Third Point increases stake in Seven & i Holdings

US hedge fund Third Point, which has a reputation for aggressively pushing for change at target firms including Sony, has increased its stake in the Japanese operator of 7-Eleven convenience stores, it has said in a letter to investors.

The English-language letter was unclear how much of an investment the fund by billionaire Daniel Loeb holds, saying only that the stake rose in the third quarter "at attractive valuations".

It stressed that Seven & i Holdings was "grossly underlevered and undervalued", and urged that its Ito-Yokado supermarket chain "leave the group and restructure as a standalone company".

"Shareholders have suffered from the subsidisation of Ito-Yokado for so long that Seven & i is emerging as one of the most crucial tests for the success of corporate governance reform in Japan," said the letter, dated Friday and seen by AFP on Monday.

Competition among "konbini" stores — a Japanese abbreviation of the English word convenience — is fierce, with two of the biggest players, Family Mart and Uny Group, announcing a merger aimed at challenging 7-Eleven last month.

A staggering 1.5 billion people pass through the well-stocked, brightly lit stores every month in Japan, with some 55,000 outlets throughout the country, including more than 7,000 in Tokyo alone. (AFP)

Australia's Westpac hits record profit

Australian banking giant Westpac on Monday posted a six percent rise in full-year net profit to a record Aus$8.01 billion (US$5.7 billion) with retail and business banking driving performance.

The cash profit at Australia's second largest bank, the measure more closely watched by analysts which strips out volatile items, lifted three percent to Aus$7.82 billion.

"Australian retail and business banking has been the key driver of performance," said chief executive Brian Hartzer, as Westpac joined other leading banks ANZ and NAB reporting major profits.

"All divisions continued to grow their businesses and are in good shape," he said. However, despite strong loan figures, "market headwinds" saw a softer performance in wealth and institutional businesses, Hartzer added.

Westpac reported the same figures in full year preliminary results in mid-October, when it announced a $3.5 billion equity raising to meet tougher regulations on reserves as a buffer against mortgage risks.

Ric Spooner, chief market analyst for CMC Markets, said the profit result held "few surprises".

"The potential for slower growth in housing lending will be a negative for banks," he said. (AFP)

Central bank gives yuan biggest boost in a decade

China expects growth of 6.5 pct through 2020: premier

BEIJING, Nov 2, (Agencies): China's government expects to achieve annual economic growth of "at least 6.5 percent" through 2020, the top economic official said, in the first indication of a growth target since a high-level planning meeting last week.

The ruling Communist Party is trying to steer the economy to more sustainable growth based on domestic consumption instead of trade and investment but needs to keep it from weakening too much. Growth last year fell to a two-decade low of 7.4 percent.

"We propose to achieve the goal of creating a 'moderately prosperous society' by 2020, which requires annual economic growth of at least 6.5 percent over the next five years," said Premier Li Keqiang in a speech Sunday in Seoul, according to a transcript released by the Cabinet.

Following a meeting to approve a five-year development plan, party leaders pledged last week to double the size of the economy from the 2010 level by 2020. That would require annual growth of at least 6.5 percent, which could conflict with reform efforts.

This year's growth target is "about 7 percent," though Li and other officials have tried to downplay the significance of that. Li said earlier he would accept slower growth so long as the economy generates enough new jobs.

Economic growth in the quarter ending in September slowed to 6.9 percent but some analysts say industrial activity might be rebounding.

China's manufacturing contracted for a third month in October, according to a survey released Sunday.

The National Bureau of Statistics said its monthly purchasing managers' index held steady at September's level of 49.8 on a 100-point scale on which numbers below 50 indicate a contraction.

The agency's PMI for service industries weakened to 53.1 from September's 53.4.

Much of China's economic slowdown over the past five years has been self-imposed but a deepening downturn over the past year has prompted concern about job losses and unrest. Beijing has cut interest rates six times since last November.

Li said the economy is functioning in a "reasonable range" and employment is growing, according to the transcript.

"We have the confidence and ability to fulfill this year's main targets," the premier said.

Meanwhile, China on Monday raised the daily reference rate for its yuan currency by the largest margin in a decade, officials and reports said, just three months after a surprise devaluation sent shockwaves through global markets.

The central People's Bank of China adjusted the central rate of the yuan — also known as the renminbi (RMB) — upwards by 0.54 percent against the US dollar, according to a statement.

The increase was the largest since 2005 when Beijing unpegged the yuan from the dollar, Bloomberg News reported.

Analysts attributed the move to improved sentiment towards the world's second largest economy as well as an impending decision by the International Monetary Fund on whether to include the yuan in its internal "special drawing rights" (SDR) reserve currency basket.

"The RMB rose mainly because the market is responding to an increasing chance for it to be included in the SDR," Liao Qun, chief economist of Citic Bank International, told AFP.

Even so the yuan ended at 6.3371 on Monday, down around 0.30 percent from Friday's close.

Global factories 'struggle' as massive stimulus fails to spur

PMI surveys show exports remain weak across Asia

LONDON/SYDNEY, Nov 2, (RTRS): Massive monetary stimulus from Chinese and European central banks has done little to spur factory growth, moving a debate over more easing up the agenda and raising doubts over whether US interest rates will rise this year.

A crop of industry surveys out on Monday pointed to October as another subdued month. Activity in China's colossal factory sector shrank as global demand stuttered while euro zone factories again resorted to slashing prices to drum up trade.

"We do think there is more easing to come in China. They are in the midst of a long-running easing cycle that is probably going to go on until late next year," said Andrew Kenningham at Capital Economics.

"The ECB is likely to announce something further in December. The concerns there are not so much about growth but about the prospects for inflation."

More than half a year after the ECB started pumping in 60 billion euros a month of new money through its quantitative easing programme, the currency bloc's relatively downbeat manufacturing survey may make disappointing reading for policymakers.

The central bank has failed to lift inflation anywhere near its target of just below 2 percent, and data on Friday showed prices were unchanged last month, heaping more pressure on the bank to act.

It was already almost certain the ECB would ease monetary policy in December, increasing or extending its stimulus programme and further cutting the deposit rate, a Reuters poll of economists taken ahead of the inflation data found.

Beijing has also rolled out a raft of support steps to avert a sharper slowdown, including cutting interest rates six times in the past year, but the stimulus has been slower to take effect than in the past.

Having taken a rain check on a long-speculated rate rise in September, the Federal Reserve last month surprised markets by downplaying global growth worries while opening the door wide to a hike in December.

"One of the reasons they didn't move in September was concerns about the state of the global economy and particularly China. Our view is that most likely they will wait until next year but they may decide to move in December," Capital Economics' Kenningham said.

Stocks fell in Europe and Asia on Monday after the further evidence of economic slowdown in China.

Markit's final euro zone manufacturing Purchasing Managers' Index was 52.3 last month, only slightly up from the September and preliminary October reading of 52.0. It has, however, been above the 50 mark that separates growth from contraction for over two years.

There was only modest growth in Germany, Europe's largest economy, though Italy stood out with activity increasing for the ninth straight month and at its fastest pace since July,

In China, manufacturing industry unexpectedly contracted for a third straight month, according to the official survey out on Sunday, just missing market hopes for a break-even 50.0 reading, while new export orders shrank again.

Monday's Caixin/Markit China PMI, which focuses on small and mid-sized companies, rose. But at 48.3 in October, it still pointed to an eighth month of contraction.

"Overall, the flat PMI suggests the still-weak underlying growth momentum in Q4 and we continue to look for more signs of near-term growth stabilization," said Jian Chang at Barclays.

The only promising news came from Japan and Britain.

The Markit/Nikkei PMI hit its highest in a year at 52.4, yet its economy remains at risk of recession and markets are betting the Bank of Japan will have to expand its asset-buying campaign.

In Britain, which doesn't use the euro, factory activity unexpectedly surged to a 16-month high helped by a recovery in export orders although economists remained cautious.

Deal worth $23.34bn

Visa Inc plans to buy Visa Europe

NEW YORK, Nov 2, (RTRS): Visa Inc said on Monday it would buy former subsidiary Visa Europe Ltd in a deal valued at up to 21.2 billion euros ($23.34 billion), putting the company in a stronger position to compete with MasterCard Inc.

Visa, the world's largest credit and debit card company, said it would pay 16.5 billion euros up front, with potential for an additional payment of up to 4.7 billion euros based on revenue targets four years after the close of the deal.

The upfront payment comprises 11.5 billion euros in cash and preferred stock convertible into Visa Inc class A common stock valued at 5 billion euros.

Visa Inc will issue senior unsecured debt worth $15 billion-$16 billion to fund the cash portion of the deal and increase a buyback program for Class A common stock in 2016 and 2017 to offset the effects of issuing the preferred stock.

The company, whose shares were down 1.3 percent at $76.54 in premarket trading, said it would buy back an additional $5 billion of shares in addition to a previously announced 17 percent increase in its quarterly dividend.

Visa Inc and Visa Europe, a cooperative of European banks with over 500 million cards, were part of a global bank-owned network until 2007.

Most of the units merged to form Visa Inc, which went public in 2008, leaving Visa Europe as a separate entity.

Barclays Plc is the most active bank in the Visa Europe network and stands to make the most among the banks that will share the proceeds of the buyout. More than 3,000 companies are expected to profit from the deal.

Barclays could receive up to 1.2 billion euros in total, including upfront cash, deferred cash and payments in stock, depending on how the business and Visa Inc shares perform, a person familiar with the matter said.

Barclays said in a statement that it expected to make a post-tax profit of about 400 million pounds ($618.6 million) next year when the takeover closes, but that only reflects the upfront cash element of the deal.

Nationwide Building Society said it expected its initial share to be about 1 percent of the total proceeds, while Worldpay Group Plc said it would get up to about 1.25 billion euros from the deal, including 592 million euros in cash up front.

Visa also reported on Monday that its net income jumped to $1.51 billion, or 62 cents per diluted class A share, in the fourth quarter ended Sept. 30, from $1.07 billion, or 43 cents per share, a year earlier.

Analysts on average were expecting 63 cents per share per share, according to Thomson Reutes I/B/E/S.

The first twin-engine 158-seater C919 passenger plane made by The Commercial Aircraft Corp of China (COMAC) is pulled out of the company's hangar during a ceremony near the Pudong International Airport in Shanghai, China on Nov 2. The first plane produced by a Chinese government initiative to compete in the market for large passenger jetliner has been unveiled in Shanghai. (AP)

Bid to compete with Boeing, Airbus

China unveils first big passenger plane

SHANGHAI, Nov 2, (AP): A state-owned manufacturer on Monday unveiled the first plane produced by a Chinese initiative to compete in the market for large passenger jetliners.

China is one of the biggest aviation markets but relies on Boeing and Airbus aircraft. The multibillion-dollar effort to create the homegrown C919 jetliner is aimed at clawing back some of the commercial benefits that flow to foreign suppliers.

The Commercial Aircraft Corp of China showed off the first of the twin-engine planes in a ceremony attended by some 4,000 government officials and other guests at a hangar near Shanghai's Pudong International Airport.

"It's a major push for the country, as they want to be known as a major player" in airplane manufacturing, said Mavis Toh, Asia air transport editor for Flightglobal magazine.

The C919 is one of several initiatives launched by the ruling Communist Party to transform China from the world's low-cost factory into a creator of profitable technology in aviation, clean energy and other fields.

The C919, which can seat up to 168 passengers, is meant to compete in the market for single-aisle jets dominated by Airbus Industrie's A320 and Boeing Co's 737.

Its manufacturer, known as COMAC, says it has received orders from 21 customers for a total of 517 aircraft, mostly from Chinese carriers but also from GE Capital Aviation Services.

A separate state-owned company also has developed a smaller regional jet, the ARJ-21, to compete in the market dominated by Brazil's Embraer and Canada's Bombardier. The first two ARJ-21s were delivered last year to a Chinese airline.

Most of the C919's critical systems including engines and avionics are being supplied by Western companies or foreign-Chinese joint ventures.

Boeing forecasts China's total demand for civilian jetliners over the next two decades at 5,580 planes worth a total of $780 billion.

China's major airlines are state-owned, which gives the Communist Party a captive pool of potential customers that can be ordered to buy the C919.

"China offers a terrific market, superb engineering talent and reasonably low costs. Developing a national aircraft industry makes a lot of sense", said Richard Aboulafia, vice-president for analysis of Teal Group Corp, an industry consultant, in a report in July.

However, the C919 is hampered by official requirements that its manufacturer favor components produced in China, unlike competitors who source parts globally, according to Aboulafia.

Chinese fuel booming business in Vancouver

RBC scraps limit on size of newcomer mortgage

VANCOUVER, Nov 2, (RTRS): The Royal Bank of Canada scrapped an internal limit on mortgage loan size for immigrants in the spring to tap into surging demand for financing on multi-million dollar houses by newcomers to Vancouver.

Wealthy buyers, mostly from China, are fueling a booming mortgage business in Vancouver, where the median price for a detached home on the desirable west side jumped 31 percent to C$2.87 million ($2.19 million) in the last two years.

RBC, Canada's largest bank, removed its C$1.25 million cap on loans to borrowers with no local credit history in May, said Christine Shisler, the bank's Director of Multicultural Markets, who works with an immigrant clientele.

"We're seeing a lot of affluent newcomers looking to buy high-purchase price homes," she said. "Now we can actually service any mortgage amount."

A case study released on Monday, which looked at six months worth of detached home sales in prime neighborhoods near the University of British Columbia (UBC) main campus, found that two-thirds of buyers had names typical of people from mainland China and 88 percent of those people also had a mortgage.

Mortgages

The mortgages, on homes ranging in value from C$1.25 million to more than C$9 million, were mainly backed by three banks — HSBC Canada, Canadian Imperial Bank of Commerce (CIBC) and Bank of Montreal (BMO). RBC held just 8 percent of the loans.

The banks have not broken out the size or profitability of this business segment.

Andy Yan, an urban planner and adjunct professor at UBC who studied land titles linked to 172 sales transactions from Aug. 2014 to Feb. 2015, said the financing was the most surprising part of the study.

"It counters a lot of our mythologies, in terms of this idea of people showing up with very large bags of money and paying cash," he said.

While there is no official data on foreign ownership in Canada, realtors who work in Vancouver's luxury market say more than 80 percent of buyers have ties to mainland China, with demand strong despite this summer's Chinese stock market plunge and President Xi Jinping's corruption crackdown.

Yan's case study, using a name analysis method pioneered in public health and academic studies, found that 66 percent of buyers in his sample had non-Anglicized Chinese names. A separate Reuters survey of land titles linked to sales in a broader swath of Vancouver west had a near identical result.

Majority

To be sure, some of these individuals could be Canadian citizens or long-time residents, though Yan notes the majority have ambiguous job titles like "homemaker" or "businessperson," which may point to money being earned abroad.

Indeed, the most common occupation for the new owners of these multi-million dollar properties was "homemaker."

That raises questions over how banks, in the rush to tap into the market, are not only ensuring their clients have the means to make hefty mortgage payments, but also whether they have enough information on the source of funds.

"I do worry that we're being friendly, polite Canadians and not asking too many questions," said David Eby, the provincial lawmaker for the Vancouver neighborhood in Yan's study. "There are a lot of people making a lot of money right now."

Both RBC and HSBC Canada said that anti-money laundering compliance is a priority, though declined to provide specific details on how exactly they ensure legitimacy of funds. CIBC and BMO did not immediately provide comment on their newcomer mortgage policies.

"We have a very low tolerance for risk," said Aurora Bonin, a spokeswoman for HSBC in Vancouver. "You would have to prove, through documentation, where your income is coming from."

High-profile Chinese investor Xu detained

China arrests HK-owned fund executives for futures manipulation

SHANGHAI, Nov 2, (Agencies): China has arrested two executives from a Hong Kong-owned fund for irregular futures trades involving hundreds of millions of dollars, said Xinhua news agency, the first public arrests linked to a non-mainland fund caught up in a crackdown on risky trading.

The Ministry of Public Security said the case was still under investigation and that its plans to enlist foreign authorities to net overseas suspects, the official news agency reported, citing a ministry statement on Sunday.

Chinese authorities have blamed "malicious" trading in stock futures for stoking share volatility that saw bourses slide over 40 percent since June. Investigations into market manipulation have so far netted journalists, senior executives in brokerages and even securities regulators.

The general manager of Jiangsu-based Yishidun, Gao Yan, and senior executive Liang Ze, were arrested for allegedly buying and selling futures in prices that deviated from market standards and illegally made more than 2 billion yuan ($316 million), said the news agency.

Jin Wenxian, a technical supervisor at Chinese Shenzhen-located firm China Fortune Futures, was also arrested for allegedly helping Yishidun cover up trade details, using software without detection by authorities and transferring funds, Xinhua said.

Meanwhile, High-profile Chinese investor Xu Xiang has been detained on suspicion of insider trading, the Public Security Ministry reported.

A brief statement issued Monday through the official Xinhua News Agency said Xu was suspected of illegally obtaining inside information about the stock market and manipulating prices.

His detention follows a massive decline in stock prices over the summer blamed largely on a government-promoted bubble that has led to a search for scapegoats.

The president of China's third-biggest lender by assets, Agricultural Bank of China Ltd (AgBank) , has been taken away to assist with an investigation, Bloomberg reported on Monday, citing people familiar with the matter.