Russia assets lead sell off

Emerging market stocks hit 3-week lows

LONDON: Russian assets led emerging stocks and currencies lower yesterday as a US missile strike in Syria spooked investors wary about risks of a clash with Russia, while emerging equities fell to three-week lows but still look to end the week in the black. MSCI's benchmark emerging equities index was down 0.2 percent, mirroring a broad sell-off in riskier assets after the United States fired 59 cruise missiles at a Syrian air base from which it said a deadly chemical weapons attack was carried out earlier this week.

Russia said the missile strike broke international law and had seriously damaged US-Russian relations. The rouble was down around one percent against the dollar and Russian dollar-denominated stocks fell 2.4 percent. The currency was also undermined by comments from the Russian economy minister suggesting the rouble could weaken in coming months.

"The current price action makes sense," said ING chief EMEA FX and rates strategist Petr Krpata. "The geopolitics in the region is not positive for the currency so what we see is a knee-jerk reaction. But unless these things are followed up and there is a further escalation, they do not usually last."

The average yield spread of Russian sovereign bonds over US Treasuries on the JPMorgan EMBI Global Diversified widened out by 7 basis points (bps) to 167 bps. Russian 10-year bond yields also rose 10 basis points to 7.95 percent, bouncing off three-year lows. Russian five-year credit default swaps also rose 5 bps from Thursday's close to 167 bps. Other emerging assets to feel the heat included the Turkish lira, which weakened 0.3 percent, and Turkish stocks , which fell 0.2 percent. Turkey lent its support to the US missile strike.

South African assets also remained under pressure following a ratings downgrade to junk amidst ongoing political turmoil. Thousands were expected to protest against President Jacob Zuma in major South African cities yesterday demanding that he resign. Zuma's sacking of respected finance minister Pravin Gordhan outraged allies and opponents alike. Stocks fell 0.8 percent and the rand was set to end the week down 2.3 percent, although it steadied yesterday. Moody's has pushed back a ratings review that was expected to happen later.

Investors were also wary ahead of US non-farm payrolls data due later today, as a strong number could bolster expectations of as many as three more Fed rate hikes this year. "We are not far from two hikes, but we need to get some really good data or some big moves from Trump on tax cuts for example for the market to start pricing in more Fed hikes again," said Krpata. China's yuan was a touch weaker against the dollar as U.S. President Donald Trump and Chinese President Xi Jinping began their summit, at which trade and security issues are likely to feature heavily. — Reuters

US adds just 98,000 jobs

Unemployment falls to a low 4.5%

WASHINGTON: US employers added just 98,000 jobs last month, the fewest in a year, though the unemployment rate fell to a nearly 10-year low of 4.5 percent. The rate fell because nearly a half-million more Americans reported finding jobs, the Labor Department said yesterday. Economists had expected a falloff in hiring in March after job gains in January and February had averaged a robust 218,000. Still, the drop was worse than expected. It its report yesterday, the government also revised down the job growth for January and February by a combined 38,000.

The sizable gains in those months had been fueled partly by strong hiring in construction, which occurred because of unseasonably warm winter weather. In March, construction companies added just 6,000 jobs, the fewest in seven months. Retailers, suffering from the shift to online shopping, slashed 30,000 jobs. Education and health care services added the fewest jobs for that category in 15 months. In the past three months, employers have added an average of 178,000 jobs, roughly the same as last year's pace.

"Job growth this year is running close to last year's pace and is running well ahead of what is needed to keep up with labor force growth," said Gus Faucher, chief economist at PNC Financial Services. The report showed that large numbers of teenagers, women and Latinos found jobs last month. The unemployment rate for teens dropped to 13.7 percent from 15 percent. The number of part-time workers who would prefer full-time jobs declined. As a result, an alternative gauge of unemployment, which includes those part-timers as well as people who have given up their job hunts, dropped to 8.9 percent. That is the lowest such rate in over nine years.

The economy appears to have slowed in the first three months of the year, though most economists expect a rebound in the current April-June quarter. Consumer and business sentiment has soared since the November presidential election, but the increased optimism hasn't yet accelerated growth. Consumers actually slowed their spending in January and February, when adjusted for inflation. Any such pullback tends to exert a drag because consumers account for about 70 percent of the economy.

Businesses have been ordering more high-cost manufactured good since fall, a reflection of stepped-up investment. But those orders slipped in February and remain below levels of a year ago. Still, some areas of the economy are humming: Developers are building more homes, with construction starts up 7.5 percent in January and February compared with a year earlier. And home sales reached their highest level in a decade in January before slipping a bit in February. What's more, for the first time in years, overseas growth stands to boost the US economy.

Germany's factories enjoyed a surge in orders in February. The rest of Europe, as well as Japan, is reporting faster growth, and China is stabilizing after fears about its outsize debts roiled markets last year. Many economists expect hiring to fall back eventually to last year's pace or even lower as the unemployment rate declines and companies struggle to fill jobs. Yet hiring could remain strong if more Americans come off the sidelines and start looking for work again. The proportion of Americans who are either working or looking for work remains far below pre-recession levels. — AP

NEW YORK: Bonobos manager Stephen Lusardi arranges clothing at the brand's Guideshop, in New York's Financial District. The US government issues the March jobs report yesterday. — AP

Greece agrees on reforms to break bailout impasse

VALLETTA: Greece agreed on a fresh set of reforms with its euro-zone creditors yesterday with hopes that Athens could unlock bailout cash in time to avert a debt default just months away. Euro-zone finance ministers meeting in the Maltese capital of Valletta said Athens agreed in principle to the new reforms and technical teams would visit Greece as soon as possible to seal the deal. "The big blocks have now been sorted out and now we just have the final stretch," Eurogroup head Jeroen Dijsselbloem said after the talks. Heavily-indebted Athens and the EU and IMF which handle the bailout have been deadlocked over reforms for months amid disagreements on debt relief and budget targets.

The deal is needed in order to stop the country from defaulting on its creditors as early as July, when Athens owes about seven billion euros ($7.4 billion) in debt repayments. Dijsselbloem said the Greek government was now prepared to reduce pensions in 2019 and lower tax breaks in 2020 in return for a bailout payment despite widespread public opposition. Greek Finance Minister Euclid Tsakalotos said the commitments would pass through parliament as soon as possible, though the gamble depends on his Syriza party's razor-thin majority.

'Before summer'

Tsakalotos said his euro-zone counterparts had also accepted that Greece boost social spending if budget targets were met and that debt relief would also come back to the table. "We will be ready for all the pieces of the puzzle to fit in for the discussion on debt," said Tsakalotos, for whom debt relief is a key demand. "I think we will have (a solution) well before summer," he added. The euro-zone is under big pressure to end the feud in order to avert inflicting damage to a stalling Greek recovery. Despite projections for growth, the Greek economy actually stalled in 2016 and recent data shows that after some stabilization, it has begun to falter again amid uncertainty triggered by the row.

"Greece needs this; we must end the uncertainties that are scaring investors," EU Economic Affairs Commissioner Pierre Moscovici said. The sketch of a deal was a victory of sorts for Dijsselbloem who visited Brussels and Berlin ahead of Friday's talks in hopes of finding a compromise. Prime Minister Alexis Tsipras had until now refused to accept any commitments beyond the term of its current bailout that is due to end in 2018, arguing that his government would not have the votes in parliament. The impasse has held up the latest installment of Greece's 86-billion-euro ($92-billion) bailout, agreed in 2015 with the 19 countries that use the single currency.

Without a deal in Malta, Tsipras said he would ask for a euro-zone leaders summit later this month, and made his case in a phone call to German Chancellor Angela Merkel, Europe's most powerful leader. — AFP