

Business

NBK Money Markets Report

# Dollar lower on tax reform concerns; Fed chair decided

## China's trade with US experiences \$26.6bn surplus

**KUWAIT:** Last week in the United States, with no major economic indicators released, and with the Fed chair already decided, the US tax plan has been brought into the spotlight. The details of the largest overhaul of US tax law since the 1980s are yet to be decided upon, as the Republicans in the Senate proposed a corporate tax rate cut to 20 percent and a delay to 2019. This differs from the House proposal, and the bill will need to undergo a process of reconciliation in order to be implemented. Therefore, markets are skeptic about whether the tax reform plan will be finalized before the end of the year.

Despite the dollar's movement away from the 21/2-year lows witnessed in September, the greenback did not manage to have a positive performance last week. The Senate's plan to delay the corporate tax cuts by one year disappointed markets which proceeded to trade the dollar lower. According to analysts, any potential delay in the implementation of tax cuts, or the possibility of proposed reforms being watered down, would tend to work against the dollar. The dollar index, which measures the dollar against a basket of major currencies, closed the week lower at 94.391.

In the United Kingdom, worries regarding Brexit continued to haunt businesses, which have been calling on Prime Minister Theresa May to provide clarity on how Brexit will work. On her part, May gave little in terms of new information as talks on how goods and services will flow between Britain and the European Union after Brexit in March 2019 have made slow progress, fueling fears of a mass departure of multinational firms. Firms in Britain have already started to feel the heat as one survey showed that most European businesses plan to cut back orders from British suppliers because of the slow progress of Brexit talks.

As far as the cable goes, the pair underwent a

quiet week. The pair reached a low of 1.3084 before closing at 1.3188 in a fairly uneventful week. Against a soft Euro, the Sterling did manage to gain some ground closing the week at 0.8842.

Alternatively, the euro experienced a mellow week as recent trends continued to dominate. A dovish ECB in October put an end to a 9-month rally that took the single currency from a level of 1.0339 in January to a high of 1.2092 in September. The European Central Bank's decision to stick with an ultra-loose policy stance by choosing to prolong its bond purchases program continued to hinder the European currency. The Euro closed the week at a level of 1.1663.

Last week, the Japanese yen managed to appreciate to a November high against a soft US dollar. This was triggered mainly by uncertainty of US tax reforms, which took center stage during a relatively quiet week. After opening the week at 113.98, the USDJPY pair closed at 113.53.

On the commodities front, oil prices soared to 21/2-year highs following an anti-corruption campaign that has taken place in Saudi Arabia during the week, fueling geopolitical risk. In addition, prices were also supported by reports that OPEC members' compliance reached a level of 104 percent in October. Accordingly, Brent Crude futures surged to a high of \$64.65 last week, as optimism grew for an extension to the output-cut agreement beyond March.

### UK manufacturing

In the United Kingdom, industrial output increased in September at the fastest pace this year. Additionally, the goods trade deficit also improved. Despite also showing a sharp downturn in construction, the figures as a whole are likely to reassure Bank of England policymakers who last week voted to raise interest rates for the first time in more than 10 years. The rise in output was



mainly attributed to a rise of 0.7 percent in manufacturing, compared to a prior gain of 0.4 percent seen in August.

### Reserve Bank of Australia

The Reserve Bank of Australia kept interest rates unchanged for the fifteenth straight month. The cash rate target was held at 1.5 percent during the RBA's November meeting, as expected by analysts. Additionally, RBA governor Philip Lowe commented that "the central forecast is for GDP growth to pick up and to average around 3 percent over the next few years". The Australian dollar managed to rise 0.3 percent following the release of the statement before depreciating back to the same level it was trading at initially.

### China trade balance

In China, trade balance figures indicated that exports rose at a slower pace in October, but import growth beat forecasts in a sign domestic demand remained robust despite Beijing's crackdown on pollution that analysts say will reduce factory output and crimp overall economic growth. Exports rose 6.9 percent y/y, somewhat lower than analysts' forecasts of a 7.2 percent y/y increase. Meanwhile, imports grew at 17 percent

y/y, coming in higher than a 16 percent expectation. Looking more closely at the data, trade with the US, China's largest export market, experienced a surplus of \$26.6 billion in October, down from \$28.1 billion in September.

### China inflation

Inflation figures in China came in above expectations last week, as the consumer price index climbed 1.9 percent y/y, exceeding analysts' forecast of a 1.8 percent rise. More significantly however, is the producer price index which signaled that factory prices kept surging in October as authorities curb production in smokestack industries to combat pollution. During China's communist party congress last month, policy makers indicated a shift away from the growth-at-all-costs model as they shined a greater light on limiting pollution and taming financial risk. China has stepped up restrictions on steel mills and aluminum factories before winter, when pollution levels are often at their worst in the northern part of the country.

### Kuwait

The USDKWD opened at 0.30250 yesterday morning.



## Brexit continues to haunt UK businesses

## SoftBank fund could shake up tech world

**SAN FRANCISCO:** Japan-based SoftBank is sending tremors through the tech world with a massive new venture capital fund for investing in startups that's expected to dominate the industry so thoroughly it's playfully referred to as a "gorilla."

The Vision Fund's \$100 billion coffers nearly equals the total amount pumped into venture capital-backed companies last year, according to market intelligence firm CB Insights, and some say it may be a game-changer for Silicon Valley.

"SoftBank shows a remarkable amount of bravery, confidence and optimism to look to apply this much money in technology," said Bill Maris, who started Google Ventures nearly a decade ago and runs his own California-based investment firm Section 32.

"I can't say it's a wrong bet, if you think the trends in tech will continue in the future. I would be much more worried if SoftBank was saying tech is dead."

Last year, VC-backed firms received \$100.8 billion across 8,372 deals around the world, according to CB Insights data. The huge amount of cash could accelerate the trend where fast-growing startups remain private-without the scrutiny and transparency of a stock market debut. Some investors worry that the Vision Fund will buy into startups at high prices, overinflating the market, while crowding out other investors and prolonging the time it takes for young companies to go public. SoftBank has outlined plans to focus on late-stage investments when startups are more established, and on investments of at least \$100 million.

### Matchmaking

The SoftBank fund is widely expected to pump some \$10 billion into ride-sharing giant Uber, which has a whopping valuation near \$70 billion. Such a deal would boost the profile of the Japanese group in Silicon Valley. Maris predicted the venture capital market would adapt to the Vision Fund, and in the end there would be more money available for entrepreneurs.

"I always think more dollars available to innovators and inventors is a good thing," Maris said. "If it does shake up the market, maybe things do need to be shaken up a little bit." SoftBank chief executive Masayoshi Son has demonstrated a

strategic appreciation for bringing together startups with the potential to benefit one another, according to analyst Patrick Moorhead of Moor Insights & Strategy.

Moorhead added that he was expecting either spectacular wins or failures from the Vision Fund, nothing in between. "It is looking for mega-investments," he said.

### Consolidation goals

SoftBank's early, lucrative, investment in Alibaba was part of a strategy focused on booming e-commerce in China, according to GGV Capital managing partner Hans Tung. SoftBank's recent investments in ride-sharing firms in various countries fits a pattern of seeking money-making synergies by bringing competitors together to share technology, learnings and more. "Masayoshi Son understands the value of consolidation," said Tung. "It is affecting the way society moves from less efficient to more efficient, and the amount of innovation that could happen."

"If consolidation is somewhat expedited with SoftBank money, that is not necessarily a bad thing," Tung said. He added the caveat that the kind of power that comes with such a large fund could be abused. "If that money is used correctly, he should do well and do better for society," Tung said of Son. —AFP



**NEW YORK:** In this file photo, then President-elect Donald Trump (left), accompanied by Softbank CEO Masayoshi Son, speaks to members of the media at Trump Tower in New York. —AP

## EXCHANGE RATES

Al-Muzaini Exchange Co.	
<b>ASIAN COUNTRIES</b>	
Japanese Yen	2.655
Indian Rupees	4.692
Pakistani Rupees	2.878
Sri Lankan Rupees	1.972
Nepali Rupees	2.937
Singapore Dollar	223.240
Hongkong Dollar	38.912
Bangladesh Taka	3.686
Philippine Peso	5.919
Thai Baht	9.172
<b>GCC COUNTRIES</b>	
Saudi Riyal	80.014
Qatari Riyal	83.441
Omani Riyal	788.981
Bahraini Dinar	806.700
UAE Dirham	82.714
<b>ARAB COUNTRIES</b>	
Egyptian Pound - Cash	0.000
Egyptian Pound - Transfer	17.159
Yemen Riyal/for 1000	1.219
Tunisian Dinar	122.420
Jordanian Dinar	428.390
Lebanese Lira/for 1000	2.024
Syrian Lira	0.000
Morocco Dirham	32.367
<b>EUROPEAN &amp; AMERICAN COUNTRIES</b>	
US Dollar Transfer	303.600

Euro	354.000
Sterling Pound	398.630
Canadian dollar	238.870
Turkish lira	80.320
Swiss Franc	304.360
Australian Dollar	234.080
US Dollar Buying	302.400
<b>GOLD</b>	
20 Gram	260.520
10 Gram	133.180
5 Gram	67.430
<b>Dollarco Exchange Co. Ltd</b>	
<b>Rate for Transfer</b>	<b>Selling Rate</b>
US Dollar	303.250
Canadian Dollar	238.145
Sterling Pound	397.935
Euro	353.615
Swiss Frank	305.300
Bahrain Dinar	804.850
UAE Dirhams	82.955
Qatari Riyals	83.780
Saudi Riyals	81.725
Jordanian Dinar	429.000
Egyptian Pound	17.222
Sri Lankan Rupees	1.974
Indian Rupees	4.689
Pakistani Rupees	2.876
Bangladesh Taka	3.716
Philippines Peso	5.911
Cyprus pound	18.040

BAHRAIN EXCHANGE COMPANY WLL		
CURRENCY	BUY	SELL
British Pound	0.395434	0.402934
Czech Korune	0.005854	0.017854
Danish Krone	0.043541	0.048541
Euro	0.349151	0.356651
Georgian Lari	0.135223	0.135223
Norwegian Krone	0.033365	0.038565
Romanian Leu	0.065015	0.081885
Russian ruble	0.005231	0.005231
Slovakia	0.009062	0.019062
Swedish Krona	0.032290	0.037290
Swiss Franc	0.298728	0.309728
<b>Australasia</b>		
Australian Dollar	0.224779	0.236779
New Zealand Dollar	0.204516	0.214016
<b>America</b>		
Canadian Dollar	0.234258	0.243258
US Dollars	0.299500	0.303920
US Dollars Mint	0.300000	0.303920

<b>Asia</b>	
Bangladesh Taka	0.003317 0.003901
Chinese Yuan	0.044221 0.047721
Hong Kong Dollar	0.036933 0.039683
Indian Rupee	0.004128 0.004769
Indonesian Rupiah	0.000018 0.000024
Japanese Yen	0.002596 0.002776
Korean Won	0.000261 0.000276
Malaysian Ringgit	0.068551 0.074551
Nepalese Rupee	0.003030 0.003200
Pakistan Rupee	0.002663 0.002953
Philippine Peso	0.005790 0.006090
Singapore Dollar	0.218098 0.228098
Sri Lankan Rupee	0.001648 0.002228
Taiwan	0.010030 0.010210
Thai Baht	0.008816 0.009373
<b>Arab</b>	
Bahraini Dinar	0.798309 0.806809
Egyptian Pound	0.014562 0.020280
Iranian Riyal	0.000084 0.000085
Iraqi Dinar	0.000207 0.000267
Jordanian Dinar	0.423604 0.432604
Kuwaiti Dinar	1.000000 1.000000
Lebanese Pound	0.000156 0.000256
Moroccan Dirhams	0.022816 0.046816
Omani Riyal	0.782253 0.787933
Qatar Riyal	0.079101 0.084041
Saudi Riyal	0.0079873 0.081173
Syrian Pound	0.001287 0.001507
Tunisian Dinar	0.117384 0.125384
Turkish Lira	0.073493 0.083793
UAE Dirhams	0.081234 0.082934
Yemeni Riyal	0.000987 0.001067