Monte dei Paschi bolsters European stocks

LONDON: European shares followed Asian stocks higher yesterday, buoyed by reports Italy would step in to rescue troubled bank Monte dei Paschi and expectations the European Central Bank would extend its bond-buying stimulus scheme this week. Italian government bond yields fell, narrowing the premium investors demand to hold them rather than benchmark German debt, to its tightest for about a month. The pan-European STOXX 600 index rose 0.8 percent, led by banks, and Italy's FTSE MIB share index gained 1.2 percent, hitting its highest for six months.

Shares in Monte dei Paschi, Italy's oldest bank and the focus of investor concerns over the country's banking sector, rose 9 percent. Reuters reported exclusively on Tuesday that Italy was preparing to take a 2-billion-euro controlling stake in the bank as prospects of a private funding rescue faded following Prime Minister Matteo Renzi's decision to resign. Investors' concerns were that a defeat for Renzi in a referendum on constitutional reforms could further undermine faith in the European Union - following Britain's decision to quit the bloc - as well as confidence in the euro currency.

Market reaction to Renzi's defeat and his resignations was relatively muted, partly as a consequence of a pledge by the ECB to buy Italian government debt if markets became unsettled. "Despite the fact that the probability of early elections has risen, the market is focusing on the banking sector and the fact the government seems to be showing more urgency in dealing with that problem," Mizuho strategist Antoine Bouvet said. Italian 10-year government bond yields fell 6 basis points (bps) to 1.92 percent yesterday, having hit 2.17 percent in the run-up to the vote. Yields on German 10-year debt, the euro zone benchmark, fell 1 bps to 0.36 percent.

The euro edged up 0.1 percent to $1.0730. It fell as low as $1.0505 on Monday in reaction to the referendum before hitting a three-week high the same day. "People had gone into the referendum with a very pessimistic view and I think the last five years have taught us that, as far as the euro is concerned, political issues often don't have a lasting impact," DZ Bank currency analyst Sonja Marten said. The dollar index, which measures the US currency against a basket of six of its major peers, was marginally down on the day. The yen fell 0.3 percent to 114.13 per dollar, approaching a 10-month low.

Many market participants were looking to the ECB's policy meeting today, at which it is widely expected to announce an extension of its quantitative easing program. Uncertainty remains over whether the size of monthly purchases will be kept steady or scaled back, and over whether it will send a formal signal on the eventual end of the program. One of the biggest movers in the currency markets was the Australian dollar, down 0.4 percent after data showed the Australian economy shrank by 0.5 percent, its biggest contraction since 2008, in the third quarter.

Australian stocks, however, closed 0.9 percent higher in anticipation of more fiscal and monetary stimulus. While rate futures imply scant chance of a Reserve Bank interest rate cut in the coming months, prospects of a hike vanished. MSCI's broadest index of Asia-Pacific shares outside Japan rose 0.4 percent while Japan's Nikkei added 0.7 percent. Chinese shares gained 0.7 percent. China's foreign exchange reserves fell by more than expected last month to $3.05 trillion, their lowest since 2011, the central bank said.

The yuan currency last stood at 6.8850 to the dollar, compared to a mid-point of 6.8808 set by the central bank. The currency is down 5 percent so far this year. Oil prices fell as investors questioned whether a deal to cut output agreed last week by the Organization of the Petroleum Exporting Countries (OPEC) and others would be enough to drain that global glut that has pushed prices lower. Brent crude, the international benchmark, fell 30 cents to $53.63 a barrel. "Investors are torn between hopes that producers will cut enough production to balance supply and demand, and fears that they won't," brokerage PVM Oil Associates' senior analyst, Tamas Varga, said. — Reuters

TOKYO: People are reflected on the electronic stock indicator of a securities firm in Tokyo. — AP


BEIJING: Photo shows Chinese 100 yuan notes. China's foreign exchange reserves plunged by $69 billion in November to a five-year low, according to central bank data released on December 7, 2016 as policy-makers battled to support the yuan currency against a resurgent dollar. — AFP

China Nov forex reserves fall more than expected

The lowest in nearly 6 years

BEIJING: China's foreign exchange reserves fell far more than expected in November to the lowest level in nearly six years, as authorities struggled to stem capital outflows and shore up the sliding yuan in the face of a relentlessly rising dollar. Reserves fell by $69.06 billion last month, the fifth straight month of declines, to $3.052 trillion, levels not seen since March 2011, central bank data showed yesterday. Some traders believe the $3 trillion mark is a key psychological level for the People's Bank of China, but it risks rapidly churning through its still massive stockpile if the US dollar continues to rise against other currencies.

Last month's drop was the largest since January, when a sharp fall in the yuan and worries about China's slowing economy raised fears that Beijing would devalue its currency, roiling global financial markets. Economists polled by Reuters had expected reserves to drop $30 billion to $3.091 trillion in November, after a decline of $45.7 billion in October. The central bank is widely believed to have sold US dollars to support the yuan currency as it sunk to more than 8-1/2 year lows last month.

China's foreign exchange regulator said the decline in reserves was partly due to the dollar's 3 percent rally versus major currencies in November. But the yuan's more than 5 percent slide so far this year has sparked a flurry of bets that the currency will weaken further, leaving traders wondering how long China can maintain its yuan defense and withstand a prolonged drain on reserves if the US dollar continues to rally. The yuan fell 1.6 percent in November alone, its worst month since August 2015 when Beijing shocked global markets by devaluing the currency by almost 2 percent overnight.

Adding to pressure on the currency, U.S. President-elect Donald Trump has vowed to label China a currency manipulator on his first day in office on Jan. 20 and has threatened to impose huge tariffs on imports of Chinese goods. Though the composition of China's reserves is a state secret, analysts say the falling value of other currencies it holds against the rising US dollar likely accounted for some of the fall in reserves. But China also has announced a string of measures in recent weeks to tighten controls on money moving out of the country, adding to market speculation that potentially destabilizing capital outflows are on the rise.

"The capital control tightening that Chinese authorities announced at end-November is a very good indicator that capital outflows continue from China and are turning threatening," analysts at Bank of Tokyo-Mitsubishi UFJ said in a note this week. The PBOC had sold a net $39.2 billion worth of foreign exchange in October, indicating continued official intervention to support the yuan. To be sure, the yuan is falling alongside other emerging market currencies in the face of the strong dollar, which is being buoyed by hopes that President-elect Donald Trump will be able to shift the US economy into faster gear. It has been more steady lately against a basket of currencies of major trading partners.

But China, with its huge trade surplus with the United States, is firmly in Trump's sights. He has vowed to label China a currency manipulator on his first day in office on Jan. 20 and has threatened to impose huge tariffs on imports of Chinese goods. A senior central bank researcher told Reuters last week that Beijing needs to break a potentially destructive feedback loop, where expectations of further yuan weakness spur outflows, and fresh capital flight in turn puts more pressure on the currency. The central bank is also likely to worry about a faster drawdown of its reserves, which are approaching the closely watched $3 trillion level, analysts said.

French bank Societe Generale said earlier this year that International Monetary Fund guidelines put $2.8 trillion as the minimum prudent level for China, which is not far away if reserves keep falling at the current pace. Since mid-2014, China's forex reserves, which include a hefty amount of US government bonds, have shrunk by more than the gross domestic product of Switzerland. "Our baseline is that tightened capital controls enable the authorities to stay the course during the Trump dollar rally, which on ING's forecasts will persist through the first quarter of 2017," Tim Condon, ING's chief Asia economist, wrote in a note. — Reuters

But he warned that capital outflows during the dollar rally could become "excessive". The State Administration of Foreign Exchange (SAFE) has begun vetting transfers abroad worth $5 million or more and is increasing scrutiny of major outbound deals, even those with prior approval, sources said last week. Currency analysts polled by Reuters expect the yuan to plumb its lowest level in nearly a decade next year on sustained capital outflows and further gains in the dollar. China's gold reserves fell to $69.785 billion at end-November from $75.348 billion at end-October. — Reuters

Cab-hailing company Careem launches women drivers in conservative Pakistan

KARACHI: Taxi-hailing service Careem introduced women drivers in Pakistan yesterday, a rare initiative in a deeply conservative Muslim country where women account for only 22 percent of the workforce. Careem has a larger market share than rival Uber in most of the 32 cities in the Middle East, North Africa and Pakistan region in which it operates. Now it has a new idea for Pakistan: taxis driven by women, who will pick up both male and female customers. The start-up operates in the Pakistani cities of Lahore, Islamabad and Karachi. "We want to give women the same opportunities and the same chance that men have of leveraging our platform to generate healthy income," said Careem's Pakistan General Manager Ahmed Usman. Usman said seven women drivers had qualified to join the fleet but applications were open and the company hoped more would apply.

Zahra Ali, 30, heard about Careem from a friend and thought it would be an "honorable" way to support her two children, who she is raising alone since the death of her husband two years ago. She had just enough money to buy a car and got her driving license this year. When Ali applied to be a Careem driver a few months ago, she was told there was no provision for women drivers. Then Careem called back with good news. "The only skill I know is driving," Ali told Reuters at her home in the city of Lahore. "Now I can raise my children honorably, I can give my children a good education."

'Women are not weak'

Launched in Dubai in 2012, Careem has a global force of 90,000-plus drivers and more than four million users registered through its mobile app. In the sweltering southern city of Karachi, among Careem's largest markets, demand for secure taxis is particularly strong among women, Usman said. "If an organization is offering security for women ... naturally that is very important," said driver Aasia Abdul Aziz, 46, when asked why she chose to work for Careen.

"Especially in a city like Karachi where no work can be done in the absence of proper security." Aziz said she had worked long hours at a beauty salon for most of her life and now that her two daughters were settled in jobs, she wanted work that allowed her flexibility. When asked about the challenges of being a woman driver in Pakistan, Aziz said: "When people start accepting something, when our public realise that women can do a certain job and are doing it in a commendable manner, then I think it will not be so difficult."

Domestic abuse, other violence and economic discrimination make Pakistan the world's third-most-dangerous country for women, a 2011 Thomson Reuters Foundation expert poll showed. About 500 women are killed in Pakistan every year at the hands of relatives over perceived damage to family "honor" that can involve eloping, fraternizing with men or any other infraction against conservative values. "One must face problems bravely," Ali said in Lahore. "Women are not weak; it is our society which portrays them as weak. One cannot move forward with fear." — Reuters


KABUL: An Afghan money changer (second from right) counts a pile of Pakistani currency banknotes at a money exchange market in Kabul, Afghanistan. Afghans are increasingly uncertain about their future, less confident in their government and more pessimistic than before on issues such as security, corruption, and rising unemployment, according to the annual survey by the San Francisco-based Asia Foundation released yesterday. — AP

Oil prices steady

Nigeria plans to raise output sharply

LONDON: Oil prices steadied yesterday as investors waited to see if OPEC and Russia would deliver promised production cuts designed to end a supply overhang that has weighed on the market for more than two years. North Sea Brent crude oil was up 10 cents a barrel at $54.03 by 1130 GMT. US light crude was up 15 cents at $51.08 a barrel. Oil prices surged almost 20 percent after the Organization of the Petroleum Exporting Countries and Russia announced last week that they would cut production next year in an effort to prop up markets.

But doubts have emerged over whether the planned cuts will be big enough to rebalance the market. Since the deal was announced, both OPEC and Russia have reported record production and output elsewhere is also resilient. The US Energy Information Administration said on Tuesday it expected domestic crude oil production for 2016 and 2017 to fall by less than previously expected. "Investors are torn between hopes that producers will cut enough production to balance supply and demand, and fears that they won't," said Tamas Varga, senior analyst at London brokerage PVM Oil Associates.

OPEC and non-OPEC oil producers meet this weekend in Vienna to agree details of the output cut, which targets an overall reduction of around 1.5 million barrels per day (bpd). OPEC member Nigeria, exempt from the cuts, said yesterday it hoped to boost its oil production to 2.1 million bpd in January, up from 1.9 million bpd now.

"We will see whether belief in the (OPEC production) deal will hold," said Eugen Weinberg, head of commodities research at Commerzbank in Frankfurt. "There is a big discrepancy right now between expectations, perception and reality."

Despite widespread skepticism, many analysts say 2017 will likely see a more balanced oil market. "Oil markets are on track to tighten over 2017, which will be accelerated by OPEC's decision to reduce production alongside non-OPEC countries," said BMI Research. "If effectively implemented, we expect the global oil market will return to balance in Q1 2017." Oil production has been outpacing consumption by 1 to 2 million barrels per day since late 2014. "The average annual oil price will be higher in 2017 than in 2016, with Brent at $55 per barrel for the year," BMI Research said. The average 2016 Brent price has so far been $44.47 per barrel. — Reuters