

Business

Asian markets rally on easing Evergrande fears, comments

Investors cheered by US Federal Reserve plan

HONG KONG: Asian markets rose yesterday as concerns about a collapse of troubled property giant Evergrande receded for now, while investors were also cheered by a Federal Reserve plan to begin scaling back its ultra-loose monetary policy soon. Hong Kong was among the lead advancers as it reopened after a mid-week break to catch up with news that Evergrande had agreed a plan to repay interest to its domestic bondholders, soothing worries of a default that have raised talk of a hammer blow to the Chinese economy.

And while Wednesday's statement was vaguely worded - not detailing how much and when it would pay - it was grasped as a much-needed positive sign. Attention is now on what it plans to do about repayments to offshore bondholders. Observers pointed out that even if it fails to meet its obligations, the firm still has 30 days to come up with the cash. However, they will be keeping an eye on how it deals with those dollar-denominated notes.

"International investors will watch closely for new developments and for any state reaction, and assess how contagious it can be for the rest of the economy," Bernard Shaw, an Asia bond syndicate banker at Daiwa Capital Markets Singapore, said. Hong Kong rose more than one percent, with Evergrande surging about 30 percent briefly before easing back slightly - though its shares are still down more than 80 percent

this year. There were also gains for other property developers as well as banks that have exposure to the firm. Shanghai was also in positive territory, helped by an infusion of \$17 billion into financial markets by the People's Bank of China.

Justin Tang, of United First Partners, said the Wednesday announcement "displayed that maintaining bond solvency was still on the agenda for Evergrande and also raised hopes for investors that creditors are to an extent open to resolution". "The read-through is that an orderly restructuring/negotiation is still on the cards for other onshore and offshore creditors and could buy the time Evergrande so desperately needs." Sydney also added one percent, while Mumbai and Singapore were up even more. Wellington, Taipei, Manila, Bangkok and Jakarta were also higher. Tokyo was closed for a holiday.

In Europe, London, Paris and Frankfurt all rose at the open. The positive start to the day followed a rally of around one percent for all three main Wall Street indexes, where investors also welcomed a Fed statement on tapering its vast bond-buying program. The central bank said it expects to "soon" be ready to start the wind-down of stimulus put in place at the start of the pandemic that has been a key driver of the global economic and equity rebound.

Debt ceiling warning

The world's biggest economy was now strong



TOKYO: A woman looks out from an observatory deck in Tokyo yesterday. — AFP

enough for the bond-buying program to be slowed, "if progress continues broadly as expected", it said in a statement after its policy meeting. "The Fed has officially given notice that if the recovery continues as planned, a moderation in the pace of asset purchases can happen soon," said OANDA's Edward Moya, adding that investors "can now completely price in a formal November taper announcement with a Decem-

ber start date".

He said traders were cheered as "the Fed has well telegraphed that they were nearing a taper announcement and continue to show they are in no rush to deliver interest rate hikes". "The biggest risk to the stock market is an accelerated pace of tightening and the Fed is showing that is something they will avoid unless they were dead wrong about inflation." — AFP

Nigeria aims to boost oil output

ABUJA: Nigeria said it aims to produce 1.88 million barrels per day of crude oil next year and the budget will be based on the benchmark price of \$57 per barrel, calling it a "very conservative" output goal as the country's economy struggles. Africa's most populous country has been hit hard by the coronavirus pandemic, insecurity and a slump in global oil prices vital to its petroleum-reliant economy.

The government said Wednesday that a Senate committee had approved spending plans for the next three years, called the Medium-Term Expenditure Framework (MTEF), which forecasted gross domestic product growth of 4.2 percent and inflation of 13 percent for 2022. The upper house also gave its nod for daily crude oil production of 1.88 million barrels per day (mbpd) for next year, 2.23 mbpd for 2023, and 2.22 mbpd for 2024 "in view of an average 1.93 mbpd over the last the years". Those figures are an increase from 1.47 mbpd oil production this year, when the budget was based on \$40 per barrel.

The upper house said that "a very conservative oil output benchmark has been adopted for the medium term in order to ensure greater budget realism". The Senate committee recommended the MTEF, saying it was "designed deliberately to minimize the adverse socio-economic consequences of the unabating COVID-19 pandemic and other crises peculiar to our country". The estimates were considered by the Senate ahead of the 2021 appropriation bill being presented by President Muhammadu Buhari later in the year. While economic growth has bounced back after being hit by the pandemic, insecurity, kidnapping and criminal attacks have surged this year in northwest and central states and food inflation remains stubbornly high. — AFP

South African Airways resumes flights after bankruptcy

JOHANNESBURG: South Africa's embattled national airline yesterday flew its first plane since March 2020 after emerging from bankruptcy proceedings. Passengers on the South African Airways (SAA) flight from Johannesburg to Cape Town were greeted on their departure by singing and dancing airline staff. Once Africa's second-largest airline after Ethiopian Airlines, SAA had survived for decades on government bailouts and was shedding routes even before the COVID-19 pandemic struck. The government agreed in June to sell a 51-percent stake to a group of investors called the Takatso Consortium, opening the way to a potential injection of \$200 million (171 million euros).

Even after a state bailout of more than \$500 million (426 million euros) and a restructuring of its debt, the airline only emerged from bankruptcy after slashing hundreds of jobs. In addition to the domestic route that resumed yesterday, SAA plans to begin regional services next week to Accra, Kinshasa, Lusaka, Harare and Maputo. Chief finance officer Fikile Mhlonto said this week that the airline's fleet is down to six planes, from a previous 46. SAA low-cost subsidiary Mango remains grounded and in bankruptcy proceedings. — AFP

Indonesia approves giant solar project

JAKARTA: Indonesia approved a giant solar power link between Australia and Singapore after a \$2.5 billion investment promise, authorities said yesterday. Southeast Asia's largest economy has agreed to allow Sun Cable's Australia-Asia PowerLink or AAPowerLink route through Indonesian waters and approved the undersea survey permit. "We expect this project will have a sustainable impact for our economy through various procurement programs that will benefit the industry and the government's revenue," coordinating minister of maritime and investment Luhut Binsar Panjaitan told a virtual press conference in Jakarta.

AAPowerlink will generate solar electricity from one of the world's biggest solar farm projects and transmit it from Darwin to Singapore starting in 2028. The project is expected to supply up to 15 percent of Singapore's electricity needs and reduce the country's emissions by around six million tons annually. The company will not be supplying renewable energy directly to Indonesia but promised around \$1 billion in direct investments on procurement of equipment and services and an additional \$1.5 in operational spending over the life of the project.

"We're really excited to announce that this project will invest \$2.58 billion into Indonesia," Sun Cable CEO David Griffin said. "We want this world-leading project to create a step-change in the Indo-Pacific's capability to achieve net-zero ambitions and economic growth sustained by renewable energy." The over 30-billion Australian dollar project includes the construction of the enormous solar farm in Australia's Northern Territory, the world's largest battery, and an approximately 4,200-kilometre undersea high-voltage cable system from Darwin to Singapore. — AFP