If Fed raises rates, China may follow with more modest move

SHANGHAI: A small majority of traders in China's financial markets think its central bank will likely raise short-term interest rates this week if the US Federal Reserve hikes its key policy rate, as widely expected, according to a Reuters poll. The People's Bank of China (PBOC) surprised markets in mid-March by raising short- and medium-term inter-bank rates hours after the Fed raised overnight borrowing costs.

The move prompted some analysts to speculate the PBOC had decided to "synch" its moves with those of the US central bank in a bid to reduce persistent depreciation pressure on the yuan currency against the dollar and discourage capital outflows.

It also dovetailed with China's pledges to tackle risks from an explosive rise in debt.

Six out of 10 traders in China's money, forex and bond markets asked by Reuters said they believed China would move rates up if the Fed did so.

But the size of the move would be more modest, and it would likely be confined to rates on open market operations (OMOs), the traders said.

They did not expect a hike in China's benchmark lending rate, which has been unchanged for nearly two years. The Fed is expected to increase interest rates by another 25 basis points at its June 13-14 meeting. Several increases by the PBOC earlier this year were mainly of 10 basis points, and traders expected any move this week to be of a similar magnitude. Chinese stocks rose modestly after the Fed's March rate increase, which was seen as increasing investors' risk appetite. There was little reaction in Chinese forex and money markets.

"There are huge discrepancies between the benchmark OMO rates and market rates. A slight upward movement would be quite normal," said a Shenzhen-based trader at a Chinese bank.

She said any impact from higher market rates would not quickly filter through into the real economy, though most analysts believe slowly tightening credit and higher financing costs will begin to drag on broader activity in coming months.

However, four of the 10 traders said they did not think a PBOC rate rise was on the cards this week.

Tightening

They argued monetary policy is already tightening as Beijing presses ahead with its "deleveraging" campaign to contain and reduce risks in the financial system, and as banks grow more cautious about lending as they prepare for a rigorous quarterly inspection of their books by the PBOC.

The one-month Shanghai Interbank Offered Rate (SHIBOR) has risen to its highest since April 2015. "This mid-year timeframe is already relatively sensitive, and add to that short-term rates are already not low. To raise rates further would put a lot of pressure on the market," said a trader at a regional bank. "If they really insist on following (the Fed funds rate) higher, the timeframe will probably be pushed back." Uncertainty over policy has also increased after sharp, sudden gains in the yuan in recent weeks, which some analysts believe were engineered by the PBOC as a pre-emptive buffer to flush out short sellers ahead of the expected Fed hike and dampen any resulting depreciation pressure. Market players were split on whether the central bank would raise rates on its medium-term lending facility (MLF). The PBOC has been lending at longer maturities, which has increased borrowing costs for banks. One trader at a major Chinese bank said if the central bank decided to raise the OMO rate, it would likely wait to increase the MLF until July when it is likely to renew maturing MLF loans.

June is traditionally a tense month for liquidity in the financial system, as companies pay taxes and banks scramble for funds to meet a quarterly health check.

Analysts say while the PBOC has taken some steps to clarify its intentions, it remains vague in telegraphing rate moves. "Banks want to know what their cost of funding is going to be, so that volatility isn't great in terms of managing their business and liquidity," said Julian Evans-Pritchard, China economist at Capital Economics. Central bank governor Zhou Xiaochuan has been historically reluctant to reveal too much about the PBOC's strategies, even likening the bank in an interview with Caixin last year to a chess player unwilling to reveal tricks to an opponent. — Reuters

PALM BEACH: In this April 6, 2017 file photo, Ivanka Trump, center, daughter and assistant to US President Donald Trump, is seated with her husband, White House senior adviser Jared Kushner, right, during a dinner with President Donald Trump and Chinese President Xi Jinping, at Mar-a-Lago, in Palm Beach, Fla. —AP

Ivanka brand wins more China trademarks

SHANGHAI: China has granted provisional approval for four additional Ivanka Trump trademarks since April 20, and her brand has continued to seek more intellectual property protection in China, with at least 14 applications filed around the time she took on an official White House role, Chinese public records show.

Trademarks provide essential - and valuable - protection to businesses in China, whether they want to manufacture or sell their goods in the world's second-largest economy, or simply protect their brand against squatters. But critics point to Ivanka Trump's ongoing ownership interest in her fashion and lifestyle brand and say the trademarks, which are granted by the Chinese government, present potential conflicts of interest for the daughter of US President Donald Trump.

All told, Ivanka Trump Marks LLC has at least 24 trademarks that were granted provisional or full approval in China, plus 43 pending marks and three invalid marks, according to Trademark Office database records.

At least seven of those provisional approvals were published after March 29, when Ivanka Trump announced she would become a federal employee, serving as an adviser to her father. Four preliminary approvals were published on April 20, May 13 and May 27. If there are no objections, those marks - covering wedding dresses and jewelry among other things - will be registered after 90 days. All were applied for in 2016.

Three additional trademarks for jewelry, bags and spa services were initially published in China's Trademark Gazette on April 6, the same day Ivanka Trump dined with President Xi Jinping at Mar-a-Lago, her father's resort in Florida, as reported previously by The Associated Press. The record of initial approval for one of them has subsequently disappeared from the database. It was not immediately clear why.

Ivanka Trump Marks LLC also applied for at least 14 new trademarks in China on March 28, the day before she announced her official White House role. A 15th application, with a small typo in the Chinese version of the name of the company, was filed on the same date. The applications, which were first reported by the Wall Street Journal, cover a wide range of goods and services, including real estate and financial services, construction, furniture, carpets, and alcohol except beer. Detailed records of these filings were not available yesterday on the Trademark Office's public online database.

China has defended its handling of trademarks for both Ivanka Trump and Donald Trump as fair and in line with normal legal practice. Ivanka Trump's brand has said the 2017 Chinese trademarks were filed defensively, to protect against squatters using her name.

"The brand has filed, updated, and rigorously protected its international trademarks over the past several years in the normal course of business, especially in regions where trademark infringement is rampant," Abigail Klem, president of Ivanka Trump's brand, said in a statement.

To address ethical concerns, Ivanka Trump shifted the brand's assets to a family-run trust valued at more than $50 million and pledged to recuse herself from government issues that present conflicts. She has stepped back from day to day management, but retains her ownership interest in the company. — AP

Merkel seeks to boost African development ahead of G20

Berlin hosts summit to discuss 'compact with Africa'

BERLIN: German Chancellor Angela Merkel sought to drum up global support for African development as she hosted African leaders yesterday ahead of next month's Group of 20 summit.

Merkel gathered the leaders of current African Union chair Guinea, Egypt, Ivory Coast, Ghana, Mali, Tunisia and others in Berlin to discuss a so-called "compact with Africa" to help finance countries' development needs. She acknowledged that "development is only possible if security is assured."

Merkel contrasted Germans' average age of 43 with an average age in Niger and Mali of 15 as she underlined the population pressure African countries face. "If we don't give young people any prospects, if we don't invest in education and qualifications, if we don't strengthen the role of girls and young women, the development agenda won't succeed," she said, noting that if the young have no hope they'll feel they have to seek a life elsewhere.

"By working together with you for your countries, we will create more security for ourselves" and put people smugglers out of business, she added. The German government said yesterday that it had agreed "reform partnerships" with Tunisia, Ivory Coast and Ghana, part of a planned investment of up to 300 million euros ($335 million) to help African nations.

The programs aim to expand the use of renewable energy, improve energy efficiency and develop the financial and banking sector, the Development Ministry said. It said Tunisia, Ivory Coast and Ghana "stand out by virtue of their reform-oriented policies."

In Africa-whose population is set to double by mid-century-economies need to grow equally fast "and promise a future for young people, which would also help to ease migratory pressures," said Merkel's spokeswoman Ulrike Demmer.

Germany, Europe's largest economy, has taken in more than one million asylum seekers since 2015 — more than half from war-torn Syria, Iraq and Afghanistan, but also many thousands from Ethiopia, Nigeria and elsewhere in Africa. Hundreds of thousands more have trekked through the Sahara into lawless Libya, hoping that traffickers there will take them in rickety boats across the Mediterranean Sea to Europe. IMF chief Christine Lagarde said that "having people flee from many sub-Saharan countries to reach better shores is not a sustainable response". "Creating the economic circumstances where people can live, grow, be educated and create value for themselves and their families at home is the way to go," she told business daily Handelsblatt.

BERLIN: (Front from left): The President of Egypt Abdel Fattah el-Sissi, the Chairman of the African Union and President of Guinea Alpha Conde, German Chancellor Angela Merkel and the President of Tunisia Beji Caid Essebsi, pose for a photo during the conference 'G20 Africa Partnership - Investing in a Common Future' in Berlin yesterday. —AP

'Not about hand-outs'

Merkel last year visited major migration transit countries Mali and Niger as well as Ethiopia, the seat of the African Union, and pledged 27 million euros ($30 million) in aid aiming to stop migrants heading for Europe in the first place.

"The well-being of Africa is in Germany's interest," Merkel said at the time. Critics have dismissed the latest multilateral Africa initiative as a half-hearted effort without a major aid commitment, but organizers say it could help boost prosperity and reduce the mass flight and brain drain, especially of young people. Under the G20 "compacts" plan, an initial seven African nations will pledge reforms to attract more private sector investment. Those countries will then receive technical support from the IMF, World Bank, other development institutions and their G20 partner country, which will also promote the effort to its own industrial sectors. More than 100 banks, companies and other potential investors are expected at the two-day conference.

"This is not about hand-outs or just money or cheap money, but about the opportunity to attract investment, profits and jobs," said a German finance ministry official.

Germany will team up with Ghana, Ivory Coast and Tunisia, while other G20 members will support efforts by Ethiopia, Morocco, Rwanda and Senegal. Germany is offering an additional 300 million euros in support for countries that fight corruption, set up transparent accounting and tax systems and protect human rights, said Development Minister Gerd Mueller. Non-government groups have criticised that the G20 club-whose only member on the continent is South Africa-is offering no bigger financial commitments of its own, and that international trade often hurts African farmers and producers. About 1,000 anti-globalization protesters marched through Berlin on Saturday, waving signs that said "Africa is not for sale" and decrying the conference as a neocolonial grab for African resources at a time Europe wants to slam the door on its migrants. — Agencies

ABIDJAN: A vendor sells langoustines by a main road near the village of N'Zianoua, north of Abidjan, on Sunday.—AFP

Business confidence plummets as political crisis grips Britain

LONDON: Britain's descent into political crisis just days before Brexit talks begin has sapped confidence among business leaders and infuriated bosses who were already grappling with the fallout from the vote to leave the EU. The failure by Prime Minister Theresa May to win a parliamentary majority in last week's election has pushed the world's fifth largest economy towards a level of political uncertainty not seen since the 1970s. May called the election to secure a mandate for her vision of a "hard Brexit"-driving down migration by taking Britain out of the single market and the customs union.

Instead, she got a hung parliament in which no single party has a majority. Business leaders demanded a re-think. "The UK has had a reputation, earned over the generations, for stability and predictability in its government," a senior executive at a multi-national company listed on the London FTSE 100 told Reuters on condition of anonymity.

"That reputation in 12 months has been destroyed, truly destroyed. First by Brexit and now through this election." A survey by the Institute of Directors (IoD) found only 20 percent of its nearly 700 members were now optimistic about the British economy over the next 12 months, compared with 57 percent who were quite or very pessimistic. The IoD survey, taken after the election, found a negative swing of 34 points in confidence in the economy from its previous survey in May.

"It is hard to overstate what a dramatic impact the current political uncertainty is having on business leaders, and the consequences could - if not addressed immediately - be disastrous for the UK economy," said Stephen Martin, director general of the IoD.

The collapse in confidence, which follows a short-term drop after last year's Brexit vote, coincides with a slowdown in the wider economy that has taken hold since the start of this year, as rising inflation pushes up the price of goods.

Figures from credit card firm Visa showed British consumers turned more cautious even before the shock election result, with households cutting their spending for the first time in nearly four years last month. The Confederation of British Industry (CBI) warned there was now a risk businesses would cut back on investment which has largely held up since last year's Brexit vote. —Reuters

PARIS: This file photo shows (from left) the chairwoman and CEO of General Motors Company Mary T Barra, the chairman of the managing board of French carmaker Groupe PSA Carlos Tavares and Opel CEO Karl-Thomas Neumann shaking hands during a press conference about the acquisition by PSA of General Motors' European subsidiary, which includes the Opel and Vauxhall brands in Paris. —AFP

Opel boss quits ahead of Peugeot takeover

FRANKFURT AM MAIN: The chief executive of German carmaker Opel stepped down yesterday, the firm said, but will remain on the board until the group's takeover by France's Peugeot is completed.

Finance chief Michael Lohscheller will take over from Karl-Thomas Neumann as "spokesman" of the board at the General Motors subsidiary from Monday, Opel said in a statement. The move "will secure continuity for the business and for all stakeholders in the carmaker-as well as a seamless transfer of the firm to [Peugeot parent] PSA," the group said.

French manufacturer PSA-which also owns Citroen and DS-agreed in early March to pay some 1.3 billion euros ($1.46 billion) for Opel, a storied German firm owned by GM for decades, as well its British subsidiary Vauxhall. A former Volkswagen and Continental man highly regarded in the German auto sector, Neumann took the reins in 2013.

But despite the progress Neumann made in winding down overcapacity and improving the brand's image, Opel/Vauxhall continued to book heavy losses under his leadership.

Opel has lost around $15 billion since 2000, most recently ending 2016 with $257 million in the red. The carmaker, based in Ruesselsheim south of Frankfurt and with 10 factories employing 38,000 people around Europe, blamed Britain's vote to quit the European Union and the weaker pound sterling for last year's poor performance. German weekly the Frankfurter Allgemeine Sonntagszeitung reported Sunday that while Neumann backed Opel's tie-up with PSA, he was concerned that the French firm was not as whole-hearted about electric vehicles as himself, and that the new management would centralise all decision-making in Paris.

Opel and PSA are currently in talks with worker representatives about extending the jobs guarantees secured by employees to cover the new owners. The deal has also yet to receive the green light from competition authorities. — AFP