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10 For Ukrainian startup, COVID-19 means business is booming

11 Cost of funding for GCC countries rose due to COVID-19: Markaz

11 Oil crash means more misery for US shale producers

LOS ANGELES: A vehicle pulls into a petrol station in Los Angeles, California on Tuesday, a day after oil prices dropped to below zero as the oil industry suffers steep falls in benchmark crudes due to the ongoing global coronavirus pandemic. — AFP

Brent plunges to two-decade low

Oil resumes its painful retreat; global stocks mixed

HONG KONG: Brent hit a two-decade low yesterday as oil resumed its painful retreat and extended a rout that has torn through energy markets, though stock exchanges in Asia and Europe were mixed following a two-day sell-off. With demand virtually non-existent owing to virus lockdowns, and production still high despite storage at bursting point, crude markets have been sent into freefall with WTI for May delivery diving to minus $40 on Monday.

Focus has turned to the June contract, which started yesterday on fine form following news that top producers had held talks-but it plunged into the red in the afternoon, having lost almost half its value on Tuesday, when Brent collapsed by a fifth. WTI surged 20 percent before changing course to sit more than four percent down later, while Brent was off more than 11 percent after earlier dropping 18 percent to $15.98 — its lowest since 1999.

The crisis in the oil market caused by coronavirus was compounded by a price war between Russia and Saudi Arabia, but while they drew a line under the row and joined other key producers in slashing output by 10 million barrels a day, that has not been enough.

Crude's rout "merely reflects the underlying theme that there is no demand for physical oil, and there is nowhere to store it", said AxiCorp's Stephen Innes. "Disappointment following the new (oil cut) agreement continues to resonate, and responding to that outcry could be the one thing that turns the oil price around in the near term, absent evidence of demand recovery."

Analysts said the morning bounce was driven by news that members of OPEC, as well as some allies in the OPEC+ grouping, held a teleconference Tuesday-but gloom soon returned. Equity markets, buoyed in recent weeks by trillions of dollars of stimulus and signs of a slowdown in the rate of virus infection and death in some countries-and moves to slowly ease lockdown measures in a number of nations-are beginning to feel the spillover from the crude collapse.

Saudi-Russia price war compounds crisis

Investors fear the rout could compound an expected deep global economic downturn. Innes added that the oil crisis "has negative connotations for other areas of the market, most notably banks, given their high exposure to US shale producers".

'Reality check'

Asian markets have struggled this week, though there were some recoveries yesterday. Tokyo ended down 0.7 percent while Singapore and Bangkok each shed 0.9 percent and Wellington retreated more than one percent. Manila also fell and Sydney was marginally lower. However, Hong Kong, Shanghai, Mumbai, Seoul and Taipei were all up along with Jakarta.

In early trade, London, Paris and Frankfurt all rallied. There was little reaction to the US Senate approving a near-half-trillion-dollar coronavirus relief package, with funding earmarked for small businesses, hospitals, and a ramp-up of testing nationwide. Adding to the sense of unease on trading floors is uncertainty around earnings season, with many firms struggling to provide forecasts as they try to assess developments in the pandemic, which has shattered their bottom lines. "There's no way you can predict earnings right now," Michael Cuggino, at Pacific Heights Asset Management, told Bloomberg TV.

"It's virtually impossible until we have more visibility with respect to how the world comes out of the coronavirus on the other side." In Hong Kong, the de facto central bank stepped in to sell the local dollar for a second successive day to defend its peg with the US dollar.

The Hong Kong Monetary Authority sold HK$2.79 billion ($360 million) of the unit, which has strengthened in recent weeks owing to near-zero US interest rates and higher borrowing costs in the city as investors look to buy into its stock market. The move came a day after it sold HK$1.55 billion, which marked the first intervention to offload the local unit since 2015. It last intervened to buy the currency in March last year. Under the city's Linked Exchange Rate System, the HKMA is required to buy the local currency at HK$7.85 to US$1 to ensure exchange rate stability. The financial hub has maintained a decades-old peg with the US dollar, which keeps Hong Kong at the mercy of Fed policymakers. — AFP

Facebook invests $5.7bn in Reliance digital platform

BENGALURU: Facebook will spend $5.7 billion for 10 percent of Reliance Industries's digital business, as the social media firm looks to leverage its popular WhatsApp messenger to offer digital payment services to small grocers in India. The deal will help Reliance cut debt that has piled up in its push to secure top spot for its Jio Infocomm telco, and help boost its new online grocery marketplace JioMart.

India's online grocery market is lucrative but competitive, with Amazon.com's Pantry jostling for market share with Walmart's Flipkart and BigBasket, backed by China's Alibaba.

But a lot of untapped value lies in India's kirana stores, or small grocers, lifeblood of the country's $375 billion grocery industry, according to data from the Retailers Association of India.

"In the near future JioMart ... and WhatsApp will empower nearly 30 million small Indian kirana shops to digitally transact with every customer in their neighborhood," Mukesh Ambani, Reliance's billionaire CEO said in a video statement. WhatsApp has 400 million users in India, its biggest market. It has been trying to secure approval to roll out its digital payment service in India, to compete with the likes of Google Pay.

"Both Jio and Facebook want to tap feature phone users; both have been trying to tap payments and both want to increase grassroots adoption," said Tarun Pathak, associate director at Hong Kong-based Counterpoint Research. A marriage of JioMart and WhatsApp services will help reach grassroots users in India who shop from small stores, he said. Facebook's investment will make it the largest minority shareholder in Jio Platforms, Jio said yesterday, putting the enterprise value of the business at about $66 billion. Jio Platforms holds a host of Reliance's digital assets including Jio Infocomm, which has become the country's largest telco within about three years of its launch. It has roughly 370 million subscribers.

Cutting debt

Reliance has also expanded its retail business as profits at its oil and chemical refining business have taken a hit. But expansion has caused its debt to surge to $40 billion as of September. Reliance has said it wants to cut net debt to zero. "With crude prices where they are, the main oil and gas business will be under pressure. (The Facebook deal) allows them to cut some debt, and also establish a valuation for the Jio business," said Rusmik Oza, executive vice president at Kotak Securities. Reliance is also set to sell stakes in its refining business to Saudi Aramco, and in its telecom tower assets to Brookfield. Last month, Financial Times reported that Facebook was in talks for a stake in Jio, but the talks were halted due amid the pandemic. — Reuters

NAVI MUMBAI: Motorists ride past the Jio World Centre during a government-imposed nationwide lockdown as a preventive measure against the spread of the COVID-19 coronavirus, in Navi Mumbai yesterday. — AFP

UK inflation falls as shoppers turn cautious

LONDON: Britain's inflation rate dropped in March when oil prices tumbled and the coronavirus crisis escalated, official data showed yesterday, with a fall in clothing and footwear prices signalling how cautious shoppers were turning. In what is likely to be the start of a sharp decline in inflation, the consumer price index was 1.5 percent higher compared with March 2019, as a Reuters poll of economists had predicted, slowing from February's 1.7 percent rise.

A fall in clothing and footwear prices was the biggest drag on the index in March, the Office for National Statistics said. "Prices usually rise between February and March, and this year's fall is the first since 2015 and only the second since the start of the constructed (inflation) series in 1988," the ONS said.

Sales were likely to have been impacted by the coronavirus outbreak and retailers resorted to discounting more items on sale, reversing the usual pattern in March as new lines hit the shops, the ONS added. — Reuters