

## Business

# Stocks sell off as coronavirus surge knocks recovery hopes

## AxJ down 0.7%, falls over 1% in Japan and Australia

**SINGAPORE:** Asian stocks posted their biggest drop in eight sessions, bonds rose and the US dollar was firm yesterday as surging US coronavirus cases and an International Monetary Fund downgrade to economic projections knocked confidence in a recovery. MSCI's broadest index of Asia-Pacific shares outside Japan fell 0.7%, Tokyo's Nikkei slumped 1.1% and Australia's ASX 200 tumbled 2.1%.

US stock futures declined 0.4%, suggesting Wednesday's Wall Street slide might have further to run. In Europe, however, where strong data has supported risk appetite this week, futures were only marginally in the red. German DAX futures were down 0.1% and EuroSTOXX 50 futures were off 0.3%. Britain's FTSE futures fell 0.4%. Florida, Oklahoma and South Carolina reported record increases in new cases on Wednesday. Seven other states had record highs earlier in the week and Australia posted its biggest daily rise in infections in two months.

The governors of New York, New Jersey and Connecticut ordered travellers from eight other states to quarantine on arrival, a worry for investors who had mostly been expecting an end to pandemic restrictions. Disney has delayed the re-opening of theme parks and resorts in California, while Texas is facing a "massive outbreak" and considering new lo-

calized restrictions, Governor Greg Abbott said in a television interview. Australian airline Qantas said yesterday it doesn't expect sizeable international operations until at least July 2021, as the carrier announced plans to sack a fifth of its workforce and raise \$1.3 billion to stay afloat.

The International Monetary Fund said it now expects a deeper global recession, with output to shrink 4.9% this year, much sharper than the 3% contraction predicted in April. "There is a little bit of reality bites coming," said Damian Rooney, senior institutional salesman at stockbroker Argonaut in Perth. "I don't think there was a particular straw that broke the camel's back, but people are a little bit twitchy - there are a lot of reasons to be pretty cautious." The dollar clung on to broad overnight gains which had lifted it from near a two-week low. Yields on benchmark 10-year US Treasuries fell to a ten-day low of 0.6692%. Markets in Hong Kong and mainland China were closed for public holidays yesterday.

Anxiety is likely to remain heightened ahead of US data, including jobless claims figures due at 1230 GMT, as well as the latest coronavirus numbers. Confidence could be dented by disappointment on either count. "Any improvement in jobs might be counteracted if there is another pickup in the case load in the United States," said Kyle Rodda, market



**NEW YORK:** Golden retrievers Buddy and Barley greet customers at the Six Harbors Brewing Company in Huntington, New York. Long Island begins Phase 3 of reopening, allowing restaurants to seat inside at 50 percent capacity and nail salons to open by appointment only. — AFP

analyst at brokerage IG in Melbourne. "It's a potential handbrake on the growth rebound story." Bank of England chief economist Andy Haldane is also due

to speak about the future of society at 1700 GMT. Haldane argued against last week's increase to the bank's bond-buying programme.—Reuters

## Madagascar unveils new domestic vehicle, eyes export market

**ANTANANARIVO:** Madagascar President Andry Rajoelina on Wednesday unveiled prototypes of a new brand of locally-made cars and motorbikes which are expected to hit the roads in three years. GasyCar is the second brand of automobiles manufactured in the Indian Ocean island nation after Karenjy, which was launched by the government in 1984. "We will sell in the national market, but we are also thinking of exporting to Africa and around the world," Rajoelina said. A GasyCar plant is to be built this year and the first models are expected to reach the market by 2023. Prototypes of GasyCar motorbikes and SUV models were shown at the launch. Madagascar's local car industry hit the global stage in 1989 when Karenjy produced two popemobiles for Pope John Paul II's visit.

Another popemobile was built for Pope Francis in 2019. But Karenjy can only make a dozen cars a year. The starting price is around 6,500 euros (\$7,300). The hand-made vehicles are rustic and lack conveniences such as electric windows or airbags, making it hard for them to compete with imported brands despite their affordability. Rajoelina vowed to boost Madagascar's limited industrial capacity after his election in 2018. The island is one of the poorest countries in the world, with 90 percent of the population surviving on less than two dollars per day. — AFP

## Relief for Lufthansa after top shareholder backs rescue deal

**FRANKFURT AM MAIN:** Lufthansa's top shareholder on Wednesday said he would back a nine billion euro government rescue package, removing the threat of a last-minute veto that could have plunged the German airline into bankruptcy. "I will vote for the agreement," German billionaire Heinz Hermann Thiele told the Frankfurter Allgemeine Zeitung newspaper on the eve of an extraordinary general meeting where investors will decide on the fate of the coronavirus-hit giant.

Chief executive Carsten Spohr has warned that "the future of the company" is at stake after the pandemic throttled Lufthansa's usual flood of passengers to a trickle for several months this year. Spohr will address the online meeting set to begin at 1000 GMT, urging investors to back the plan he hammered out over weeks of talks with ministers and the European Commission. The nine billion euro (\$10 billion) plan includes the state claiming a 20 percent stake.

Thiele, who made his fortune in the rail and auto industries and owns 15.5 percent of Lufthansa's stock, had repeatedly voiced scepticism about the deal - to the dismay of Lufthansa management, employ-

ees and unions. But he told the Frankfurt newspaper insolvency had to be avoided even if he still had doubts about the bailout, in a nod to his concerns about the government climbing on board. "It is in the interest of all Lufthansa employees that management can quickly begin talks about the necessary restructuring," Thiele said. Even with the government aid, Lufthansa has said it may have to slash thousands of jobs as travel demand is expected to stay below pre-pandemic levels for years.

But in another boost for the airline, it struck a deal with German flight attendants' union UFO late Wednesday to cut 500 million euros in costs by 2023 while avoiding cabin crew layoffs. The savings would be achieved through measures including pay freezes, reduced flight hours, early retirement and unpaid leave, both sides said in a joint statement. The deal still needs to be approved by union members. But UFO spokesman Nicoley Baublies said it "brings urgently needed job security" for Lufthansa's 22,000 flight attendants as the company weathers an unprecedented crisis. Lufthansa shares jumped more than 16 percent at 2300 GMT in after-hours trading as in-

vestors digested the latest developments.

### Veto power

Lufthansa's board warned shareholders ahead of Thursday's vote that insolvency was "unavoidable" if the bailout was rejected. Given that shareholders representing just 38 percent of the capital have registered to participate, Thiele held the power to singlehandedly torpedo the deal. The 79-year-old's motivations for building up his own stake in Lufthansa remain murky. "I will continue to exert influence on the development of Lufthansa," he told the FAZ, declining to elaborate. Bracing for a worst-case scenario, Spohr on Sunday said Lufthansa was "prepared" to keep flight operations going even if the vote goes against the board. Before launching insolvency protection procedures, bosses would "use the time to talk over alternatives with the government," he added. The powerful Verdi union welcomed Thiele's green light. "This ends an existential threat for almost 140,000 employees globally and their families," it said in a statement. "Other shareholders must now follow Thiele's example and agree to the rescue package."—AFP