own.*



Treasury traders slash Fed-hike expectations as economy shrinks

Bloomberg
Washington

Treasuries rallied, dragging yields down sharply, as traders pared expectations for how much policy tightening the Federal Reserve will do based on a weak initial estimate of the US economy's performance in the second quarter.

Shorter-tenor securities led the way, with yields on three-year and five-year notes at one stage tumbling as much as 19 basis points, while the 10-year note's yield was down as much as 14 basis points to 2.65%, the lowest level since mid-April. Swaps referencing Fed meeting dates now show traders expect the fed funds rate to peak around 3.25% before the end of this year, less than a percentage point above its current level.

The move follows a dive in front-end rates on Wednesday in the wake of the Fed's decision to hike by three-quarters of a percentage point, to a range of 2.25%-2.50%, and comments from Chairman Jerome Powell that appeared to be taken as dovish by the market.

While some Fed watchers said the market's reaction Wednesday was potentially wrong as they didn't judge that Powell was signalling an imminent policy pivot, the fresh data Thursday showing two quarters of consecutive declines in gross domestic product - meeting the technical definition for a recession - gave more fuel to the slide in yields.

"The growing scepticism that the Fed will continue to deliver aggressive tightening has been emboldened" by the GDP data, said Ian Lyngen, head of US rates strategy at BMO Capital Markets.

GDP fell at a 0.9% annualised rate after a 1.6% drop in the first three months of the year, the Commerce Department's preliminary estimate showed Thursday. Personal consumption, the biggest part of the economy, rose at a 1% pace, a deceleration from the prior period.

The yield changes steepened the Treasury yield curve, where widely watched segments including the 2- to 10-year gap and the 5- to 30-year spread inverted in recent weeks, signalling expectations the economy will weaken.

The former remains inverted, at about minus 21 basis points; at one point on Wednesday it reached minus 32 basis points, the deepest inversion since 2000. The 5-year to 30-year spread on Thursday touched 34.4 basis points, the steepest since mid-March.

The GDP report illustrates how inflation has undercut Americans' purchasing power and tighter Fed monetary policy has weakened interest rate-sensitive sectors such as housing.

"There is great potential value in the short-term treasury market right now," said Michael Wagner, co-founder of Omnia Family Wealth.

In European government debt markets, Italian bonds outperformed as money markets pared European Central Bank tightening wagers. Italy's five-year yield tumbled 15 basis points to 3.16%, while traders are pricing less than 100 basis points of ECB hikes by year-end, the least since mid-June.

Though the US GDP data was as expected, "it will largely work to reinforce the market's hope of a Fed policy pivot later this year," Neil Dutta, head of US economic research at Renaissance Macro Research LLC said in a note. "I am not so sure we get the pivot the market has in mind."

After jumping on Wednesday, US bond-market gauges of inflation expectations fell Thursday as traders pulled back expectations for the degree of Fed policy tightening that's likely to come.

The 5-year breakeven rate, which uses the difference between nominal and inflation-protected Treasury yields as a gauge of how fast consumer-price gains are expected to be, fell to 2.68% after reaching as high as 2.74% earlier Thursday.

Meanwhile, an auction of seven-year US debt showed buyers are more than happy to put their hand up to purchase debt right now even after the recent rally. Bidding metrics on the sale were firm and it came in at a lower yield than the rate prevailing at the bidding deadline.

"We continue to believe we are not out of the woods yet on the pressure the economy will feel from inflation and rate increases, and continue to recommend a defensive position within risk assets to weather the slowdown that is unfolding," said Matt Peron, director of research at Janus Henderson Investors.


The US Treasury building in Washington, DC. Treasuries rallied, dragging yields down sharply, as traders pared expectations for how much policy tightening the Federal Reserve will do based on a weak initial estimate of the US economy's performance in the second quarter.

Germany's economic model shaken by energy crisis

AFP
Berlin

Stagnant German growth in the second quarter has led analysts across the board to predict a recession as the outlook becomes clouded by the threat of a halt to Russian gas supplies.

But it is not only growth that is sputtering at 0% between April and June — Germany's entire economic model is being called into question by experts.

"The war in Ukraine puts an end to the German economic business model as we knew it — a model which was mainly based on cheap energy imports and industrial exports into a increasingly globalised world," said Carsten Brzeski, economist at ING bank, in response to the second-quarter growth data.

Less expensive to produce and transport, with prices pinned down in long-term contracts, Russian gas has for decades contributed to Germany's economic prosperity.

Industry consumes 30% of the gas burnt in Germany.

Before the war, more than half of the total supplies came from Russia, a figure which had fallen to 35% by the beginning of June.

To wean itself completely off Russian gas, Germany is looking further afield for new supplies, including shipments of liquefied natural gas from the United States and Qatar, as well as moving more quickly to renewable electricity generation.

"As an exporting nation, Germany has benefited disproportionately from free trade. But it is exactly that which is now in danger," said the Sueddeutsche daily earlier this month.

The coronavirus pandemic and the Ukraine war have shown the weaknesses of open economies, as supply chains have been upended and key components have become scarce.

Germany has been among the most exposed to the logistical problems of the past two years.

Germany's dependence on China is also worrying politicians in Berlin.

The strong two-way ties between Germany and China were "not healthy", liberal Finance Minister Christian Lindner said in April.

Beijing is Germany's number-one trade partner, with trade between the two nations expanding again by 15.1% in 2021.

"It's potentially a new risk," economist Claudia Kemfert told AFP.

While the risk was less acute than dependence on Russia, more needed to be done to "focus on the domestic economy and build resilience", she said.

After years of anaemic growth, inflation is back with a vengeance in the European Union.

In Germany, the memory of 1920s-style hyperinflation weighs heavy on the public debate.

Beyond this psychological block, the obsession with price stability ensures a "competitive industry and a nation of savers", according to a recent report by French think-tank OFCE.

Rising prices have led to increasing labour unrest in Germany.

July saw the longest industrial action at German ports in 40 years and a day of strikes by ground staff at Lufthansa.

Ahead of negotiations that are set to kick off in September, the powerful IG Metall union is asking for an eight-percent pay rise for 3.8mn workers across various industrial sectors, the biggest wage demand since 2008.

JetBlue's $3.8bn Spirit deal faces tricky antitrust review

Bloomberg
New York

JetBlue Airways Corp already overcame one adversary in its battle to acquire Spirit Airlines Inc. Now it faces an even bigger fight.

The $3.8bn merger must undergo a rigorous antitrust review that analysts say could lead to significant divestitures or changes to the deal's structure — if it gets approved at all.

Concern over regulatory pushback was the main reason Spirit's board resisted JetBlue's overtures for several months in favour of a lower offer from Frontier Group Holdings Inc.

"This one is going to be put under the microscope," Bill Baer, former assistant attorney general in charge of the Justice Department's antitrust division, said of JetBlue's deal.

The notion that combining a low-cost airline with an ultra-low-cost carrier will enhance competition "will get a lot of scrutiny."

After prevailing Thursday in the fiercest airline takeover clash in years, JetBlue is poised to gain new planes, routes and pilots, swelling its ranks at a speed it couldn't otherwise achieve.

While still ranking well behind behemoths like Delta Air Lines Inc and American Airlines Group Inc, a bulked-up JetBlue would leapfrog Alaska Airlines to become the fifth-largest carrier in the US.

The DoJ is likely to examine a range of factors in JetBlue's case, including the markets in which the carriers both operate, how any concentration of flights would affect air fares, whether service would be cut and if the combination would reduce chances that the surviving carrier will expand into new cities or regions.

Merger reviews are customary, but President Joe Biden has made intense scrutiny a priority in industries with heavy consolidation, including airlines.

A number of high-profile recent deals have been stymied by antitrust reviews, including Nvidia Corp's failed attempt to purchase Arm Ltd and Lockheed Martin Corp's proposed — then abandoned — merger with Aerojet Rocketdyne Holdings Inc.

Asset divestitures can help smooth the way to antitrust approval, and JetBlue has already offered to give up Spirit's assets in the New York and Boston areas, and potentially in crowded airports in some Florida cities. Robin Hayes, JetBlue's chief executive officer, said this shows how committed they are to doing what is necessary. "We have a path to close this deal," he said in an interview. The carriers expect approval no later than mid-2024.

Investors and experts aren't so sure.

An informal survey of merger arbitrage specialists by Bloomberg found most see a 50% or lower probability of the deal being completed.

JetBlue is already facing a DoJ suit to block an existing partnership in the Northeast US with American Airlines.

Concerns over the so-called Northeast Alliance — and whether JetBlue would be willing to abandon it to close the Spirit deal — led JetBlue to include an unusual $470mn breakup fee for Spirit and its shareholders if the merger is blocked on antitrust grounds.

"When JetBlue made the takeover bid for Spirit, they already knew that the NEA was something that would have to go," said Florian Ederer, who teaches a class on antitrust and competition policy at the Yale School of Management and has authored papers on the topic.

A requirement to ditch the American partnership likely will not lead JetBlue to walk away from the merger, he said.

Unexpected Help The DoJ's case against the tie-up may get some unexpected help from Spirit.

Earlier this year, when trying to fend off JetBlue's unsolicited offer, lawyers hired by Spirit and Frontier offered an analysis of the ways a JetBlue-Spirit combination would be detrimental.

That now gives regulators a clear roadmap for what to look for and areas ripe for challenge, said Jennifer Rie, a Bloomberg Intelligence analyst.

JetBlue's best argument is that the merger will put competitive pressure on the industry's largest carriers, including United Airlines Holdings Inc and Delta, to lower prices on routes where a combined JetBlue-Spirit fly, Rie said.

But antitrust prosecutors will need to weigh that against the likelihood of higher prices on individual routes since JetBlue flies planes with fewer seats and higher fares than Spirit, she said.

"In today's aggressive DoJ, where there have already been many, many complaints and studies of airline consolidation and people already believe the industry is too consolidated in general, they have a tough argument to make," she said.

JetBlue and Spirit airplanes at Fort Lauderdale-Hollywood International Airport in Florida. The $3.8bn merger must undergo a rigorous antitrust review that analysts say could lead to significant divestitures or changes to the deal's structure — if it gets approved at all.