Tesla, BMW electrics fall short of highest crash-test rating

Two luxury electric vehicles — the Tesla Model S and the BMW i3 — fell short of getting the highest safety ratings in new crash tests by the insurance industry.

The Insurance Institute for Highway Safety tested 2017 models of both vehicles. Neither earned the institute's "Top Safety Pick" award, which is given to vehicles that get the highest rating in five different crash tests and offer a crash-prevention system with automatic braking. To get a highest "Top Safety Pick-Plus" designation, vehicles must meet all of those criteria and have good headlights.

In the 2017 model year, 38 vehicles have won the "Top Safety Pick-Plus" designation, including two plug-in hybrids: the Toyota Prius Prime and the Chevrolet Volt. But no all-electric vehicles are on the list. The institute hasn't yet tested the all-electric Chevrolet Bolt, which went on sale at the end of 2016.

Tesla's Model S, an all-electric luxury sedan that starts at $72,500, earned good ratings in four of the institute's five tests, including a side impact test and a head restraint test. But it earned a lower rating in a small overlap frontal crash test, which replicates what happens when the front corner of the car collides with a tree or telephone pole at 40 miles per hour. The Tesla's safety belt allowed the crash dummy to move too far forward and it hit its head on the steering wheel.

The institute said Tesla made a production change this month to address the problem, so the car will be tested again. (AP)

This Sept 7, 2016 photo provided by the Insurance Institute for Highway Safety shows a Tesla Model S before crash safety testing. (AP)

Investors continue to flee

Turkish lira's 'multi-year' fall may not be over yet

LONDON, Feb 1, (RTRS): After weakening for four years in a row and suffering its worst January in almost quarter of a century, Turkey's lira currrency looks cheap on a historical basis. But the trough may not have been hit.

The currency fell 18 percent last year against the dollar, and in real effective exchange rate (REER) terms — adjusted for inflation and against a range of currencies of its main trade partners — it weakened almost 10 percent.

On a REER basis, the lira currently trades some 22 percent below its own 10-year average.

And on a 20-year basis, it is 17 percent below its average.

Only the Egyptian pound, devalued last year, and the Mexican peso, pummelled by US President Donald Trump's trade threats, look cheaper on an REER basis versus historic averages.

"On our broad overview of emerging market FX, Argentina and Mexico are cheaper, but Turkey is right towards the cheap end of the range, so the answer to the question (on whether it is undervalued) is 'yes'," said Robert Minikin, head of Asia FX strategy at Standard Chartered.

But investors continue to flee, fearing more weakness ahead.

"We are not convinced that the currency is undervalued ... and the simple reason for that is that almost all of the lira depreciation over the last five years has been offset by higher unit labour cost growth than its trading partners," UBS strategist Manik Narain said.

Calculating the lira's "real" exchange rate on the basis of unit labour costs (ULC) — taking changes in productivity into account — the lira's depreciation looks less pronounced.

Steep wage increases have boosted Turkey's unit labour costs more aggressively than those of its trade partners, Narain said, which is why exports and foreign direct investment have not responded as strongly to the depreciation as one might expect.

Investors are also disappointed with piecemeal policy tightening by the central bank, which is widely believed to be under political pressure to avoid raising rates too much.

The other worry is Turkey's balance of payments deficit of roughly 4 percent of annual economic output.

Saudi Arabia

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In March 1999, Saudi Arabia was again taking the lead in cutting production to shore up prices after the Asian financial crisis.

Saudi Arabia and its GCC allies ended up providing most of the production cuts that helped drain excess stocks and push prices higher in 1999 and 2000.

"The only country that reduced production voluntarily, according to the March agreement, is Saudi Arabia, with marginal help from Kuwait and the UAE, while all other oil producing countries were forced to reduce their production because of technical, political, or natural factors," Anas Alhajji and David Huettner wrote shortly afterwards.

In the most recent round of cuts, agreed in November and December 2016, Saudi Arabia and the GCC are again shouldering the biggest share, despite spending months insisting this is what they would not do again.

The problem is that the role of swing producer is not one that Saudi Arabia's policymakers have voluntarily accepted, but one which has been thrust upon them.

Saudi Arabia is the only producer that exports enough and has the centralised control to exercise some degree of market power in the oil market.

Other major oil producing countries are net importers, or their production is split among many small independent companies, or is too small to have much influence on global prices.

Saudi Arabia is the only country that has production centralised in one company (Saudi Aramco) and exports enough to have a major influence on global prices (7-8 million bpd). (RTRS)

Saudi may

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Falih added that he is looking forward to coordinating energy policies with the nominee for US Energy Secretary, former Texas Governor Rick Perry.

Meanwhile, Saudi Aramco will have the right to book the kingdom's oil reserves through the initial public offering (IPO) it plans for next year, energy minister Khalid al-Falih said on Wednesday.

"The reserves under the ground are by constitution owned by the state but the state will give Aramco through the concession the exclusive right to monetise those reserves," Falih told reporters in Riyadh.

"Aramco through its IPO will basically offer investors an ownership in that right."

Aramco's crude oil and condensate reserves were 261.1 billion barrels, it said in its 2015 annual report.

Reuters reported last week that the first independent audit of Aramco oil reserves had confirmed the company's own figures. Aramco had asked two US oil reserve auditing specialists to review its deposits.

"The reserves are being certified and the certification process is ongoing... We are well under way in the certification that is very, very reassuring," Falih said.

US factory 'activity' hits 2-yr high in Jan

This file photo taken on January 4, 2017 shows The Shinola Watch factory in Detroit, Michigan. US manufacturing activity expanded in January for the fifth consecutive month as production, employment and prices all improved, and orders held steady, the Institute for Supply Management said on Feb 1. The ISM manufacturing index rose 1.5 points to 56 percent – the highest since November 2014 – with a strong majority of the industries surveyed reporting growth. (AFP)

Private payrolls surge; construction spending falls

WASHINGTON, Feb 1, (RTRS): US factory activity accelerated to more than a two-year high in January amid sustained increases in new orders and raw material costs, pointing to a recovery in manufacturing as domestic demand strengthens and the drag from low oil prices ebbs.

Other data on Wednesday showed private employers boosted hiring last month. While construction spending slipped in December, the underlying trend remained strong. The signs of momentum in the economy at the start of the year came as Federal Reserve officials resumed their two-day policy meeting.

The US central bank, which has forecast three rate hikes this year, is not expected to raise rates when the meeting ends later on Wednesday. The Fed hiked its benchmark overnight interest rate in December to a range of 0.50 percent to 0.75 percent.

The Institute for Supply Management (ISM) said its index of national factory activity increased 1.5 percentage points to a reading of 56.0 last month, the highest since November 2014.

A reading above 50 indicates an expansion in manufacturing, which accounts for about 12 percent of the US economy. Some of the increase likely reflects a surge in business confidence following last November's election of Donald Trump as president.

Trump has pledged to cut taxes and reduce regulations. The business mogul-turned politician, who was sworn in as president on Jan. 20, is yet to offer more details about the proposed fiscal stimulus package.

The production sub-index increased 2.0 percentage points and a gauge of new orders edged up 0.1 percentage point. A measure of factory employment jumped 3.3 percentage points.

Manufacturers reported paying more for raw materials, which suggests producer inflation could accelerate in coming months. The ISM's prices index increased 3.5 percentage points in January to its highest level since May 2011.

A collapse in oil prices in 2015 and a surge in the dollar weighed on manufacturing for much of last year, with most of the pain coming through sharp cutbacks in business spending on equipment. Oil prices have since risen above $50 per barrel, lifting some of the fog off manufacturing.

January's data so far suggests that the economy is poised for an acceleration after gross domestic product increased at a 1.9 percent annualized rate in the fourth quarter. The deceleration from the third quarter's brisk 3.5 percent pace reflected a wider trade deficit.

Separately on Wednesday, the ADP National Employment Report showed private employers added 246,000 jobs in January, up from 151,000 in December. The report, jointly developed with Moody's Analytics, come ahead of the Labor Department's more comprehensive non-farm payrolls report on Friday, which includes both public- and private-sector employment.

Economists polled by Reuters are looking for private payroll employment to have grown by 169,000 jobs in January, up from 144,000 the month before. Total non-farm employment is expected to have climbed by 175,000.

The dollar rose to a session high against the euro, while prices for US government bonds fell. US stocks were trading higher.

Job gains still solid: cenbank

US Fed holds rates 'steady', remains upbeat on economy

WASHINGTON, Feb 1, (RTRS): The Federal Reserve kept interest rates unchanged on Wednesday in its first meeting since President Donald Trump took office, but painted a relatively upbeat picture of the U.S. economy that suggested it was on track to tighten monetary policy this year.

The central bank said job gains remained solid, inflation had increased and economic confidence was rising, although it gave no firm signal on the timing of its next rate move.

"Measures of consumer and business sentiment have improved of late," the Fed said in a unanimous statement following a two-day policy meeting in which it left its benchmark interest rate in a range of 0.50 percent to 0.75 percent.

Fed policymakers also highlighted that unemployment was still hovering near its recent low.

The unemployment rate is currently 4.7 percent, at or near the level many policymakers consider to be full employment.

The central bank raised rates in December for only the second time in a decade and forecast three rate increases in 2017. The Fed is still awaiting clarity on the possible impact of Trump's economic policies.

Fed Chair Janet Yellen recently underscored that with the economy near full employment, the Fed risked a "nasty surprise" on inflation if it is too slow with rate hikes.

The Fed said in its statement it still expects inflation to rise to its 2 percent target in the medium term, although it noted that market-based measures of inflation compensation are still low and survey-based measures of long-term inflation expectations are little changed. It did however indicate that the effects of weak oil prices had ended, something that will give it a "clean" inflation reading going forward.

On Monday, the Commerce Department reported an uptick in inflation to 1.7 percent.

"The economy continues to chug along and sentiment has improved. The Fed does sound more confident about eventually getting to its 2 percent inflation target," said Brian Jacobsen, chief portfolio strategist at Wells Fargo Funds Management.

In this file photo, Federal Reserve Chair Janet Yellen speaks while being interviewed as part of a conversation at a Radcliffe Day event at Harvard University in Cambridge, Mass. (AP)

US auto sales seen to drop in January

DETROIT, Feb 1, (AP): US auto sales appear to have lagged in January, although the slowdown could be temporary.

January is typically a slow month for car sales. But strong consumer confidence, low gas prices and good deals on new vehicles should help sales speed up once the weather warms and buyers get their tax refunds. While sales aren't expected to top last year's record of 17.55 million, they're still expected to come in at historically high levels.

One X-factor is President Donald Trump. Promised tax cuts and infrastructure spending could increase demand for new vehicles. But his threatened taxes on vehicles imported from Mexico could make some new cars more expensive. Mexico imported nearly 2 million vehicles to the US last year.

"It seems policy will play a bigger role in the market than ever before," said Jessica Caldwell, an analyst with the car shopping site Edmunds. com.

Sales at General Motors, which sells the most vehicles in the US, fell 3.8 percent from last January, while Ford's sales were down 1 percent. Fiat Chrysler's sales dropped 11 percent. Nissan's sales rose 6 percent thanks to strong truck and SUV sales.

Other automakers report sales later Wednesday.

ALG, an automotive forecasting firm, predicts overall sales will be down 1.5 percent from last January to 1.1 million.

January is typically the weakest month of the year for US auto sales, as winter weather and holiday debts keep buyers away from car dealerships. This year, the hangover could be even more acute, since a strong December capped off a record year for the industry.

Consumers are finding some good deals. As auto sales slow after seven straight years of increases, automakers are increasingly desperate to make a deal. Incentive spending averaged an estimated $3,635 per vehicle in January, up 21.6 percent from a year ago, ALG said.

Edmunds said 10 percent of all new car loans in January had zero-percent financing.