Roku aims to raise $252 million with IPO

Video streaming pioneer Roku hopes to raise just over $252 million in an initial public offering as it tries to expand into more households.

The Los Gatos, California, company on Monday said it would offer about 18 million shares of stock at $14 apiece.

The company had 15.1 million active accounts as of June 30 and claims that its users streamed more than 6.7 billion hours over the six-month period ending June 30.

Roku is still unprofitable and has amassed $244 million in losses since it was founded in 2002. The company generates most of its revenue from selling its streaming players, but it's increasingly bringing in money from advertising and commissions from subscriptions and other transactions made on its devices.

Roku's growth strategy also includes boosting its content offerings.

Increasingly, Roku is competing with Amazon, Google and Apple as streaming video becomes a more popular option among people looking to cut the cord and move away from traditional cable service. Roku has emerged as the US market leader in streaming players, with a 37 percent share during the first three months of this year, according to the market research firm Park Associates. Amazon Fire TV ranked second with a 24 percent market share, followed by Google's Chromecast at 18 percent and Apple TV at 15 percent. (AP)

Northtrop poised to buy Orbital

US defense group Northrop Grumman is poised to buy out smaller rival Orbital ATK in a deal worth $7.5 billion, according to the Wall Street Journal.

The deal, which comes around two weeks after industrial conglomerate United Technologies acquired aerospace supplier Rockwell Collins in a $30 billion deal, could be formalized by Monday, the paper said, quoting sources close to the matter.

Northrop is valued at $46.5 billion, while Orbital is valued at $6.3 billion.

The potential transaction comes amid high tensions with North Korea and as American defense firms are under pressure to maintain their profit margins while customers demand better value for money.

In 2015, Northrop won an $80 billion mega-contract from the US military for the Long Range Strike Bomber planned for the mid-2020s.

Orbital specializes in making rocket launchers and missiles, including for Elon Musk's SpaceX. (AFP)

Egypt macroeconomic outlook

National Bank of Kuwait

GDP growth picks up in first quarter

Investment boosts foreign reserves; fiscal deficit narrows to 11% of GDP in FY16/17

KUWAIT CITY, Sept 18: The economic recovery strengthened noticeably during the first half of 2017 following the 2016 slowdown. The economy has benefited from strong export growth, a revived tourism sector (albeit from a low base) and a healthy increase in investment. The government's reform program, starting with the November 2016 decision to float the pound, is already having a positive impact on the economy and on sentiment. The IMF's $12 billion loan agreement late in 2016 and the positive first program review in July provided a much-needed boost to investor confidence. As a result, the country's foreign reserves have improved significantly.

The economy showed strong signs of improvement during the first half of 2017. Real GDP growth accelerated to 4.1% year-on-year (y/y) and 4.9% in 1Q17 and 2Q17, respectively. This compares to just 2.3% average growth in 2016. Growth has also been driven largely by the private sector, which grew by 5% y/y in 1Q17. The public sector has also seen growth accelerate but the pace, at 2.4%, remains slower.

Though the Purchasing Managers' Index (PMI) has improved, it has not seen quite the same strength as the national account figures. The index, which rose to 48.9 in August, its best level in nearly two years, remains at levels consistent with GDP growth of only 2-3%. Nonetheless, the index has shown particular strength in exports. New orders and export orders have been improving for months, thanks in part to the cheaper currency.

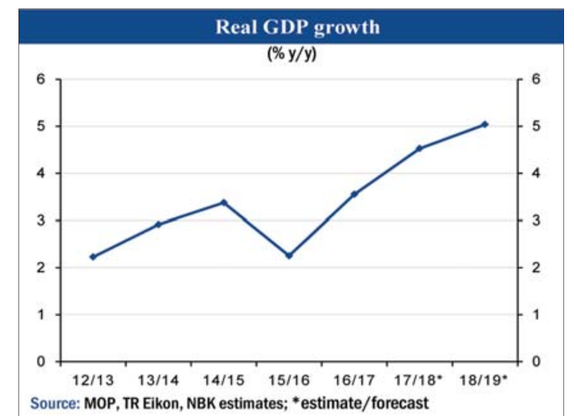
Economic growth has been driven largely by recoveries in tourism and exports. The latest trade data shows exports rising by 15% y/y in USD terms during the first five months of the year. Tourism also bounced back, with the number of visitors to Egypt jumping by 51% y/y during the first five months. This has been reflected in a healthy bounce in the tourism component of the production index, which was up 84% y/y in May 2017. Tourism, which has suffered since the Arab Spring in 2011, remains well below its full potential. The number of visitors to Egypt in 1Q17 was half the 1Q10 level.

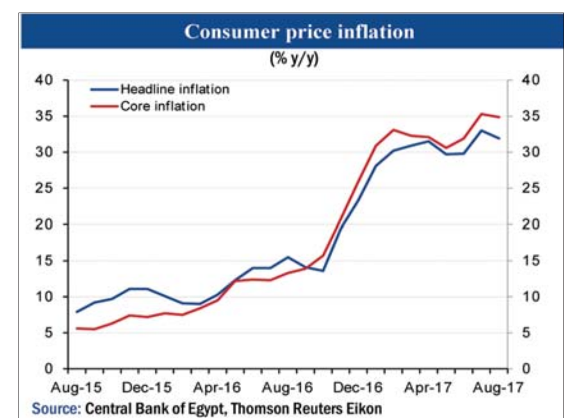
The economy is expected to continue to improve during the second half of 2017 and in 2018, despite headwinds from tighter fiscal and monetary stances. After growth of 3.6% in FY16/17, the pace is expected to accelerate to 4.5% and 5% in FY17/18 and FY18/19, respectively. This growth is expected to come from further recovery in the tourism industry, export growth and foreign direct investment.

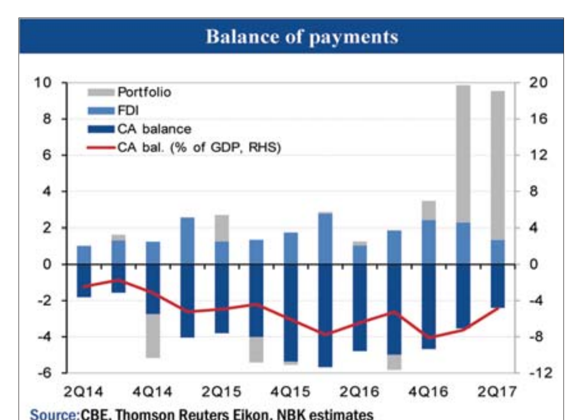
Key economic indicators

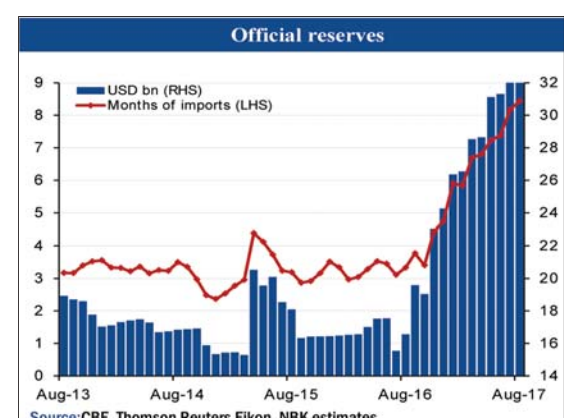
		FY15/16	FY16/17	FY17/18f	FY18/19f
Nominal GDP	EGP bn	2,708	3,462	4,319	4,954
Nominal GDP	USD bn	326	250	235	263
Real GDP growth	% y/y	2.3	3.6	4.5	5.0
Inflation	% y/y	14.0	30.0	13.0	9.0
Budget balance	% of GDP	-12.1	-10.9	-8.5	-7.5

Source: CBE, MOF, MOP, NBK estimates









Progress with reforms has been significant

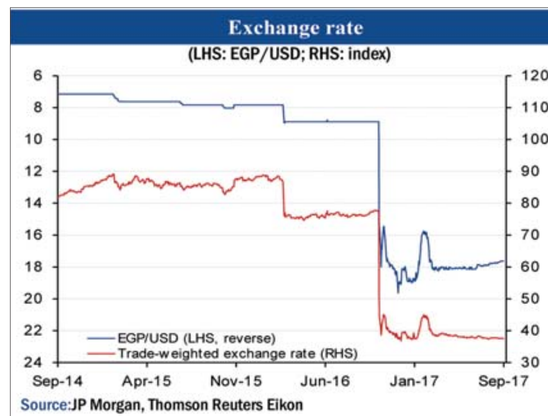
Toward the end of 2016, the government embarked on an ambitious reform program to reduce its large fiscal deficit and support economic growth and job creation. Fiscal reforms included introducing a VAT in place of a sales tax, reducing state subsidies and bringing wage bill growth under control. These fiscal reforms are well underway and have already had a visible impact on the deficit.

The program also includes structural reforms to boost investment, boost growth and create jobs. Measures include steps to improve the business environment and streamline laws governing investment, industrial registration and insolvency. Progress has already been made in implementing some of these reforms. The government recently approved new regulations overhauling the investment environment in the country. The new law provides broad guarantees and incentives to foreign investors and simplifies the investment process. A new industrial permits law was also recently finalized; the new regulations will simplify the process and reduce waiting times.

Inflation has remained elevated

Some of the reforms have pushed consumer prices higher. Higher import prices following the drop in the value of the pound and increases in subsidized prices have stoked inflation. The introduction of a VAT has also added some pressure to prices. As a result, inflation in consumer prices accelerated to 33% in July 2017. The rate is expected to remain at those elevated levels throughout most of 2017, before cooling off late in the year and in 2018. We expect inflation to ease to around 22% by the end of 2017 and to 10% by the end of 2018.

In an effort to fight inflation, the CBE has hiked its policy rates three times since the currency float. The first, in November, saw the central bank lift rates by 300 basis points (bps) at the same time as it moved to de-peg the currency. The CBE had already raised rates by 300 bps in three moves over the previous 12 months. It has since increased rates again in May and July, by 200 bps each time. The bank's overnight deposit and lending rates now stand at 18.75% and 19.75%, respectively. Policy rates are now 10 percentage points higher than they were when the CBE began increasing rates in December 2015.



The fiscal deficit has narrowed

The fiscal deficit narrowed noticeably in FY16/17 thanks to the implementation of fiscal reforms. Though the full data is not out, according to the president's office the fiscal deficit narrowed to 10.9% of GDP during FY16/17. Ministry of Finance data through May 2017 shows the deficit declining to 10.2% of GDP during the first eleven months of the fiscal year. The primary deficit, which excludes interest payments on the debt, narrowed to 1.3% of GDP year-to-date through May 2017, from 3.7% a year ago.

The 2.4 percentage point improvement in the primary deficit came largely from increased control of the wage bill and healthy tax revenue growth. The wage bill grew by just 3% (in nominal terms); this compares to 18% average annual growth during the previous five years. Meanwhile, tax revenues increased by 33% y/y thanks to the new VAT.

This improving trend is expected to continue over the next two years. The deficit should narrow to around 9% and 8% in FY17/18 and FY18/19, respectively. The gains are expected to come from continued measures to reduce the subsidy bill. Higher revenues are also expected to be an important source, especially with the economy recovering, tax collection methods improving and the government increasing the VAT rate from 13% to 14% this fiscal year.

Current account improved in 1Q17

The current account deficit shrank to its lowest level in over two years in 1Q17, to $3.5 billion or 7.3% of GDP. The current account benefited from strong export growth, which topped 30% y/y in 1Q17. The quarter also saw tourism receipts and remittances bounce back. At the same time, portfolio inflows skyrocketed following the pound float, providing further support to the external position. Net investment portfolio inflows shot up to $7.6 billion during the quarter, possibly the largest such inflow ever recorded.

In 2Q17, tourism receipts and worker remittances continued to improve, benefiting from the floating of the pound and from improved security conditions. Tourism receipts tripled to $1.5 billion in 2Q17 from a year ago, growing by 17% during the full FY16/17. Despite the improvement, receipts remain well below pre-"Arab Spring" levels. Worker remittances were up 9% y/y in 2Q17 to $4.8 billion.

Foreign reserves have improved significantly

Foreign reserves have risen significantly since the decision to float the pound. Reserves shot up past their pre-"Arab Spring" level for the first time in July after adding $4.7 billion in that month alone. They stood at $36.1 billion or an estimated 8.4 months of imports by the end of August 2017, just above their level at the end of 2010.

Multilateral commitments, including from the IMF, have been an important source of foreign reserves. However, the more important source has been private investment and other private flows. Higher interest rates after two policy rate hikes have made domestic bonds more attractive. Equities have also drawn investors hoping to profit from the economic recovery.

Egypt has been successfully attracting private investment back to the country as it seen making good progress on fiscal and economic reform promises. Indeed, the IMF completed its first review of progress made in implementing the reform program in July 2017, with the organization issuing a positive overall assessment of the reform program.

Still, there remains much room for investor sentiment to improve further especially with rating agencies holding off on upgrading the country's sovereign credit rating. In August, Moody's affirmed the rating at B3 with a stable outlook despite some expectations that they would decide to upgrade on improving fundamentals. The agency pointed to continued weakness in the country's fiscal position and large financing needs, while noting the "strong" commitment to reforms. The country's sovereign rating by the three major rating agencies remains 4-5 notches below where it was in 2010.

Equities rallied since the decision flotation

The stock market rallied strongly after the decision to float the pound in November 2016 and continued to perform well during the first half of 2017. The EGX30 index rose 57% in 4Q16 and another 9.3% in 1H17. However, the market has slipped since, losing 2.8% of its value thus far in 3Q17 through the end of August. Despite the rally following the de-pegging of the currency, the gains have not been enough to counter the decline in the EGP; the MSCI total return index valued in USD is still down 19% from its level before the currency float.

39 firms detailed moves from Britain, new jobs in Europe

10,000 UK finance jobs affected in Brexit's first wave

LONDON, Sept 18, (RTRS): Around 10,000 finance jobs will be shifted out of Britain or created overseas in the next few years if the UK is denied access to Europe's single market, according to a Reuters survey of firms employing the bulk of workers in international finance.

Frankfurt was by far the most popular destination for the new roles, the survey showed, with Paris a distant second.

The results from 123 firms came from the first comprehensive public survey to ask the biggest banks, insurers, asset managers, private equity firms and exchanges in Britain about the specific details of their plans so far in case of a so-called "hard" Brexit.

Canvassing was conducted by email and telephone interviews between Aug 21 and Sept 15, weeks after companies submitted detailed plans on their Brexit preparations to the Bank of England as required on July 14. The Bank declined to comment on the results of that survey.

Nearly half of the companies surveyed told Reuters they would have to move staff or restructure their businesses because of Brexit, which is due to take place in March 2019. Another third said it would have no impact, and the remainder said they were still deciding on their plans or declined to comment.

The number of jobs to be moved or created overseas was based on answers from 39 companies employing at least 350,000 people. About 1.1 million people work in Britain's financial sector.

The findings suggest that the first wave of job losses from Brexit may be at the lower end of estimates by industry lobby groups and firms, which could mean London will keep its place as the continent's top finance centre, at least in the short term.

Most respondents said bigger moves could be in store in a decade or more, however.

"If it is going to happen it won't be in one big bang," said a senior executive at one of Europe's largest banks, which took part in the survey. "There will be a slow drain of jobs from London over a number of years."

The survey also suggests some financial institutions may be delaying decisions, hoping a soft Brexit can be negotiated in talks currently going on in Brussels. BoE Governor Mark Carney has specifically warned companies against that approach, saying it's important to start planning now.

"They would like to think there is going to be a mutually easy way of dealing with financial services across the EU-UK border," said Andrew Gray, global head of Brexit for financial services at PwC.

"So firms are finding it hard to land on precise plans."

London's future as Europe's premier financial hub is one of the biggest issues in Brexit talks because the sector is the UK's biggest source of corporate tax revenue.

For its survey, Reuters approached 158 of the largest and most internationally focused financial firms in Britain and received responses from all but 35.

Those included the 20 investment banks that earned the most fees from investment banking in Europe, the Middle East and Africa in 2016, according to Thomson Reuters' data.

Many participants gave only partial answers to the survey questions, however, and some asked not to be named and for their data to be used only in aggregate.

The number of workers employed by the 75 organisations who provided their staffing numbers added up to 484,578, the bulk of employees in the internationally focused financial sector.

The 39 who gave information on their Brexit staffing plans included many of the companies most likely to be affected by losing the EU financial "passport" mechanism because London is their base to sell services across the EU.

The survey indicated 9,777 banking roles would be affected. Many of those would be shifted out of the UK, but some would be new roles in Europe, resulting in a period of duplication, the executives surveyed said.

Insurance companies said they planned to move or create about 98 jobs overseas and the asset management sector 311 roles, the survey showed.

US and British banks would see the biggest impact because many use London as their EU investment banking base, which has increased in importance since the 2008 global financial crisis, when banks tried to simplify their international structures into a few main hubs.

The impact on Spanish, Italian and Dutch banks was muted because they don't use London as a hub and have less of a focus on investment banking, the survey showed.

Japanese lenders such as Nomura, Daiwa Securities and Sumitomo Mitsui Financial Group plan to set up subsidiaries in Frankfurt, according to the survey. One said it planned to move about 100 jobs, but asked not to be identified.

Bank of America and Credit Suisse, two of the biggest investment banks in London, declined to say how many jobs would be affected. But BofA did say it would pick Dublin as its EU hub if there was a hard Brexit.

Most in the financial industry picked Frankfurt as their preferred place to put jobs, with 5,470 roles, most of which are the up to 4,000 anticipated moves from Deutsche Bank.

Paris came second with 1,800 roles, of which 1,000 were planned by HSBC.

The true impact of Brexit will only become clear in ten or twenty years because most firms are implementing a two-stage contingency plan, senior executives in London said.

The first phase will involve relatively small numbers to make sure the requisite licences and infrastructure are in place. The next will require longer-term thinking about what the companies' European business will look like.

The final impact will also depend on the details of the Brexit deal, Europe's economic growth and whether Frankfurt and Dublin prove to be successful alternatives to London.

Previous forecasts for jobs losses in a hard Brexit scenario have ranged from about 30,000 jobs estimated by the Brussels-based Bruegel research group in February to up to 75,000 by Oliver Wyman in October and as many as 232,000 by London Stock Exchange chief executive Xavier Rolet in January.

The Bruegel estimate was for a three-year period starting from when divorce proceedings were formally triggered in March, according to Dirk Schoenmaker, an author of the report.

The Oliver Wyman forecast is up to 2022.

The London Stock Exchange forecast is up to 2024.

Some politicians, financiers and academics say bankers have exaggerated the threat to the economy from Brexit.

"Brexit presents an inconvenience to their operations but also an opportunity to wrangle tax and rule changes to stay," according to Robert Jenkins, a professor at London Business School and a former Bank of England policymaker.

"They will play this for all it's worth."

Several banks have heavily scaled back their estimates compared with a year ago.