Bayer shares plunge after Monsanto cancer ruling

Shares in German chemicals and pharmaceuticals giant Bayer tumbled more than 10 percent as markets opened Monday, as investors reacted to a shock US ruling against freshly-acquired Monsanto.

Stock in the Leverkusen-based group fell 10.4 percent to 83.61 euros ($95.19) around 9:25 am (0725 GMT), after a California jury on Friday awarded a dying groundskeeper damages of almost $290 million, saying Monsanto should have warned buyers that its flagship Roundup weedkiller could cause cancer.

While observers have predicted thousands of other claims could follow, Bayer said the jury's findings went against scientific evidence and that other courts might "arrive at different conclusions".

Groundskeeper Dewayne Johnson, diagnosed in 2014 with non-Hodgkin's lymphoma – a cancer that affects white blood cells – says he repeatedly used a professional form of Roundup while working at a school in Benicia, California.

His lawsuit built on 2015 findings by the International Agency for Research on Cancer, part of the UN World Health Organization, which classified Roundup's main ingredient glyphosate as a probable carcinogen, causing the state of California to follow suit.

Aware of the often poisonous reputation of the US firm, which makes genetically modified seeds and "crop protection" technologies like pesticides, Bayer plans to ditch the Monsanto name once the takeover is complete. (AFP)

Iraq and Petrofac sign $369 mln deal

Iraq signed a $369 million contract with Petrofac on Monday to build a new crude-processing facility in the giant Majnoon oilfield, a senior oil executive told Reuters.

Under the deal terms, work to build the new facility which has a capacity to produce 200,000 barrels per day, should be completed in 34 months, said Ihsan Abdul Jabbar, head of the state-run Basra Oil Company.

Once the new oil facility is operational, Majnoon's production will rise to around 450,000 barrels per day (bpd). The field is now producing around 230,000 bpd, said Abdul Jabbar.

Iraq plans to invite service companies soon to compete for a tender to drill new 80 oil wells in Majnoon as part of a development plan to boos output from the field, said the BOC chief. In June, Royal Dutch Shell exited the Majnoon oilfield in southern Iraq and handed over its operations to the state-run Basra Oil Co. (RTRS)

Market Movements 13-08-2018

			Change	Closing pts
AUSTRALIA	-	All Ordinaries	-25.50	6,341.30
JAPAN	-	Nikkei	-440.05	21,857.43
GERMANY	-	DAX	-65.61	12,358.74
FRANCE	-	CAC 40	-2.36	5,412.32
EUROPE	-	Euro Stoxx 50	-16.60	3,409.68
S. KOREA	-	KRX 100	-55.76	4,677.82
PHILIPPINES	-	All Shares	-82.16	4,632.53

Change Closing pts

Business

Saudi cuts oil output as OPEC points to '19 surplus

World crude demand growth to slow in 2019

LONDON, Aug 13, (RTRS): OPEC on Monday forecast lower demand for its crude next year as rivals pump more and said top oil exporter Saudi Arabia, eager to avoid a return of oversupply, had cut production.

In a monthly report, the Organization of the Petroleum Exporting Countries said the world will need 32.05 million barrels per day (bpd) of crude from its 15 members in 2019, down 130,000 bpd from last month's forecast.

The drop in demand for OPEC crude means there will be less strain on other producers in making up for supply losses in Venezuela and Libya, and potentially in Iran as renewed US sanctions kick in.

Crude edged lower after the OPEC report was released, trading below $73 a barrel. Prices have slipped since topping $80 this year for the first time since 2014 on expectations of more supply after OPEC agreed to relax a supply-cutting deal and economic worries. OPEC in the report said its concern about global trade tensions had weighed on crude prices in July, although it expected support for the market from refined products.

Demand

"Healthy global economic developments and increased industrial activity should support the demand for distillate fuels in the coming months, leading to a further drawdown in diesel inventories," it said.

OPEC and a group of non-OPEC countries agreed on June 22-23 to return to 100 percent compliance with oil output cuts that began in January 2017, after months of underproduction by Venezuela and others pushed adherence above 160 percent.

In the report, OPEC said its oil output in July rose to 32.32 million bpd. Although higher than the 2019 demand forecast, this is up a mere 41,000 bpd from June as the Saudi cut offset increases elsewhere.

In June, Saudi Arabia had pumped more as it heeded calls from the United States and other consumers to make up for shortfalls elsewhere and cool prices, and sources had said July output would be even higher.

But the kingdom said last month it did not want an oversupplied market and it would not try to push oil into the market beyond customers' needs.

Rapid oil demand that helped OPEC balance the market is expected to moderate next year. OPEC expects world oil demand to grow by 1.43 million bpd, 20,000 bpd less than forecast last month, and a slowdown from 1.64 million bpd in 2018.

In July, Saudi Arabia told OPEC it cut production by 200,000 bpd to 10.288 million bpd. Figures OPEC collects from secondary sources published in the report also showed a Saudi cut, which offset increases in other nations such as Kuwait and Nigeria.

This means compliance with the original supply-cutting deal has slipped to 126 percent, according to a Reuters calculation, meaning members are still cutting more than promised. The original figure for June was 130 percent.

OPEC's July output is 270,000 bpd more than OPEC expects the demand for its oil to average next year, suggesting a small surplus in the market should OPEC keep pumping the same amount and other things remain equal.

Finance minister says Turkey starting economic action plan

Turkish lira pulls back from record low, markets rattled

ISTANBUL/ANKARA, Aug 13, (RTRS): Turkey's lira pulled back from a record low of 7.24 to the dollar on Monday after the central bank pledged to provide liquidity, but it remained under selling pressure and its meltdown continued to rattle global markets.

The currency has lost more than 40 percent against the dollar this year, largely due to worries about President Tayyip Erdogan's influence over the economy, his repeated calls for lower interest rates, and worsening ties with the United States.

On Friday the slide turned into a crash: the lira dropped as much as 18 percent, hitting US and European stocks as investors took fright over banks' exposure to Turkey.

A fresh lira collapse on Sunday night hit Asian shares and drove global demand for safe currencies including the dollar, Swiss franc and yen. Shares in Europe's major banks also fell.

Analysts say the crisis has been long time coming and reflects Turkey's refusal to raise interest rates to curb double-digit inflation and cool an overheated economy. Erdogan, rejecting economic fundamentals as the cause of lira weakness, said Turkey was the target of an economic war.

"The developments over recent weeks have shown that Turkey is under siege," he told a meeting of Turkish ambassadors. "It is clear that these attacks will continue for a while." He also said he expected the exchange rate to return to a 'rational level' and that Turkey had an action plan in place.

In Berlin, German Chancellor Angela Merkel said "no one has an interest in an economic destabilisation in Turkey" and that Ankara should ensure central bank independence.

Liquidity

The central bank, which surprised markets last month when it held interest rates despite the tumbling lira, announced measures on liquidity and reserves after Finance Minister Berat Albayrak said the economic action plan would start on Monday.

Bankers also said the central bank would meet banks' lira liquidity needs at the overnight rate of 19.25 percent – 150 basis points above the benchmark weekly repo rate – though it might not use the overnight funding on Monday because needs were low.

They said that could be the first step towards tightening policy via an interest rate corridor, an instrument used in previous years, rather than increasing the benchmark rate. The reserve requirement moves will free up 10 billion lira, $6 billion, and $3 billion equivalent of gold liquidity in the financial system, the bank said. It also pledged to provide "all the liquidity banks need".

While the reserve measures should ease worries over financial stability, they will have no direct impact on the lira because they do not affect banks' foreign exchange positions, BNP Paribas strategist Erkin Isik said in a note.

Isik said the lira's current levels would add 4-5 percentage points to headline inflation, pushing it up to around 21 percent in September.

The lira pared losses after Albayrak's comments and the central bank announcement and traded at 6.9000 per dollar at 1346 GMT.

Turkish bank shares fell to their lowest in dollar terms since November 2003 and their dollar bonds and sovereign dollar debt tumbled. Stocks dropped 4 percent, with the BIST blue-chip index down around 50 percent in dollar terms this year.

In an interview published on Sunday, Albayrak said the economic plan would ease investor concerns, stressing budget discipline and ruling out any seizure or conversion of dollar-denominated bank deposits into lira.

"We will be taking the necessary steps with our banks and banking watchdog in a speedy manner," he said. Market analysts broadly welcomed his comments but said investors wanted action.

"Turkey needs a complete rebalancing of its economic business plan, and very sharp rate hikes and a strong commitment that the central bank will be independent," Credit Agricole's senior emerging markets strategist Guillaume Tresca said. But a drastic rate hike was unlikely because of the damage it would do to Turkey's corporate sector, while capital controls would close off access to foreign exchange for companies already short of dollars, Tresca said.

In this file photo, people check currency exchange rates at a currency exchange office on Aug 11, in Istanbul. Turkey's lira pulled back from a record low of 7.24 to the dollar on Monday after the central bank pledged to provide liquidity. (AFP)

Erdogan facing most serious economic challenge since crisis in 2001

Why has Turkey's currency fallen so sharply?

ISTANBUL, Aug 13, (AFP): Turkey's lira has bled value against the dollar, leaving the country under President Recep Tayyip Erdogan facing its most serious economic challenge since a financial crisis in 2001.

The crash on Turkey's "Black Friday" of Aug 10 – when the lira fell by some 16 percent – was precipitated by a tweet from US President Donald Trump doubling aluminium and steel tariffs on Turkey.

But analysts argue that the malaise of Turkey – a high-growth economy with widely-acknowledged potential and importance – goes far deeper to policy and imbalances that have been allowed to persist for too long.

■ Crisis in US ties

The first warning sign trouble could be afoot came when Trump said on July 26 Turkey would be facing sanctions over its holding for almost two years of US pastor Andrew Brunson on terror-related charges.

Days later, the US imposed sanctions against Turkey's interior and justice ministers using legislation drawn up to punish foreign officials following the death of a lawyer in Russian jail. Turkey followed suit with reciprocal measures.

The tensions spooked investors already worried by the fallout of a row between Turkey and its NATO ally, with the lira falling sharply last week. And Trump then hurled fuel on the flames with his tweet over the tariffs, prompting Friday's crash.

The US imposition of sanctions "is causing capital inflows to dry up", said economists from Capital Economics.

■ Economic imbalances

Economists say there was already trouble brewing even before the current spat erupted – many believe the government brought forward polls due in November 2019 to June this year to pre-empt any problems.

Erdogan won a new mandate in the polls with enhanced powers.

"The unnecessary diplomatic spat between Turkey and the US over the jailed pastor... has exacerbated" an already emerging economic crisis, Paul T. Levin, director of the Stockholm University Institute for Turkish Studies, told AFP.

The structural problems in the Turkish economy – which enjoyed impressive growth of 7.4 in 2017 – are seen as high inflation which is now close to 16 percent, a widening current account deficit and a banking system with foreign currency denominated debt.

Hussein Sayed, Chief Market Strategist at FXTM, said Turkey has "limited choices" against this background coupled with the US dispute.

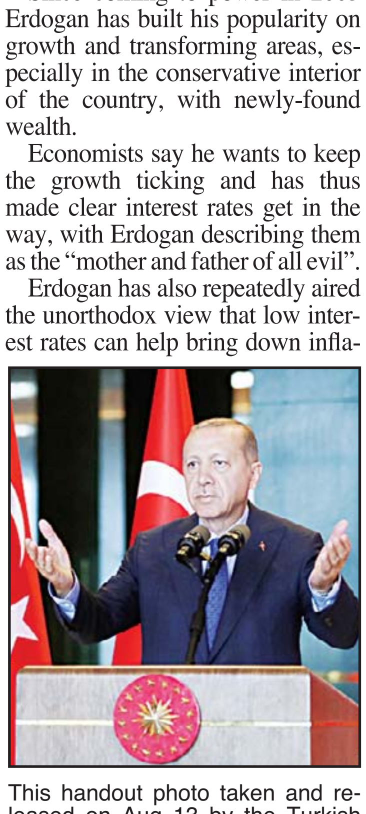
Erdogan insisted Monday that the dynamics of the Turkish economy were "solid, strong and sound and will continue to be so".

■ Unorthodox policies

Since coming to power in 2003 Erdogan has built his popularity on growth and transforming areas, especially in the conservative interior of the country, with newly-found wealth.

Economists say he wants to keep the growth ticking and has thus made clear interest rates get in the way, with Erdogan describing them as the "mother and father of all evil".

Erdogan has also repeatedly aired the unorthodox view that low interest rates can help bring down inflation.



This handout photo taken and released on Aug 13 by the Turkish Presidential Press Service shows Turkish President Recep Tayyip Erdogan addressing a luncheon for participants of the 10th Ambassadors' Conference at the Presidential Complex in Ankara. (AFP)

Levin argued that despite the official emphasis on the crisis with the US "it has been clear for some time to anyone following Turkey that the government's political and economic mismanagement would have consequences".

■ Interest rate caution

The route of hiking rates now appears cut off to the nominally independent central bank which is ready to use virtually any policy tool save this one, raising fears Erdogan has the bank under his influence.

The bank in May helped boost the lira's value with a 300 basis point rate hike that came just before the elections.

However one month after the elections, the bank dashed market expectations by leaving rates unchanged and has steadfastly refused to heed calls for an emergency hike.

Instead on Monday it vowed to make available "all the liquidity" needed by the banks.

"The measures to improve liquidity are not addressing the main issue which is lira's decline. Ergodan's unwillingness to raise interest rates suggests that the situation might not be defused soon," said Konstantinos Anthis, head of research at ADSS.

■ Policymaking team

The elections on June 24 marked a watershed in Turkish politics. Erdogan was inaugurated in July under a new system which entirely dispensed with the office of prime minister.

Former deputy prime minister Mehmet Simsek, a reassuring figure for investors, was conspicuously absent from the new government which is a vertical power structure under Erdogan.

The president also appointed his son in law and former energy minister Berat Albayrak as finance minister to head a newly expanded finance ministry, a move that was given an immediate cold shoulder by markets. "It's arguably the lack of prompt, firm, and rational responses from Turkish authorities that has now sent the lira into a tailspin," said Levin.

Tehran prepares for return of US sanctions

Iran offers discount oil to Asia

TEHRAN, Aug 13, (AFP): Iran is selling oil and gas at a discount to Asian customers as it prepares for the return of US sanctions, state news agency IRNA reported on Monday.

The "informed sources" at Iran's oil ministry did not give details of the discount, but sought to downplay the move as common industry practice.

"Discount is part of the nature of the global markets being offered by all oil exporters," the source told IRNA.

Bloomberg reported on Friday that the state-run National Iranian Oil Company was reducing official prices for September sales to Asia to their lowest level in 14 years, compared with Saudi crude.

The United States will seek to block Iran's international oil sales from Nov 5, when the second phase of sanctions are reimposed as part of Washington's withdrawal from the 2015 nuclear deal.

Several key buyers, including China and India, who account for roughly half of Iran's sales, have said they are not willing to make significant cuts to their energy purchases from Iran.

But analysts predict Iran could still see its oil sales drop by around 700,000 barrels per day from their current level of around 2.3 million.

Much will depend on the European Union, which has vowed to resist US sanctions on Iran, but whose companies and financial institutions are more vulnerable to US financial pressure than their Asian counterparts.

French energy giant Total has already said it is pulling out of its multi-billion-dollar investment project in the South Pars oil field in southern Iran as a result of the renewed sanctions.