terrorism has long-lasting impact on economy: Moody's

A study by Moody's Investors Service shows that terrorist attacks significantly weaken economic activity, with long-lasting effects on the economy.

The study measures the impact of terrorism on a country's economic growth, investment growth, government expenditure and government cost of borrowing, according to the report "Terrorism Has a Long-lasting Negative Impact on Economic Activity and Government Borrowing Costs."

"For example, in 2013 the 10 countries most affected by terrorism took an immediate and significant hit to growth, dampening GDP between 0.5 and 0.8 percentage points," says Merxe Tudela, a Moody's Vice President. "Even worse is that the negative impact continues for years after the attack, taking up to five years for the effects to peter out."

Investment growth takes an even greater immediate hit, with Moody's estimating for the same episodes that investment growth declines between 1.3pp and 2.1pp.

During the time period studied, terrorism has been concentrated in a few countries. For example, more than 60 percent of all incidents in 2013 were in just four countries, with the majority of attacks occurring in Iraq (24 percent) and Pakistan (19 percent).

An analysis of Iraq shows that in the absence of any terrorist attacks from 2008 to 2013, GDP could have been 8.2 percent higher, and the cost of borrowing, 150 basis points lower by the end of that period.

A similar analysis of Pakistan indicates that GDP growth could have been 5.1 percent higher, and the cost of borrowing, 100 basis points lower.

Over the same timeframe, the level of investment in Pakistan could have been 9.3 percent higher, and in Iraq, 15.1 percent higher.

This file photo shows Twitter chief executive officer Dick Costolo as he speaks to journalists after a meeting with Indonesia's vice president in Jakarta. Twitter confirmed Oct 5, that co-founder Jack Dorsey will stay on as CEO, announcing his shift from interim to permanent chief in a document filed with the Securities and Exchange Commission. Dorsey will also continue to run digital payments service Square, which he founded about five years ago, Twitter said. (AFP)

Student loans surpassing groceries as primary expense for many borrowers

A multigenerational hit: Student debt traps parents and kids

WASHINGTON, Oct 5, (AP): A college degree practically stamped Andres Aguirre's ticket to the middle class. Yet at age 40, he's still paying the price of admission.

After a decade of repayments, Aguirre still diverts $512 a month to loans and owes $20,000.

The expense requires his family to rent an apartment in Campbell, California, because buying a home in a decent school district would cost too much. His daughter has excelled in high school, but Aguirre has urged her to attend community college to avoid the debt that ensnared him.

"I didn't get the warmest reception on that," he said. "But she understands the choice."

America's crushing surge of student debt, now at $1.2 trillion, has bred a disturbing new phenomenon: School loans that span multiple generations within families. Weighed down by their own loans, many parents lack the means to fund their children's educations without sinking even deeper into debt.

Data analyzed exclusively by The Associated Press, along with surveys about families and rising student debt loans, show that:

n School loans increasingly belong to Americans over 40. This group accounts for 35 percent of education debt, up from 25 percent in 2004, according to the New York Federal Reserve. Contributing to this surge: Longer repayment schedules, more midcareer workers returning to school and additional borrowing for children's education.

■ Generation X adults - those from 35 to 50 years old - owe about as much as people fresh out of college do. Student loan balances average $20,000 for Generation X. Millennials, who are 34 and younger, have roughly the same average debt, according to a report by Pew Charitable Trusts.

■ Gen-X parents who carry student debt and have teenage children have struggled to save for their children's educations. The average they have in college savings plans is just $4,000, compared with a $20,000 average for teenagers' parents who aren't still repaying their own school loans, Pew found. A result is that many of their children will need to borrow heavily for college or pursue cheaper alternatives, thereby perpetuating a cycle of family debt.

■ Student debt is surpassing groceries as a primary expense for many borrowers, with the gap widening most for younger families. The average college-educated head of household under 40 owes $404 a month in student debt payments, according to an AP analysis of Fed data. That's slightly more than what the government says the average college-educated family spends at the supermarket.

The multigenerational debt cycle reflects a rush to pursue college as a path to middle class security. Roughly 25 years ago, federal policies began to encourage borrowing on a mass scale to cover soaring college costs. Policymakers figured that borrowers could afford the debt because college degrees would all but guarantee comfortable incomes.

The reality played out somewhat differently.

Roughly 6 million Gen-X households still owe student debt. Some, like Aguirre, are forgoing home ownership. Others have moved to remote stretches of the country to qualify for loan forgiveness programs.

Repayment has increasingly required financial sacrifices because as college borrowing has climbed, earnings have stagnated for people with only bachelor's degrees, according to data provided by Georgetown University. Successful careers increasingly require graduate degrees - and thus, ever larger debt loads that take longer to repay. At no point in the past, experts say, has such a large share of the U.S. population begun their careers indebted.

"We've never had a historical era where so much debt was taken out at an early age," said Diana Elliott, research manager for financial security and mobility at Pew.

■ Different Paths

Nathan Anderson received his first student loan in 1991. His time at Johns Hopkins University overlapped with the start of the lending boom: The government was raising borrowing limits, introducing unsubsidized Stafford loans and incentivizing private lenders.

Such policy moves were supposed to make college affordable for students regardless of their parents' incomes. But the wider availability of debt instead helped fuel rising tuitions, according to research this year by the New York Fed.

Majoring in psychology, Anderson hoped to become a child psychologist. But after suffering a shoulder injury while playing soccer, he found relief only from an acupuncturist. The treatment led him to study Chinese medicine after graduation and become a licensed acupuncturist himself in 2004. He had already racked up $45,000 in college debt; acupuncture school required more.

Now 42 with a blended family of five, he runs an acupuncture clinic in Tucson, Arizona, with his wife, Julie, also an acupuncturist. Combined, their monthly student loans bills approach $1,700.

"More than we spend on groceries and kind of like having a second mortgage," Anderson said.

The push to borrow that began in the 1990s was premised on the notion that virtually every degree - regardless of the school or the major - could more than pay for itself because college graduates would command premium incomes, explained Peter Cappelli, a management professor at the University of Pennsylvania and the author of "Will College Pay Off?"

That's not necessarily how it turned out.

Many students, like Anderson, recast their career goals - a shift that compelled them to take on more debt.

And even as the debt loads climbed, median income for college graduates has stagnated. A recent college graduate in their 20s earned about $41,000 in 2013, or $2,000 less in current dollars than in 1970, according to figures from the Georgetown University Center on Education and the Workforce. That same pattern continues for workers with only a college degree in their 30s and 40s.

"If the debt is not paying off for the parents," Cappelli said, "they don't have the money to support their kids."

Indeed, Anderson says his family's debt loads have inhibited their college savings. For his two teenage stepsons, he and his wife have discussed more affordable college options, such as starting at a two-year school. It's a prospect that leaves Anderson conflicted because it means limiting their child's education and career options.

"It's not only going to affect the next four years but the next 34 years," he said.

■ No Choice

Until recently, few researchers had explored the relationship between parents' student debt and meager college savings for their children.

In July, Pew Charitable Trusts provided a glimpse.

Gen X parents with student debt managed to set aside just $4,000 in college savings plans. That would cover less than half a semester's tuition at a typical public university. Pew's report warned that parents' student debt loads "could fuel an intergenerational legacy of debt" within families.

The survey found that loan balances averaged $20,000 for both Generation X and younger millennials - a surprising finding given that many Gen X-ers have worked for more than a decade and might be expected to have repaid much of their debt. Yet many Gen X-ers have felt compelled to return to college or attend graduate school to improve their earnings prospects. To do so, they've had to borrow at a time in life when savings traditionally became a priority.

Consider Ernie Rosales, who returned to college in his 30s. He felt he had maxed out his potential income in California's aerospace industry with a pair of associate degrees.

Earning a bachelor's degree at Azusa Pacific University in 1999 enabled him to pivot into information technology. Two years later, Rosales returned to school and obtained a master's degree to further enhance his earnings power.

"You reach a certain level in the corporate world you cannot go above without a bachelor's or master's," explained Rosales, 52, wearing his college class ring.

But the combined debt left him with a shortage of savings for his three daughters' educations. Two are on the verge of graduating college with debt. A third, in high school, excels at ballet and is starting to look at universities.

Each month, $1,500 is deducted from the family bank account for student loans. It's more than their mortgage. The withdrawals include about $500 a month to repay his college and grad school debt - debt that felt unavoidable if he wanted to provide enough for his family.

"Neither of us really likes debt," said Rosales' wife, Jill Rosales. "But to some degree in the United States, it's just a part of living here. There's some debt that you have to take on to get ahead."

In this Sept 30, photo (from left), Jo Armstrong, Julie Armstrong, Skylar Armstrong, Amelia Anderson, Nathan Anderson, Westley Armstrong and Dean Anderson sit together for a game at their home in Tucson, Ariz. At 42 with a blended family of five, Nathan Anderson runs an acupuncture clinic with his wife, Julie, also an acupuncturist. Combined, their monthly student loans bills approach $1,700. 'More than we spend on groceries and kind of like having a second mortgage,' Nathan said. (AP)

US services growth cools

Orders plunge

WASHINGTON, Oct 5, (AP): Growth in the US services sector slowed in September as sales fell and new orders plunged, evidence that stock market volatility may have hit consumer confidence and limited spending.

The Institute for Supply Management said Monday that its services index fell to 56.9 last month from 59 in August, which was the second-highest reading in a decade. Any reading above 50 signals expansion.

A measure of sales fell to 60.2, still a healthy reading, from 63.9. A gauge of new orders, however, dropped nearly 7 points to 56.7. That suggests sales growth may continue to cool in the coming months.

The survey still points to solid sales and growth for services firms, including retailers, hotels, banks and other financial services companies. More than 8 million Americans have found jobs in the past three years, lifting their ability to spend on restaurant meals, clothes and vacations. That pushed up the ISM services index in July and August to the highest levels since 2005.

Some companies that responded to the survey, however, said that the stock market's recent declines had begun to affect consumers.

"This is still a very high reading, despite the bigger-than-expected decline, which likely reflects a knee-jerk reaction to the drop in stock prices," said Ian Shepherdson, chief economist at Pantheon Macroeconomics.

The ISM is a trade group of purchasing managers. Its services survey covers businesses that employ 90 percent of workers, including construction firms, health care and education.

While US consumers have been healthy, weak economies overseas and the strong dollar have hammered US exports of manufactured goods. Factory growth stumbled and the Institute's manufacturing index has been weak all year. It dropped to just 50.2 in September, the ISM said last week.

There are other signs the global growth slowdown is taking a toll on the US economy. Hiring slowed sharply in August and September and employers added an average of just 167,000 jobs a month in the July-September period. That's down from an average of 231,000 in the previous three months.

The unemployment rate stayed at 5.1 percent.

Much of the weakness in the jobs report was concentrated outside the service sector. Manufacturers shed jobs for the second straight month, and mining, which includes oil and gas drilling, cut 10,000 jobs.

Services firms mostly did better. Retailers added nearly 24,000 jobs, and hotels and restaurants hired at a healthy clip. But there were some weak spots. Financial services employment didn't change, and education and health care hiring fell to half its recent pace.

Sharply lower exports will likely slow growth in the July-September quarter to as low as a 1.5 percent annual pace, economists expect. That would be down from a 3.9 percent rate in the second quarter.

Services and composite PMIs lowest since April 2013

UK economic recovery losing steam

LONDON, Oct 5, (RTRS): Britain's recovery is losing steam as worries about the world economy grow, consumers curb spending and manufacturing weakness spreads to the dominant services sector, a major business survey suggested on Monday.

Financial data company Markit said its monthly all-sector purchasing managers' index (PMI) had fallen to its lowest since April 2013, suggesting the economy as a whole was now growing at a rate of just 0.3 percent, its weakest in nearly three years.

Sterling weakened against the dollar and euro as investors bet the news would make the Bank of England reluctant to move closer to raising interest rates at this week's policy meeting.

"The Monetary Policy Committee's statement on Thursday is likely to show a further drift to a softer outlook for both growth and inflation," Citi economist Michael Saunders said.

Britain's economy was the fastest-growing in the G7 group of major advanced economies in 2013 and 2014, and recorded growth of 0.7 percent in the three months to June.

But Markit said its figures suggested gross domestic product (GDP) growth had slowed to 0.5 percent in the third quarter — around Britain's long-run average — and could be slower in the fourth quarter.

Conservative finance minister George Osborne told his party's annual conference on Monday he saw "a lot of economic risk out there" and Britain should be "prepared for whatever the world throws at us".

Britain's slowdown is more marked than that recorded in the euro zone PMI, with the services component below its euro zone equivalent for the first time in just over four years.

"Weakness is spreading from the struggling manufacturing sector, hitting transport and other industrial-related services in particular. There are also signs that consumers have become more cautious and are pulling back on their leisure spending," Chris Williamson, chief economist at Markit, said.

The headline services PMI dropped to 53.3 in September from August's 55.6, its lowest since April 2013 and well below any forecast in a Reuters poll of economists. The expectations component was its lowest since August 2014.

The all-sector PMI, which factors in last week's weak manufacturing and construction PMIs, also sank to its lowest since April 2013 at 53.9, down from 55.4.

Firms cited weakness in demand linked to China's stock market falls — echoing the picture in a quarterly corporate investment survey by accountants Deloitte, which also showed the cloudiest outlook in 2-1/2 years.

Last month the BoE's chief economist Andy Haldane said he feared the world could be on the brink of a new stage of financial crisis, this time centred around heavily indebted emerging markets.

"Some firms reported hesitation among clients in placing new contracts, linked to global economic uncertainty," Markit said, as the inflow of orders fell to its weakest in over two years.

Charles Schwab appeal rejected

US 'top' court won't hear major insider trading case

WASHINGTON/NEW YORK, Oct 5, (RTRS): The US Supreme Court on Monday rejected a US Justice Department bid to restore the insider trading convictions of two hedge fund managers and reverse a lower court's ruling that prosecutors contend will make it harder to bring such cases.

In a blow to federal prosecutors, the justices left in place a December ruling by the 2nd US Circuit Court of Appeals in New York that threw out the 2012 convictions of hedge fund managers Todd Newman and Anthony Chiasson for trading on insider tips about Dell Inc and Nvidia Corp.

In court papers asking the justices to hear an appeal of that ruling, US Solicitor General Donald Verrilli said the appeals court decision was a "roadmap for unscrupulous insiders."

The high court rejected the case without comment.

Gregory Morvillo, Chiasson's lawyer, said the justices rejected "the government's efforts to rewrite well-settled insider trading law."

In a joint statement, Newman's lawyers, Stephen Fishbein and John Nathanson, welcomed the court's action, which they said came only "after years of government over-reaching, including baseless raids on hedge funds that led to hundreds of innocent employees losing their jobs."

"Mr Newman is hopeful that the decision today will help ensure that others avoid a similar fate," his lawyers said.

Newman, a former Diamondback Capital Management portfolio manager, and Chiasson, co-founder of Level Global Investors, were convicted in 2012 and sentenced to 4-1/2 years and 6-1/2 years in prison, respectively.

December's ruling reversing their convictions marked a major setback for a crackdown on insider trading on Wall Street underway since 2009 under Manhattan US Attorney Preet Bharara, whose office brought charges against 96 people.

Prosecuting insider trading has been a top priority under Bharara, resulting in the conviction of Galleon Group hedge fund founder Raj Rajaratnam and a $1.8 billion settlement and guilty plea by the hedge fund SAC Capital Advisors LP.

But with the December ruling, Bharara was forced to drop charges against five other insider trading defendants due to a decision he said would "limit the ability to prosecute people who trade on leaked inside information."

The high court's decision not to hear the Justice Department's appeal is expected to further encourage others charged in the crackdown to similarly seek reversal of their convictions.

Meanwhile, the US Supreme Court on Monday left intact an appeals court decision that allowed a financial adviser to sue Charles Schwab Corp over allegations that the brokerage firm deviated from objectives set for a mutual fund, costing investors millions of dollars in losses.

The court rejected Schwab's appeal of a March ruling by the 9th US Circuit Court of Appeals that revived the lawsuit.

The appeals court said Northstar Financial Advisors Inc could sue on behalf of its clients and that Charles Schwab should face claims of breach of contract over the alleged losses in the Schwab Total Bond Index fund. Other claims in the original lawsuit are still pending.

The plaintiffs said that by investing more than 25 percent of assets in non-agency mortgage securities and collateralized mortgage obligations, Schwab portfolio managers ignored the fund's fundamental investment objectives of tracking the Lehman Brothers US Aggregate Bond Index and avoiding big industry bets.

They said this caused the fund to lag its benchmark from Sept 1, 2007, to Feb 27, 2009, losing 4.80 percent while the index posted a positive total return of 7.85 percent.

Writing for the appeals court, Judge Edward Korman, who normally hears cases in Brooklyn, New York, said Schwab's adoption of the fund's fundamental policies were "sufficient to form a contract" between the shareholders and the fund itself.

A district court judge had dismissed Northstar's lawsuit in August 2011.

The case is Schwab Investments vs Northstar Financial Advisors Inc, US Supreme Court, No. 15-134.

US says BP to pay $20 bln in fines for 2010 oil spill

WASHINGTON, Oct 5, (RTRS): BP Plc will pay more than $20 billion in fines to resolve nearly all claims from its deadly Gulf of Mexico oil spill five years ago, marking the largest corporate settlement of its kind in US history, Attorney General Loretta Lynch said on Monday.

The agreement, first outlined in July, adds to the $43.8 billion BP had previously set aside for criminal and civil penalties and cleanup costs. The company has said its total pre-tax charge for the spill is now around $53.8 billion.

The total penalties Lynch announced on Monday sounded higher than the $18.7 billion deal reached to this summer, in part because she included $1 billion in restoration work BP had agreed to long beforehand.

BP's shares rose nearly 3 percent in New York to $33.45 each. Investors have praised the agreement as essentially capping liabilities that could have been much larger.

The fines - to be paid to the federal government, five Gulf Coast states and hundreds of municipalities over 18 years - will fund environmental restoration and economic development programs to address the worst offshore spill in US history.

"This agreement will launch one of the largest environmental restoration efforts the world has ever seen," Lynch said.

The spill fouled 1,300 miles of coastline and dumped more than three million barrels of crude into the sea, hurting fishermen and prompting overhauls of safety rules and emergency plans in one of the world's most prolific offshore oil basins.

The core of the agreement includes $7.1 billion for natural resource damages, $5.5 billion for Clean Water Act fines, and $4.9 billion in payments to states.

The Macondo well blowout and the fire on the Deepwater Horizon drilling rig on April 20, 2010 killed 11 workers.

Federal and state officials formally filed the settlement on Monday and it should be approved by a US District Court in Louisiana soon.

"The filing of the consent decree does not reflect a new settlement or any new money," BP spokesman Geoff Morrell said. In the past, BP has paid for liabilities by shedding assets, eroding about one-fifth of the earnings base it had before 2010.

Its smaller size among the bigger oil majors has made it vulnerable to potential takeovers, analysts have said.

BP has effectively settled all big claims from the spill. Previous settlements included a fund originally set at $7.8 billion to compensate individuals claiming economic harm from the spill.

Other settlements included one with contractors Trasocean Ltd and Halliburton Co.