New year stocks rally stalls as trade talks and data disappoint

Dollar index near three-month low, oil down 1.5% after rally

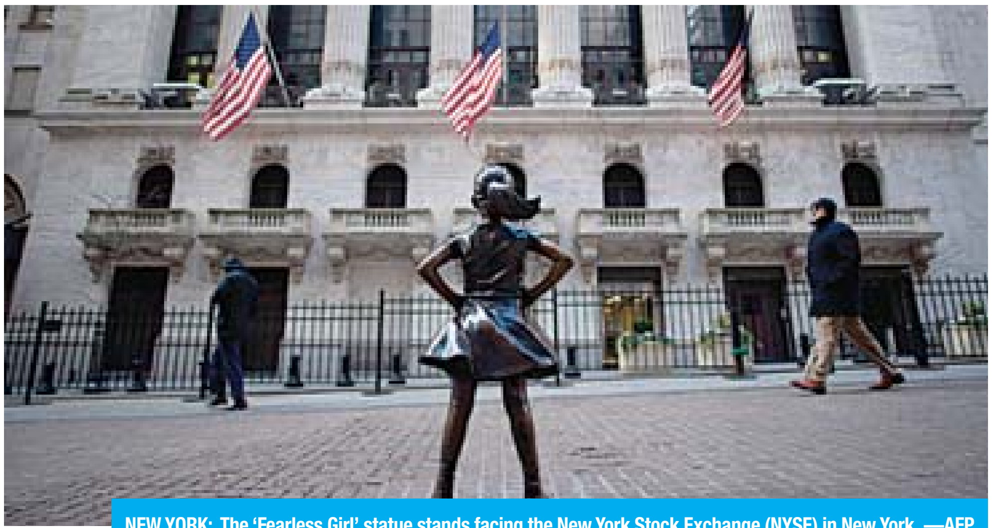
LONDON: The early-year rally in world stocks ran out of steam in Europe yesterday and the dollar touched a near-three-month low, as mixed signals from US-China trade talks and caution at the Federal Reserve applied the brakes. China said the three days of talks in Beijing had established a "foundation" to resolve differences, but gave virtually no details on key issues at stake. A slew of weak data also dampened the mood.

Again in China, factory-gate inflation was the slowest in more than two years, while worse-than-expected industrial figures in France provided more evidence that Europe is spluttering again. The pan-European STOXX 600 index lost 0.4 percent as Paris dropped 0.8 percent, Germany's trade-sensitive DAX dipped and Britain's FTSE also fell as Brexit confusion continued to reign. Wall Street futures were in the red, putting the S&P 500, Dow Jones Industrial and Nasdaq on course for their first drop in five days.

"I am beginning to get a little concerned about the path of the European industrial data," said State Street Global Markets' head of strategy, Michael Metcalfe. "It is raising the possibility of a technical recession in Europe. One of the big challenges is that, if this is replicated in Italy's data tomorrow, that potentially brings the budget questions back into the market's thoughts." The soured sentiment saw the standard move into safe-haven government bonds that give a guaranteed return.

Yields on German and French and government bonds - which move inversely to price - dropped towards recent two-year lows. The European Central Bank will publish the minutes from its December meeting later, where it formally shut the mass bond buying program it has been using in recent years. US Treasury yields last stood at 2.697 percent, down from 2.710 percent on Wednesday, when Fed minutes showed policymakers were becoming more cautious about future rate hikes. The dollar remained flat after hitting its lowest level since mid-October.

It was barely changed at $1.1556 to the euro, which had gained 0.9 percent against the dollar during the previous session, its biggest one-day gain since late June. China's yuan also muscled higher, breaching the 6.8 per dollar level for the first time since August in both onshore and offshore trade in Asia. "This drop in the dollar is an overdue correction following a surprisingly robust few weeks, despite the massive collapse in US rate expectations," said Ulrich Leuchtmann, currency strategist at Commerzbank.



NEW YORK: The 'Fearless Girl' statue stands facing the New York Stock Exchange (NYSE) in New York. —AFP

Oil slips

Asian shares had performed fractionally better overnight on the weaker dollar and hopes of more economic stimulus in China. But many stocks seesawed, and Tokyo and Shanghai both closed lower as markets parsed the trade talks and hoped that they will ultimately avert another ramping-up of US tariffs in March. Emerging market bond investors then got a major jolt as Lebanon's finance minister Ali Hassan Khalil told a local newspaper that it was weighing up a debt restructuring. Goldman Sachs had warned this week that such a move, if extreme enough, could potentially wipe out Lebanon's banks.

"The exposure of Lebanese banks to the sovereign (local debt and Eurobonds), amounts to some 55 trillion Lebanese pounds, almost double the 30 trillion LBP capital base of the banking system," the bank's analysts wrote. Lebanon has the third largest public debt-to-GDP ratio in the world at around 150 percent. Oil also caught investors' attention as Brent and US crude fell back $1, having jumped overnight on signs of OPEC-led crude output cuts.

Brent crude was last trading 1.4 percent lower at $60.58 a barrel and US WTI was down 1.5 percent at $51.57 cents. Industrial metals such as copper dipped a touch too. Chris Weston, Melbourne-based head of research at the foreign exchange brokerage Pepperstone, said he viewed more gains in oil prices as a key driver for any further rise in risk appetite. If US crude futures can break through the $55 level, "you're going to see real yields probably lower. That's really good for the cost of money and taking some further headwinds out of the US dollar," he said.—Reuters

Sri Lanka struggles to repay record foreign debt

COLOMBO: Sri Lanka's prime minister said yesterday the country was struggling to pay back its ballooning foreign debt, blaming a recent political crisis for dealing a "death blow" to the economy. Ranil Wickremesinghe said his government was scrambling to raise $1.9 billion to help service a first debt payment of $2.6 billion, that is due on Monday. Sri Lanka faces $5.9 billion in foreign debt repayments in 2019, a record for the cash-strapped island.

The country lost $1 billion in foreign reserves during a power struggle between Wickremesinghe and President Maithripala Sirisena in late 2018. Sirisena sacked Wickremesinghe in October and later dissolved parliament to quell any opposition, but Sri Lanka's courts deemed the move unconstitutional. Wickremesinghe was reinstalled 51 days later but not without a cost, the prime minister said. "We are yet to quantify the losses, but it was a death blow to an economy that was struggling to recover," Wickremesinghe told parliament.

Three global ratings agencies downgraded Sri Lanka during the crisis, making it more expensive for the Indian Ocean nation to access foreign loans. Sri Lanka hopes to raise $1 billion from the international debt market, another $500 million from China and Japan and a further $400 million from the Reserve Bank of India. Wickremesinghe has dispatched his finance minister to Washington to try to revive a loan arrangement with the International Monetary Fund that was suspended during the chaos.

Sri Lanka narrowly averted defaulting on its sovereign debt after Wickremesinghe's reformed administration introduced a plan late last month to meet urgent spending obligations for the first four months of 2019. Sirisena came to power in 2015 with the help of Wickremesinghe's United National Party but personal and political clashes came to a head before the October sacking.—AFP

CBK publishes BoP for 3Q 2018

KUWAIT: The Central Bank of Kuwait (CBK) published yesterday the preliminary data of the State of Kuwait's Balance of Payments (BoP) for 3Q 2018, and the revised data of the preceding quarter. The data revealed a surplus of KD 2,155 million in the Current Account (that sums up receipts and payments between domestic economy and other economies in terms of goods, services and income) compared to a surplus of KD 2,648 million during the previous quarter, i.e. a downturn of KD 492.5 million (18.6 percent).

This downturn is attributable to the decline in the surpluses of both Balance on Goods and Primary Income and in the deficit of Secondary Income on one hand, and the increasing deficit of Services Account on the other. In more detail, the decline in the Current Account surplus reflects a commensurate decline in the surplus of the Balance on Goods (merchandise exports minus merchandise imports) to KD 3,471 million during 3Q 2018, compared to KD 3,789 million during the preceding quarter.

On the other side, the deficit in the Services Account (net value of services transactions between residents and nonresidents, the most important of which are transportation, travel, communications and construction) increased

Summary of the Balance of Payments of the State of Kuwait
(KD Million)

Item	2Q 2018	3Q 2018
Current Account, of which:	2,648	2,155
- Balance on Goods	3,789	3,471
Capital Account	-7	-5
Financial Account	-3,393	-2,644
Overall Balance	961	-448

Source: Central Bank of Kuwait.

by KD 45.6 million or 2.3 percent, to KD 2,037 million during 3Q 2018, compared to a deficit of KD 1,991 million during the previous quarter. Within the same context, the net value of residents' external assets under the Financial Account (recording transfers of financial assets and liabilities between residents and non-residents) increased by KD 2,644 million during 3Q 2018 against KD 3,393 million during the previous quarter, i.e. a slowdown of KD 749.6 million.

As a result, the overall position of Kuwait's BoP recorded a deficit of KD 448 million during the 3Q 2018 against a surplus of KD 961 million during the previous quarter. From a broader perspective, and taking into consideration the change in the net value of external assets of some institutions listed under "General Government", BoP's overall position, in a broad definition, indicates a surplus of KD 2,214 million during 3Q 2018 against a surplus of KD 2,368 million during the previous quarter.