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Renewed recovery optimism provides boost to stocks, crude

Investors keenly awaiting a policy speech by Federal Reserve boss

HONG KONG: Equities and oil prices rose again yesterday, extending a global rally fuelled by renewed optimism over the recovery outlook after Washington gave full approval to Pfizer-BioNTech's vaccine and an increase in US COVID infections appeared to be peaking.

A call by China's central bank for more economic support and a move to keep borrowing costs down also provided some cheer to the region, while hopes that Beijing's clampdown on the private sector was adding to the buoyant sentiment.

Investors are also keenly awaiting a policy speech later in the week by Federal Reserve boss Jerome Powell. Markets have enjoyed a strong start to the week, further helped by bargain-hunting following a recent sell-off caused by worries including the fast-spreading Delta variant and expectations the Fed will soon begin tapering financial support.

New York's three main indexes shot higher Monday-with the Nasdaq hitting a new record-as traders cheered news that the Food and Drug Administration had fully approved the Pfizer-BioNTech shot, which is expected to help push up vaccinations.

Around 52 percent of the population has been double jabbed but the rate has slowed owing to hesitancy among many people. The FDA move "now paves the way for many companies and government agencies to enforce vaccine mandates", said OANDA's Edward Moya, adding that making them mandatory "could move the needle here in getting the US closer to herd immunity".

Analysts said data suggesting that a recent spike in infections in the United States was tailing off was also lifting spirits as figures dropped in the original hotspots and new cases slowed in Florida and Louisiana. China's apparent success in taming a worrying flare-up in the world's number two economy also lifted the mood on trading floors.

The positive news lifted optimism over the global recovery, which had taken a knock this month as some governments were forced to reimpose lockdowns or other containment measures.

Fixated on the Fed

Hong Kong jumped more than two percent with under-pressure tech leading the charge, as observers pointed to a lack of fresh measures from China after a recent spate of rules as part of a regulatory crackdown on the sector and other industries.

Fresh measures

Tencent and Alibaba were each up more than eight percent as investors picked up bargains following their recent rout. And ecommerce giant JD.com powered around 15 percent higher after a forecast-beating earnings report showed its resilience to Beijing's latest moves.

Shanghai, Seoul and Manila added more than one percent, while there were also healthy advances in Tokyo, Sydney, Singapore, Wellington, Taipei, Mumbai and Bangkok. London, Paris and Frankfurt edged up in early trade.

The rally was mirrored in oil markets, where both main contracts extended the previous day's surge of more than five percent, which marked the best daily performance in nine months as recovery hopes lifted demand expectations.

The commodity, like equities, had been suffering hefty losses in August owing to worries about the Delta spread, but observers forecast prices will get back on track.

"The crude demand outlook will get a boost... now that the Delta variant appears to be peaking in the South and as China lowers local COVID cases to zero," Moya added. West Texas Intermediate "should be supported going forward as the selloff was overdone and as stockpiles continue to shrink".

Investors are now fixated on Powell's speech to central bankers and finance chiefs this week in Jackson Hole, Wyoming, hoping for some guidance on monetary policy as speculation swirls that the Fed is planning to taper its bond-buying programme by year's end. — AFP

NEW YORK: People eat outside along a street in Manhattan in New York City. Despite continued concerns about the Delta variant of the COVID virus, the United States economy continues to grow with the leading economic index jumping 0.9% last month. —AFP

Democratic infighting delays Biden's vast US investment plans

WASHINGTON: A dispute within the Democratic party has stalled US President Joe Biden's massive spending plans for the United States as Congress postponed a key vote on the measures Monday.

The delay is a setback for the Democratic president, who intends to make American history with the two titanic funding projects-on infrastructure and social spending-worth a total of nearly $5 trillion.

Despite hours of negotiations, no agreement had been reached by midnight and Democratic leaders decided to resume the session today at midday. If agreement is reached, the vote may be held today afternoon.

Earlier this month, the Senate approved a $1.2 trillion infrastructure investment plan, with some Republicans crossing the aisle to support the measure. But a squabble has arisen in the House over whether to pass that bill first, or a separate $3.5 trillion plan supported only by Democrats that would allocate money towards education, health care, the labor market and fighting climate change.

Biden's Democratic allies controlling the House and Senate have for months been considering the two measures aimed at overhauling the world's largest economy through massive injections of cash into an array of programs. The dispute erupted when moderate Democrats in the House demanded the popular infrastructure measure be approved without delay.

But progressive lawmakers insist the larger bill should take priority, fearing the centrists, objecting to its cost, will refuse to provide their crucial votes in a chamber with a tight Democratic majority once the infrastructure bill is passed. Biden, who is facing blowback over the chaotic withdrawal from Afghanistan, is expected to weigh in on the dispute behind the scenes. — AFP

WASHINGTON: US Democratic Representative from Florida Kathy Castor (C) speaks at a press conference on the infrastructure bill and climate change at the US Capitol in Washington. —AFP

India to raise $81bn by leasing state assets

NEW DELHI: India announced plans to lease state-owned assets to the private sector in a bid to raise 6 trillion rupees ($81 billion) to repair public finances battered by the pandemic and fund new infrastructure.

Asia's third-largest economy was left reeling from a COVID-19 surge and strict lockdowns enforced to contain the virus, creating a significant budget deficit and pushing millions into poverty. Private firms will be able to lease on a long-term basis over 26,000 kilometres (16,000 miles) of roads, power transmission lines, hydroelectric and solar power assets, phone networks, and nearly 15,000 telecom towers, under the plans announced Monday.

Also up for grabs will be some 8,000 kilometres of natural gas pipelines, 15 railway stations, railway lines, 25 airports, and a number of sports stadiums, according to the four-year plan dubbed the National Monetization Pipeline.

"The ownership of the assets remain with the government and there should be mandatory hand back (to the state)," Finance Minister Nirmala Sitharaman said. "So by bringing in private participation in this, you will be able to monetise it better and ensure further investment in infrastructure building," she said.

Proceeds will help replenish government finances squeezed by India's worst recession since independence as a result of the pandemic, and to fund new infrastructure projects. India's opposition hit out at the plans, with Congress party chief Rahul Gandhi saying "assets created over seven decades (are) being gifted to cronies."

"The future of India is being sold," he said. India enforced one of the world's toughest lockdowns in 2020 when the pandemic began, leaving millions without work almost overnight. Restrictions were then steadily eased but reimposed in April in a devastating second wave that overwhelmed hospitals.

Prime Minister Narendra Modi's government had previously announced plans to raise billions of dollars through the privatisation of Air India, Bharat Petroleum, and a share sale of a major insurer. — AFP

ANNAPOLIS, Maryland: File photo shows homes for sale in Annapolis, Maryland. New single-family home sales rebounded slightly last month and broke a three-month streak of declines as prices resumed their march higher in the hot US real estate market. —AFP

US new home sales edge higher in July

WASHINGTON: New single-family home sales rebounded slightly last month and broke a three-month streak of declines as prices resumed their march higher in the hot US real estate market, according to government data released yesterday. The one percent increase in July took the annual sales pace to 708,000, seasonally adjusted, the Commerce Department said, after the June sales rate was revised sharply upward from the original report.

But sales were more than 27 percent lower than July 2020, according to the data. The median sales price dipped in June but jumped again last month to $390,500, without seasonal adjustment, beating the previous record set in May, even as the inventory of homes on the market edged up to 6.2 months of supply.

Builders have struggled to keep up with demand as low mortgage rates have fueled a buying frenzy, especially as they contend with supply bottlenecks caused by the restart from the pandemic shutdown that have caused price spikes for goods like lumber.

"While demand for new homes remains strong, high prices and backlogs in construction will temper sales in the months ahead," said Nancy Vanden Houten of Oxford Economics. She noted that a record share of homes sold in July were not even started, indicating a huge construction backlog.

Sales were uneven across the country with a big jump in the West and modest gain in the South — the two regions with the biggest markets — and double-digit declines in the Northeast and Midwest. — AFP

German GDP rebounds in Q2 but shortages loom large

FRANKFURT: Germany's GDP recovered more in the second quarter than first estimated, according to data released yesterday, but global supply chain issues continue to weigh on the outlook for Europe's largest economy.

After shrinking in the first quarter, German GDP grew 1.6 percent between April and June this year, according to the national statistics agency Destatis, up from an initial estimate of 1.5 percent. The figure was significantly higher compared with the same period last year — by 9.8 percent — when coronavirus restrictions shut down large swathes of the economy.

Nonetheless, the indicator remained below pre-crisis levels, down 3.3 percent in comparison with the three months before the start of the pandemic.

The boost given to the economy by the end of lockdown restrictions has been "undermined by the negative impact from supply chain frictions," according to ING analyst Carsten Brzeski. Increasing prices for raw materials and the shortage of key components, such as semiconductors, which are widely used in new technologies, have disrupted the operations of major companies globally.

Last week, the German car giant Volkswagen announced it would be limiting production at its main factory in Wolfsburg due to chip shortages and said that these could continue through to 2022. Accordingly, Brzeski sees "supply chain frictions and not the coronavirus as the biggest risk for the German economy in the second half of the year." Separately, the German finance minister Olaf Scholz told the Funke media group over the weekend that he expects to see the economy return to pre-crisis levels by the "beginning of 2022". — AFP