German union to meet Ryanair

German union Verdi will meet Ryanair in Dublin on Wednesday to start pay talks for around 1,000 cabin crew working in Germany for Europe's largest low-cost airline, it said.

Verdi is seeking a substantial pay increase for cabin crew, it said in a statement on Monday, and wants Ryanair to recognise German law and pay social security contributions.

"Through seasonal shifts and a lack of guaranteed flight hours, some full-time employees receive gross pay of only around 1,000 euros a month. That's completely unacceptable," Verdi board member Christine Behle said.

Ryanair endured its worst one-day strike on Friday after a walk-out by pilots in five European countries disrupted the plans of an estimated 55,000 travellers with the budget airline at the height of the summer holiday season. (RTRS)

Nornickel reports core earnings up despite sanctions

Russia's Norilsk Nickel (Nornickel) posted a 77 percent leap in first-half core earnings, with strong global prices offsetting the impact of US sanctions on the company's co-owner.

The results mark the first test of Nornickel's financial health since the United States imposed sanctions in April on aluminium giant Rusal, which holds a 27.8 percent stake in the company.

At $3.1 billion, Nornickel's first-half earnings before interest, tax, depreciation and amortisation (EBITDA) beat expectations. Analysts polled by Reuters on Friday expected core earnings to rise 70 percent year on year to $2.97 billion.

"We enjoyed (a) favourable global commodity markets environment in the first half of 2018," Nornickel president and co-owner Vladimir Potanin said in a statement.

"As a result, average realised prices for all our key metals (except for platinum) rallied in the range of 20-40 percent." The company said that first-half net profit jumped 81 percent to $1.65 billion, while consolidated revenue increased 37 percent to $5.8 billion.

Shares in the nickel producer were up 1.76 percent on the day, fully recovered from a sharp dip on Friday after news that Russia President Vladimir Putin would consider a proposal to raise further revenue for the state budget from metals and mining companies.

Nornickel, which vies with Brazil's Vale SA to be the world's biggest nickel producer, said it expects the nickel deficit on global markets to widen from 15,000 tonnes to 124,000 tonnes. The company attributed the forecast to a ramp-up in stainless steel operations in Indonesia and robust Chinese consumption.

The company is also the world's top producer of palladium, which in 2017 was its largest revenue generator amid soaring global prices. (RTRS)

Pound faces Brexit deal test, investor nerves rising

That sinking feeling? Sterling traders prepare for Brexit meltdown

LONDON, Aug 13, (RTRS): Having sunk to 13-month lows, sterling could fall by up to another 10 percent in the coming months should Britain crash out of the European Union without a deal on future trade ties, luring more speculators to bet against the currency.

Sterling lost almost two percent last week just as British holidaymakers were heading off for some overseas sun. The latest move lower was kickstarted by trade minister Liam Fox's warning that, with Britain less than eight months from its scheduled EU departure date in March, there was a 60 percent chance of leaving without a deal.

The moves were certainly exacerbated by a big and broad dollar rally, and the pound has since clawed back the worst of its losses against the euro, rebounding from 10-month lows .

But the worry, say analysts, is that in the absence of any conclusive developments towards a deal over the coming months, the pound's spiral will accelerate while the clock ticks down on the deadline and hedge funds are tempted into betting against the currency.

And muddying the horizon are major political events – Prime Minister Theresa May's Conservative Party conference in early October, and meetings of EU leaders in late September and then mid-October.

"There's no guaranteed date for when Brexit progress or hard Brexit will be known by apart from exit day on 29 March 2019," Nomura analysts told clients, describing a "hard Brexit" as a "cliff edge" moment in which Britain crashes out of the EU in March 2019 without any future trading arrangements in place.

"We find that we are very much in the early stages of pricing for a hard Brexit."

How will sterling trade in the later stages, then?

Most economists still believe Britain will reach a deal with the EU. But the latest Reuters polls indicate risk of no deal have risen to 25 percent, versus 20 percent in July.

Some bookmakers price even higher odds, above 40 percent.

If that comes to pass, Britain's currency would crash to $1.20 – from today's $1.2750 levels, the Reuters poll showed, a fall of around 6 percent. But sterling is forecast to rise to $1.34 by end-January if an agreement is reached.

Others predict more precipitous falls – Commerzbank sees a 10 percent drop against the dollar and euro. That would leave the pound close to parity with the single currency, below post-Brexit referendum lows of 94 pence and current levels of 89.2 pence.

The uncertain outlook and the prospect of a sudden sterling surge had kept many hedge funds on the sidelines. Now though, sensing profits to be made, some funds have begun to wager against the pound. Prominent Brexit campaigner and hedge fund boss Crispin Odey told Reuters he was betting against sterling.

He predicts it will hit $1.21 before March.

Concern may be mounting at the corporate level too. A senior currencies trader at a large European bank said British exporters had rushed to hedge themselves, while speculators were using options to short the pound in increasing numbers.

"Below the $1.30 mark is where corporates start to get nervous," the trader said, speaking on the condition of anonymity. "Hedge funds have been buyers of sterling on the dips but that's starting to change. If it weakens further, we will see some accelerated selling."

Perhaps reflecting that shift, the price investors are prepared to pay for the future right to sell sterling has rocketed.

Three-month sterling/dollar risk reversals, a gauge of put-to-call options, have plunged to their weakest level since January 2017, indicating heightened demand for 'puts' – derivatives that give holders the right to sell an asset.

'Call' options give the right to buy.

As Brexit approaches, more wild price swings are likely.

Sterling/dollar three-month and six-month implied volatility gauges, which measure price swing expectations, have shot to their highest since February. Nine-month implied volatility, which covers the official March 29, 2019 Brexit date, has spiked even further, to 17-month highs.

Even relatively stable euro/sterling three-month implied volatility is at its highest since March.

Yet shorting sterling remains a risky play.

Should Britain retain close trading ties with the EU, the pound could jump towards its post-Brexit referendum high of $1.4377 reached in April. A Brexit on these terms would also clear the path for the Bank of England to tighten monetary policy further.

Sterling also looks cheap, according to some historical measures.

Using the real effective exchange rate or REER gauge – a currency's value against trade partners' currencies, adjusted for inflation – sterling is six percent below its five-year average, and 16 percent below its 20-year average.

Under the purchasing-power parity, or PPP, theory, which compares the prices of a basket of goods, sterling/dollar should trade at $1.61, and euro/sterling at 80 pence.

In this file photo, an electronic screen displays Apple stock at the Nasdaq Market Site in New York. Warren Buffett resisted investing in tech companies for years because he didn't think he could pick which ones would be enduring winners, but now his Berkshire Hathaway conglomerate is a major Apple shareholder. Berkshire details its stock holdings in a quarterly regulatory filing which is expected to be made on Aug 14. (AP)

Oracle of Omaha views Apple as a consumer products co with loyal customers

Buffett's investing continues to evolve even at 87

OMAHA, Nebraska, Aug 13, (AP): Warren Buffett is still finding new places to invest decades after he started, even though his basic approach of finding businesses selling for less than they are worth hasn't changed much.

Buffett resisted investing in tech companies for years because he didn't think he could pick which ones would be enduring winners, but now his Berkshire Hathaway conglomerate is a major Apple shareholder because he views Apple as a consumer products company with loyal customers.

Buffett

The billionaire used to joke that airlines were such a bad investment that someone should have shot down the Wright brothers. Today, Berkshire holds investments in several major airlines.

Berkshire investors have generally profited as Buffett found new ways to put the company's money to work over the years, although he has made mistakes along the way. Berkshire could reveal some more surprises when the Omaha, Nebraska-based company details its stock holdings in a quarterly regulatory filing which is expected to be made Tuesday.

The biggest change Berkshire made to its stock portfolio this year has been adding to its Apple holdings. Some of the smaller changes that get disclosed, such as the new stake in Teva Pharmaceuticals that Berkshire bought last year, might be the work of the company's two other money managers.

"The fact that he's changing is a good thing," said George Morgan, a finance professor at the University of Nebraska at Omaha and a former investment adviser.

Buffett was criticized in the 1990s for missing out on the boom in technology stocks, but the 87-year-old's caution proved sensible a few years later then the tech bubble burst.

The way Buffett explains it, he keeps three boxes on his desk: in, out and too hard. That last box is where tech companies had always lived until Buffett invested in IBM stock in 2011.

"Even with hindsight, it's a little hard to figure out, you know, who was going to make all the money," Buffett said at the 2007 annual meeting. "There's just games that are too tough."

Buffett says now that he should have recognized Google's potential as an investment because Berkshire's Geico insurance company was an early customer of the search engine and selling ads is a business he understands. But Berkshire still hasn't invested in Google because the company sells at a premium now, and Buffett tries to find investments that are selling for less than they are worth.

It may seem easy to look back and conclude that Berkshire should have invested heavily in Google or Amazon a decade ago, but even if he had, who knows how many bad picks might Buffett have made in the sector. Buffett said at this spring's annual meeting that he was wrong about IBM and sold it for little gain about six years after he started buying it.

Buffett has continued buying Apple stock in the first half of this year, and Berkshire said in its earnings report that it held shares worth nearly $50 billion in the iPhone maker at the end of June.

Andy Kilpatrick, a stockbroker-author who wrote "Of Permanent Value: The Story of Warren Buffett," said Buffett pays attention to changes in business and makes changes to his investing approach, as needed.

"I think it's just evolution of his thinking," Kilpatrick said.

Edward Jones analyst Jim Shanahan said the changes Buffett has made in recent years could reflect the growing influence of the two investment managers he hired or the two deputies who are in line to eventually replace him as Berkshire's CEO.

Saudis in talks to take Tesla 'private' – Musk

Negotiations continue with other investors

WASHINGTON, Aug 13, (AFP): Tesla chief executive Elon Musk disclosed Monday he was in talks with Saudi Arabia's sovereign wealth fund and other investors to take the electric automaker private.

The revelation comes days after Musk's claim in an August 7 Twitter post that financing for a deal to take Tesla private had been "secured."

Musk said in a blog post on Monday he had "no question" that the Saudis would finance such a transaction following a July 31 meeting.

The transaction would be structured with equity so as not to burden Tesla with crushing debt, Musk added.

"I continue to have discussions with the Saudi fund, and I also am having discussions with a number of other investors, which is something that I always planned to do since I would like for Tesla to continue to have a broad investor base," Musk wrote.

"It is appropriate to complete those discussions before presenting a detailed proposal to an independent board committee."

Musk's surprise comments last week sparked speculation he would need to borrow massive amounts to take Tesla private, a move that could allow the company to operate without requirements for financial reports and other pressures of a publicly traded firm.

But the comments also raised questions about whether Musk ran afoul of securities laws by claiming backing without a firm financial commitment.

The disclosures about Saudi interest "helps reduce the legal risk fallout for Tesla," said Efraim Levy, an equity analyst at CFRA Research.

"It also helps clarify the going private situation even if the transaction is ultimately not consummated."

But Levy said taking the company private would be a mixed blessing for Tesla and Musk – the company could avoid short-term pressures from Wall Street but also reduce its access to capital markets.

"They've had significant benefits from having access to capital markets, and the media attention has provided priceless free advertising," Levy said.

"If you go private and people aren't paying attention it could be a negative."

Tesla shares reversed gains at the opening and fell 1.1 percent at 1510 GMT to $351.31.

In his blog Monday, Musk said that reports that more than $70 billion would be needed to take Tesla private "dramatically overstate the actual capital raise needed" because he expected some shareholders to remain invested in the firm.

His comment that he wanted to launch a buyout at $420 a share "would only be used for Tesla shareholders who do not remain with our company if it is private," Musk said in the blog.

In this file photo, a sign for a Tesla Model 3 sedan is seen at a Tesla showroom in Washington, DC. Tesla's board of directors said it will evaluate chief executive Elon Musk's proposal to take the electric car maker private. After Musk last week raised the idea as a better solution for Tesla's long-term growth, directors met "several times" and are "taking the appropriate next steps to evaluate this," the board said in a brief statement issued before the stock market opened. (AFP)

Saudi refinance firm plans sukuk issues to fund mortgage drive

RIYADH, Aug 13, (RTRS): Government-owned Saudi Real Estate Refinance Co (SRC) plans to begin issuing Islamic bonds in coming months to finance its drive to expand the kingdom's home mortgage market, its chief executive said on Monday.

Founded in 2017 by the Public Investment Fund (PIF), the country's top sovereign wealth fund, SRC has so far operated with financing from the PIF and short-term deals with banks.

It will now begin issuing sukuk to raise money, first in Saudi riyals but eventually in foreign currencies to attract international investors, Fabrice Susini said in an interview.

Initial issues will be private placements but SRC aims to make its first public sukuk issue in late September or early October, probably of at least 300 million to 500 million riyals ($80 million to $133 million), he said.

SRC is part of a government-backed effort to solve one of Saudi Arabia's biggest social and economic problems, a shortage of affordable housing, by developing the market for home loans, which is small by international standards.

The company aims eventually to refinance 20 percent of Saudi Arabia's primary home loans market, which authorities hope to expand to 500 billion riyals by 2020 and 800 billion riyals by 2028 from 290 billion riyals now.

So far, SRC has signed memorandums of understanding to provide banks and home finance companies with slightly less than 6 billion riyals of financing, through portfolio acquisitions and short-term deals.

Susini said increasing the availability of long-term, fixed-rate residential mortgages (LTFRs) would be key to growing the market.

This month SRC began offering LTFRs of 15-20 years through banks and other finance firms.

So far, banks have generally offered such mortgages only to employees of major companies and other people with stable cash incomes.

usini said that with SRC's intervention, LTFRs could ultimately account for half or 60 percent of the mortgage market rather than their current level of a third.

"We want to create a situation in which access to LTFRs is no longer restricted and they are available to the mass of people," he said.

Another goal of SRC, which models itself partly on US housing finance firms Fannie Mae and Freddie Mac, is to jump-start a securitisation market in Saudi Arabia by packaging home loans into mortgage-backed securities for sale to domestic and international investors.

Susini, previously global head of securitisation at French bank BNP Paribas, said technical and legal preparations and other work on the project could take two or three years.