Trump stock rally mostly benefiting the best-off

NEW YORK: As the Dow nears 20,000 amid a Trump rally, longtime financial insiders see a difference compared with prior Wall Street landmarks: very little interest from the general public. Other milestones, such as when the Dow hit 10,000 in 1999, were accompanied by wide public discussion and celebration in the national media and at cocktail parties.

"You're not seeing that now," said JJ Kinahan, chief market strategist at TD Ameritrade. "At that time, it was almost pure euphoria at everything going on in the market." The difference in mood reflects the fact that, compared with past bull markets, the average American is less invested in the stock market and therefore not privy to-or a beneficiary of-the impressive gains in the Dow since election day.

"You've got to have money to be in the market in the first place and if you have been in the market, you've done extraordinarily well," said Benn Steil, director of international economics at the Council on Foreign Relations. "This is part and parcel of the wider of issue of inequality."

Middle class investors miss out

Participation in the stock market fell to an all-time low of 52 percent in 2016 from a peak of 65 percent in 2007, according to a Gallup survey released in April. Gallup attributed the drop to the Great Recession which dented the public's ability to invest, as well as its confidence in the stock market as a worthwhile place to put funds.

The biggest hit was in the middle class, those with earnings between $30,000 and $75,000, whose participation plummeted to 50 percent from 72 percent. "Fewer Americans-particularly those in middle-income families-are benefiting from the recent gains in stock values than would have been the case a decade ago," Gallup said.

Low-income Americans are even less invested. Americans making less than $50,000 represent 51 percent of the population, but make up just 25 percent of the investor population, according to a report by the Financial Industry Regulatory Authority. The Dow's flirtation with 20,000 marks the latest psychological milestone in the multi-year bull market since the index bottomed out in September 2009 at under 6,600 points.

The latest rally was spurred by the Republican sweep on election day which brought with it expectations for tax cuts, regulatory reform and massive public works investment expected to boost the economy and corporate profitability. The Dow has risen 8.2 percent since election day. But on Friday, the index retreated slightly to 19,843.41, due in part to profit taking in banking shares and some other sectors that surged after the election.

Further profit-taking could derail or at least delay the Dow's march to 20,000. But some analysts think a "Santa Claus" rally could lift the index above that level, as the holiday season brings good cheer, and low trading volume that make big moves more likely.

Cabinet of CEOs

The market believes "there is now an ability to affect change like there hasn't been in many years," said Briefing.com analyst Patrick O'Hare. Investors are enthusiastic about the likelihood of a pro-business agenda after President-elect Donald Trump's appointments of a host of business executives to key roles.

The picks include former Goldman Sachs executive Steven Mnuchin as treasury secretary, ExxonMobil chief executive Rex Tillerson as secretary of state and fast food executive Andrew Puzder as labor secretary. But the market is ignoring lingering questions about potentially adverse outcomes under Trump, such as a trade war with China, or an inter-party war with congressional Republicans who may balk at aspects of Trump's economic agenda, analysts said. "I can understand why people who own most of the stocks are optimistic based on a businessman president appointing mostly businessman," said Richard Sylla, a professor of the history of financial institutions and markets at New York University Stern School of Business. "I don't think the euphoria is going to extend much beyond the beginning of the year."

Josh Bivens, research director of the labor-backed Economic Policy Institute, said the stock rally was troubling because it was based not on broadly enjoyed economic growth, but on expectations of policies that will benefit large banks and other moneyed interests. "Corporate owners and managers have done really well over the last 30 years, whereas the vast majority of workers have not and I would like to see policy weigh in on the other side of that," Bivens said. Steil, of the Council on Foreign Relations, said the composition of Trump's appointments "doesn't seem to be consistent with his rhetoric during the campaign," which was centered on a populist message that resonated with the less-wealthy.

"Trump's got a lot of work in front of him trying to convince his working class supporters that he can deliver on their agenda, because boosting the Dow was clearly not their priority." — AFP

SANAA: UN humanitarian coordinator in Yemen Jamie McGoldrick holds a press conference in the capital Sanaa yesterday. — AFP

Central bank move hampers Yemen wheat imports: UN

SANAA: Wheat imports into rebel areas of Yemen have become difficult after the central bank moved from the insurgent-controlled capital, a UN official said yesterday, in a war-torn country heavily dependent on food imports. "Four major importers of wheat into this country have informed the authorities (in Sanaa) that as of January they will no longer be able to fulfil their obligations," said the UN humanitarian coordinator in Yemen.

"We know it is very difficult for these importers to get lines of credit on the open market," Jamie McGoldrick said, "because the central bank is no longer here in Sanaa".

President Abedrabbo Mansour Hadi in September decided to move the central bank from the rebel-held capital to Aden, the temporary base of his government, after accusing the insurgents of running down Yemen's foreign reserves. Even before a Saudi-led coalition launched air strikes against the Huthi rebels in Yemen in March 2015, Yemen imported 90 percent of its food, and as much as 95 percent of its wheat, according to the United Nations.

McGoldrick also said the imports of goods and medicine had been hampered by slow offloading due to damage at the rebel-held port of Hodeida on the Red Sea.

UN aid chief Stephen O'Brien said in October that "smashed cranes" at the port were hindering the entry of aid supplies to ease a deteriorating humanitarian crisis in Yemen. The Huthis and troops loyal to former president Ali Abdullah Saleh overran Sanaa in September 2014 and went on to seize other areas of the country. A UN report released in August found that the rebels and their allies were diverting about $100 million a month from the central bank, and that its foreign reserves had dwindled to $1.3 billion from about $4 billion in November 2014.

The relocation of the bank has been a major blow to the rebels, forcing them to halt salary payments to state employees in the areas of the country they control.

UN agencies in June warned that virtually all of Yemen was facing severe food shortages with seven million people in an "emergency" situation. — AFP

China aims blow at iron rice bowl in radical shift

Smashing the iron rice bowl could be costly

PINGDINGSHAN, China: China has ordered state firms to smash the decades-old system of providing cradle-to-grave welfare support, known as the country's "iron rice bowl".

But the order, part of a plan to reduce financial pressure on bloated and heavily indebted state-owned enterprises (SOEs), is likely to be easier said than done as cities navigate the social and financial wrenches the changes will cause. At the heart of soot-covered Pingdingshan in central China is the Pingmei Shenma Group, a state coal conglomerate that dominates the economy, society and air of the heavily polluted city in Henan province.

Apart from coal, it has chemicals and construction businesses. But it also has a startling number of other responsibilities.

It operates 41 hospitals and 18 schools and provides pensions, subsidised housing for workers, water, heating and power. It even runs a plush retirement home, complete with golf course, for its senior managers. The fate of these facilities, landmarks for the city's residents, is now unclear. If they are not closed down, much of the infrastructure will need to be renovated, which State Council researchers estimate will cost more than 1 trillion yuan ($115 billion) nationwide.

Some of Pingdingshan's hospitals already had fewer miners to treat after capacity cuts in coal production. "We can only try to provide better services," a doctor, who only wanted to be identified by his surname Li, said at a small outpatient clinic near Pingmei Shenma's defunct Number Seven coal mine.

"Though this is a big place, we are far away from the city centre, there is no good transportation and it isn't convenient for ordinary people to come," Li said. Beijing has given SOEs until 2020 to ditch their "social functions". For Pingdingshan, the deadline is more imminent because Henan wants to complete the process by the end of 2017 under a pilot project, putting it in the spotlight not only of Beijing but also other provinces facing similar challenges.

While state firms in wealthier regions of the country moved away from paying for social welfare services some years ago, poorer provinces and especially one-company towns like Pingdingshan struggled to make the switch given the central role their SOE played.

"Removing social functions and resolving the problems left behind by history is an important condition for SOEs to become market entities," Xiao Yaping, head of the State-Owned Assets Supervision and Administration Commission, said on the institution's website.

China's SOEs accumulated total debts of 85.3 trillion yuan by the end of September, in a credit splurge encouraged by Beijing following the global financial crisis. Executives have repeatedly called on Beijing to help reduce their costs. China's central government-administered SOEs run around 8,000 units providing community services, and the efforts to ditch them could also increase a firm's redundancy and labor redeployment costs, especially as authorities try to limit unrest in regions already hit by an economic downturn.

They spend 850 billion yuan a year on schools, pensions and other "social functions". Local government-run firms pay even more, a delegate to China's parliament said in March. In Henan, state firms spend 800 million yuan a year just to supply residents with heating, water and electricity.

Cutting the cord

While the economic slowdown and a fall in commodity prices have done the most damage to China's lumbering SOEs, expensive "social functions" have also contributed to punishing losses in recent years. "Today, when we are creating world class energy enterprises and competing against global firms, continuing to bear these heavy burdens is obviously outmoded and hard to sustain," said Halidan Abdulla Kader, a legislator from the northwestern frontier region of Xinjiang.

China's "iron rice bowl" system was launched in 1951. Many state-owned firms began life as government bureaus and frequently acted as microstates responsible for the entire social infrastructure of a region. The first cracks appeared in 1986 when a rapidly modernizing China introduced new pension schemes and put an end to permanent tenure at state firms. By 1995 it was calling for the systematic transfer of "social functions" in preparation for radical SOE reforms that closed thousands of bankrupt firms and led to more than 20 million layoffs.

Poorer provinces struggled to make the switch, especially in remote mining regions where the SOE was the only source of political authority.

Neither the Pingdingshan government nor the provincial authorities would respond to requests for comment. In a document sent to Pingmei Shenma and other state firms in Henan, local regulators warned that some health and education facilities would be shut down if they were not economically viable.

"Where there is duplication they will close them down," said a doctor surnamed Liu at an independent clinic near one of Pingmei Shenma's mines. "There are a lot of small pits that need to be closed and after they close, their medical institutions will go too."

Pointing to the challenges ahead, State Council researchers said the cost of transferring social functions to a local authority was as much as 4.3 billion yuan for the Longmay Group, a struggling state coal producer in northeast China's Heilongjiang province. That compared with annual running costs of 300 million yuan. The Kailuan Group, a coal producer in Hebei province, needs around 4.6 billion yuan to upgrade heating, water and power facilities to acceptable standards before transferring them, one estimate showed.

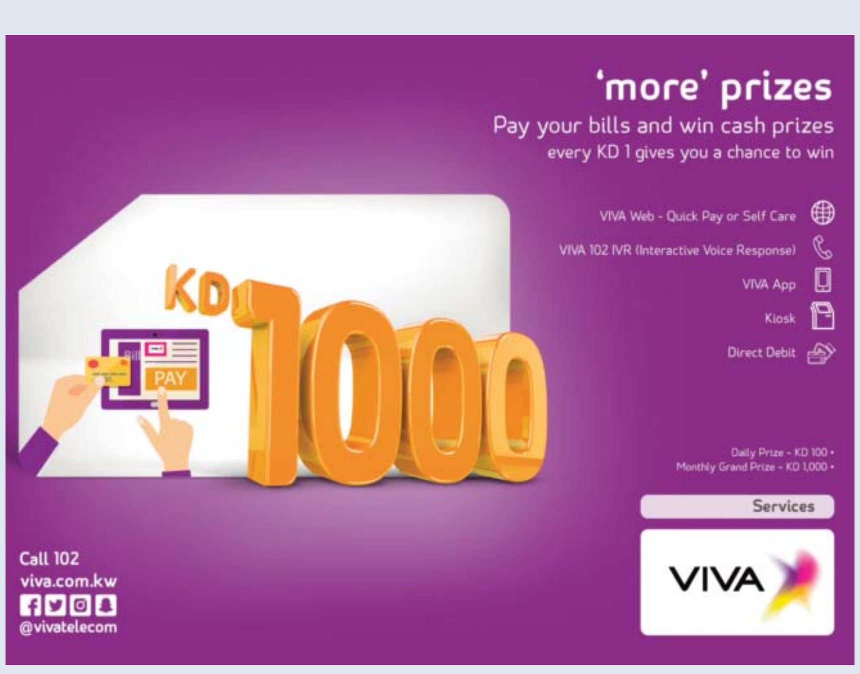
Insecurity

In Pingdingshan, teacher Zhang Kai is already experiencing change. Operational rights for the kindergarten where she works have shifted from the local coal mine to the staff of the school.

It must now stand on its own feet as a commercial business, Zhang said. "Every mine has a kindergarten and every situation is different," she said. "We don't really know what's going to happen next." At its peak, Pingmei Shenma's Number Seven Mine employed 8,000 workers. Now, around 500 miners turn up at the pit on a reduced wage of just 410 yuan ($60.52) a month while the company tries to find jobs for them at other state mines. In the meantime, they while away the time playing cards.

"We worry the most about whether we have jobs or not," said one of them, a 51-year old miner who gave his name as Chen. Sitting in the gatehouse of the mine, Chen lifted his shirt to show the scars from a kidney operation, paid for by his company insurance that he assumes is no longer provided.

"When the company's performance gets worse, it doesn't pay health insurance. We haven't been getting it for several years," he said. "After the closure of the mine, a lot of the old welfare we get just isn't going to exist." — Reuters



VIVA announces winners of 'more' prizes campaign

KUWAIT: VIVA, Kuwait's fastest-growing and most developed telecom operator, announced 8th week draw's winners of KD 100, of "more" prizes campaign for postpaid customers.

The names of daily prize winners, KD 100, from 11 December until 17 December, were as follows: Majdi Mahmoud Younes Olayan, Mohammad Rashed Marzouq Albdayeh, Pratap Karanam, Faisal Ahmad Taleb Aljadhi, Mohammad Baker Hashem Ahmad, Saad Hadi Mohammad Alajmi, Qasem Mohammad Ali Hussain.

VIVA gives the customers a wonderful opportunity to win amazing cash prizes, KD 100 daily and KD 1000 at the end of each month, once they pay their VIVA bills through Direct Debit, VIVA website, VIVA's Kiosks, VIVA App or by calling 102. Customers earn one chance for each KD 1.

VIVA is the fastest-growing telecom operator in Kuwait. Launched in December 2008, VIVA makes things Possible for its customers by transforming communication, information and entertainment experiences. The company has rapidly established an unrivalled position in the market through its customer centric approach. VIVA's quest is to be the mobile brand of choice in Kuwait by being transparent, engaging, energetic and fulfilling.

Influx of Chinese investors angers Madagascans

SOAMAHAMANINA, Madagascar: The mine had not yet opened, but Madagascans were already seething with rage and the Chinese management finally quit Soamahamanina, leaving behind empty tents and cigarette butts. For months, this small city in central Madagascar was engulfed by protests targeted at a Chinese gold mining company, Jiuxing.

Every Thursday, city residents would take to the streets in downtown Soamahamanina to demonstrate against Jiuxing, which had secured a 40-year gold mining licence on a 7,500-hectare (18,500-acre) piece of land.

For the protesters, the mining operation risked ruining their farms-one element of a nationwide aversion to the new wave of Chinese investors on the large Indian Ocean island.

Not just in Soamahamanina, but across the country Madagascans have openly expressed their hostility towards the growing presence of China, the country's largest trading partner. Anti-Chinese sentiment is on the rise in Africa as Beijing increases its business presence on the continent for natural resources while flooding the markets with Made in China goods.

"Madagascar belongs to the Madagascans, not the Chinese or any other foreigners," Fenohasina, a local student, told AFP. "Forty years of operation-that is called selling the country," said Marise-Edine, a street vendor. Many farmers who were eager to take advantage of the windfall and had agreed to sell their land to the Chinese miner, are now regretting it.

"Our compatriots are angry with us and accuse us of selling away the country," said farmer Perline Razafiarisoa.

But a local worker at Jiuxing blames the hostilities on politics. "It's people from outside who are encouraging people here to dislike the Chinese," said Chrysostome Rakotondrazafy, a Jiuxing Mines foreman. "There is political manipulation behind all this."

Buckling under the weight of the relentless protests, the Chinese mining workers had little choice but to pack up their bags and leave in October. "As a company we think we have the right to stay, but for the sake of social appeasement, we chose to withdraw," Stella Andriamamonjy, the mine's spokeswoman, said. "We hope to return under new terms, (and) repair past mistakes."

How soon that will be, she could not say.

Xenophobic tensions

For the locals in Soamahamanina, the return of the Chinese would not be welcome. "I would like to tell our leaders that the big powers in this world are only turning us against each other to destroy our country," warned resident Marie Rasoloson. With more than 800 companies now on the island, China has rapidly established itself as Madagascar's largest trading partner. In a country where 90 percent of the population lives below the poverty line, such investment has given an unexpected boost to infrastructure development. But, as elsewhere on the African continent, the mass arrival of Chinese investors has created tensions.

In 2011, police stepped in to prevent riots in the Chinatown section of the capital Antananarivo after an Asian trader beat up his two Madagascan employees. Three years later, clashes over wage demands left six people dead at a "Chinese" sugar factory in western Morondava town. The Chinese embassy has warned the authorities in Madagascar against tarnishing its image as an investment destination. — AFP

This file photo taken on October 6, 2016 in Soamahamanina shows people protesting the presence of the Jiuxing Chinese mining company near the mining site. -— AFP