Wall Street to grill Intel on chip security flaws

Wall Street analysts will grill Intel Corp executives on how massive security flaws in its computer chips are impacting business when the company reports quarterly results on Thursday.

Intel has said there would be no material cost to it from security flaws, dubbed Meltdown and Spectre, that were disclosed on Jan. 3 since both could be solved with software. But the real-world effects on productivity are still being determined.

"As an investor you want to know what's going to happen in the future and how it's going to impact their margins," said Kim Forrest, a portfolio manager with Fort Pitt Capital Group, which holds about 728,000 Intel shares.

She wants more information about Intel's plans for a long-term fix to the problem, including details on cost and how the changes might affect chip performance.

An Intel spokeswoman declined to discuss the results ahead of their release.

Intel has stumbled in its response to the flaws, asking customers to stop using some patches which themselves have bugs. Customers might use the flaws and Intel's response as a negotiating point to seek discounts, which could pressure Intel's operating income.

Tim Ghriskey, chief investment strategist with Inverness Counsel, says his firm will avoid adding Intel to its $2.8 billion portfolio until more details emerge on how Intel will address the flaws. (RTRS)

euro above $1.25 for first time since December 2014

The dollar weakened further Thursday as the euro climbed to above $1.25 for the first time in more than three years.

Around 1400 GMT, the European single currency jumped to $1.2537, the highest level since mid-December 2014, after US Treasury Secretary Steven Mnuchin claimed a weaker dollar was "good" for the world's top economy and as the eurozone economy picks up speed.

Mnuchin said in Davos that a weaker dollar boosted US trade opportunities, heaping pressure on the greenback.

But European Central Bank chief Mario Draghi on Thursday voiced concern over the "volatility" in the currency markets, saying it "represents a source of uncertainty which requires monitoring".

He spoke after the European Central Bank left its massive financial stimulus for the eurozone economy in place Thursday, opting not to rock the boat after Mnuchin's comments.

The ECB left eurozone interest rates at historic lows and held fast to plans to buy 30 billion euros ($37.2 billion) of government and corporate bonds per month until September, offering no hints about when it might step back from the mammoth programme.

Central bankers' caution may have been prompted by remarks from Mnuchin, who declared Wednesday that "a weaker dollar is good for us" — already helping send the euro to a three-year high prior to Thursday's new peak. (AFP)

ECB keeps policy on hold as economy grows

'Euro strength is source of uncertainty'

FRANKFURT, Germany, Jan 25, (Agencies): The European Central Bank has left its interest rates and policy stance unchanged amid predictions that it will soon start signaling a definite exit from its extraordinary stimulus efforts as the economy strengthens in the 19-country eurozone.

The bank's 25-member governing council did not change its stance that its 30 billion euros ($36 billion) in monthly bond purchases will run at least until September and longer if necessary. The purchases pump newly created money into the economy to raise inflation and growth in the wake of the 19-country eurozone's crisis over high debt in member states like Italy and Greece.

Analysts were waiting for bank President Mario Draghi's news conference to see if he will offer any signal about whether the purchases will come to an abrupt end in September or continue, possibly at a lower pace.

The end of the stimulus will eventually have wide-ranging effects for many people. It would mean higher returns on savings accounts, currently negligible due to low market interest rates that result from the bank's policies. By raising yields on safer assets, the return to more normal monetary policy and interest rates could reduce the relative attractiveness of riskier investments like stocks. Higher long-term rates would make it easier to fund pension plans and other forms of retirement savings.

But higher rates could add to pressure on indebted governments such as Italy, which would have to pay more interest on their borrowings.

The ECB remains far behind the US Federal Reserve, which has already started withdrawing stimulus aimed at overcoming the aftereffects of the financial crisis and the Great Recession. The Fed has ended its own bond purchases and started withdrawing the resulting stimulus by letting its bond holdings shrink as the bonds mature and are paid off. It has also started raising interest rates as the US economy recovered more quickly than Europe did.

Stimulus withdrawal has been much discussed in markets because the eurozone economy is growing strongly. Germany's Ifo index of business sentiment matched its record high in January, and surveys show business activity is expanding rapidly. The eurozone is expected to have grown 2.4 percent last year, while unemployment has fallen to 8.7 percent from a high of 12 percent in 2013.

The euro's recent rise on foreign exchange markets is a source of uncertainty for the euro zone's inflation outlook and European Central Bank policymakers, ECB President Mario Draghi said on Thursday.

The common currency has rallied 5 percent against the dollar in recent weeks, complicating the ECB's path out of its massive stimulus programme by threatening to curb a tepid recovery in euro zone inflation.

From leader to laggard

UK economy loses ground after Brexit vote

LONDON, Jan 25, (RTRS): Britain's economy has fared better than the gloomy expectations made at the time of the 2016 Brexit vote, but it has been helped mainly by a strong pick-up in global growth and many of its peers are growing more quickly.

Britain is at risk, along with Japan and Italy, of being the slowest growing economy among the Group of Seven nations in 2018, Reuters polls of economists showed last week.

Following is a summary of how Britain's economic performance compares with that of other rich nations.

■ Growth

Britain grew more slowly than every other G7 country over the first three quarters of 2017. It looks likely to lag behind both France and Germany in the next few years, according to Reuters polls, the International Monetary Fund and the Organisation for Economic Cooperation and Development.

That would represent a reversal of Britain's outperformance of its peers since the early 1990s, barring a couple of years after the global financial crisis.

Official figures due on Friday are likely to show Britain's economy grew by a quarterly 0.4 percent in the last three months of 2017, repeating the July-September performance, according to a Reuters poll.

That would probably leave average annual growth for 2017 as a whole at around 1.6 percent — much better than the 1.2 percent Reuters poll forecast from this time last year, but compared with around 2.5 percent for Germany, 2.3 percent for the United States, and 1.8 percent for France.

The Reuters poll pegs growth for this year at around 1.4 percent ahead of Brexit in March 2019, compared with 2.6 percent for the United States, 2.4 percent for Germany, 2.0 percent for France and 1.3 percent for Japan.

■ Exports

Export volumes from Britain have jumped over the last 18 months but much of the increase is probably linked to the recovery in the global economy, rather than any increase in British competitiveness.

Britain's recent export performance is average compared with other European countries, offering no clear sign of any edge gained from the weak pound.

■ Consumer confidence

While consumer morale in the euro zone has hit a 17-1/2-year high, the British public is more sombre, particularly about the economic outlook.

Higher inflation has hurt the spending power of consumers, especially since wages have failed to keep pace with prices.

Consumer confidence in Britain was weaker in December than in all other large European economies, according to European Commission data.

Spain jobless queue shortens during '17

MADRID, Jan 25, (AFP): Spain's jobless queue shortened in 2017 thanks to a record year for tourism, even if many posts created remain unstable and salaries are still low.

Catalonia's secession crisis, meanwhile, had little impact on employment as had initially been feared, official statistics showed.

The country's unemployment rate stood at 16.5 percent at the end of last year, in line with government expectations, up slightly from the third quarter when it was 16.4 percent, according to the National Statistics Institute.

But it is sharply down from the end of 2016, when it stood at 18.6 percent, benefitting in particular from a record year for tourism in Spain, which is set to overtake the United States as the world's number two destination.

Over the year, the services sector saw the most jobs created at close to 290,000.

But posts in that sector, and particularly in tourism, are often temporary — and critics point to the fact that many jobs created in Spain are unstable.

"Unemployment is dropping but the quality of jobs continues to be below minimum," Pepe Alvarez, head of Spain's UGT union, told Spanish television.

Despite woes

German economy in party mood: GfK

FRANKFURT AM MAIN, Jan 25, (AFP): German companies and consumers are starting the new year brimming with confidence, two key surveys found Thursday, signalling that Europe's purring top economy is unfazed by Berlin's slow path to a new government.

German business morale in January recovered from last month's dip to climb back to the same record-high level seen in November, the Ifo economic institute said, surpassing analyst expectations.

At the same time, a forward-looking survey by market research GfK forecast that consumer confidence has risen to its highest level since 2001, buoyed by record-low unemployment and expectations of wage hikes.

"At the beginning of the new year, it's all hunky-dory in the German economy," said economist Carsten Brzeski of ING Diba bank.

The latest readings send "a strong signal that the current political impasse in Berlin has no impact on the economy at all," he added.

Chancellor Angela Merkel has been struggling to form a government ever since a tricky election four months ago left her conservative bloc without an obvious coalition partner.

A first attempt to cobble together an unprecedented three-way alliance with two smaller parties collapsed in November, forcing Merkel to coax the reluctant centre-left Social Democrats into a renewed grand coalition.

The two sides will begin formal coalition talks in coming days, paving the way for a government to be in place by mid-March.

But a positive outcome is far from guaranteed as the Social Democrats have promised to give their 440,000 rank-and-file members the final say on any coalition deal.

Shrugging off the political uncertainty, the Munich-based Ifo institute's business climate index jumped from last month's 117.2 points to 117.6 points.

The jump brought the index back to November's historic peak, Ifo said, after upwardly revising its reading for that month.

Analysts surveyed by Factset had predicted the index would be unchanged from December.

"The German economy made a dynamic start to the year," Ifo president Clemens Fuest said in a statement.

Ifo's survey of some 7,000 firms showed that businesses were more optimistic about their current economic situation than last month, while expectations for the future dropped slightly "but remain at a high level".

The Ifo reading is in step with the bright mood seen among German shoppers, with GfK forecasting that consumer confidence will inch upwards in February.

"The euphoria can be explained above all by the continuing excellent situation on the labour market," GfK noted.

Raised hopes for an end to the political deadlock in Berlin "could also have given an extra push to economic expectations", the pollsters added.

Meanwhile, demands by leading German unions for higher pay and better conditions after years of "wage moderation" may have helped boost consumers' income expectations, GfK said.

Unexpected spike in inflation, trade war among potential threats to the bull run

Can anything stop the stock market's relentless rise?

NEW YORK, Jan 25, (AP): It's been 365 days since the Dow Jones industrial average first crossed 20,000, and it's already up another 30-plus percent as the stock market's relentless rise to records keeps going.

Few market watchers see a sharp reversal for stocks anytime soon, at least this year. But press them on what could possibly derail the market's run, and they usually land on a similar list of potential threats.

The warnings come couched with caveats: The general expectation is for stocks to keep rising, albeit at a slower pace, because the odds seem low for a recession this year. Economies around the world are finally in sync and growing together, and the US is getting an extra kick from recently passed tax cuts. That should keep profits on the upswing for companies, and stock prices tend to follow the direction of profits.

But many potential potholes lie ahead. One concern centers on just how long and strong this bull market has been. Since they began rising in 2009, stocks have become more expensive than they've historically been, relative to corporate profits. That said, stocks have managed to keep climbing in the past, even when they've been as expensive and as deep into a bull run as they are now.

Here's a look at other potential threats that could trip up what's been one of the best runs for stocks in history:

■ An unexpected spike in inflation.

Stocks and bonds have ripped higher in recent years as inflation has remained low. In fact, a major worry for years following the Great Recession was that it was too low. Central banks around the world approved massive stimulus programs to avoid a downward spiral where falling prices lead to a weaker economy, which in turn could lead to even lower prices. Inflation is still relatively modest, but the job market is at its healthiest in years, and the unemployment rate is at a 17-year low. Theoretically, that should lead to higher wages for workers, which could push inflation higher across the economy.

Traders work on the floor of the New York Stock Exchange (NYSE) in New York City. The idea of the bull market dying because of central banks tightening too quickly is a concern, according to some experts. (AFP/AP)

If it picks up faster than the Federal Reserve is expecting, it could force the central bank to raise rates more quickly than it has prepped markets for. Given how expensive stock and bond markets have become, that could trigger turmoil, analysts say.

■ Central banks around the world tightening too quickly.

It's not just the Fed that investors are watching closely. Markets are trying to guess when central banks from Europe to Japan will tighten their spigots of stimulus.

The ultra-low interest rates that they have maintained have made it easier for companies and people to borrow. They've also pushed many investors into stocks, helping to goose their prices higher.

"The idea of the bull market dying because of central banks tightening too quickly, that's the big worry," said Marina Severinovsky, investment strategist at Schroders. She, though, is still optimistic that markets can keep rising broadly given the improvements in the global economy.

■ A trade war.

A big reason for the success of many investors' 401(k) accounts is how much US companies are benefiting from other countries' economies doing better.

Companies in the Standard & Poor's 500 index got 43 percent of their sales from outside the country in 2016, the most recent full year for which S&P Dow Jones Indices has statistics. The biggest US company, Apple, got 63 percent of its sales from abroad in its most recent fiscal year.

The worry is that a White House led by an "America First" ethos could enact barriers to trade that hurt those sales. One of President Donald Trump's first actions after taking office was to pull out of a trade pact for Pacific nations, and the US government is working to remake the North American Free Trade Agreement.

■ A real war.

Tensions are high around the world, and so are the stakes when a misstep could lead to nuclear weapons being launched. "You always worry about geopolitical risk," said Kirk Hartman, global chief investment officer for Wells Fargo Asset Management. "I can't predict Korea."

Besides the war of words that has heated up between the US and nuclear-armed North Korea, investors worry about the potential for conflict in the Middle East and other areas around the world.

■ Expectations have become too high.

Randy Frederick, vice president of trading & derivatives at Charles Schwab, said he is starting to worry that investors are becoming too relaxed and too confident that stocks are going to continue to climb without any major obstacles.

"We see more optimism and more complacency than we've seen in a long time in this bull market," Frederick said. "Should those things get out of control, that could be a problem."

Russia ready to regulate, not ban cryptocurrencies

Illicit activity is top cryptocurrency concern: US

DAVOS, Switzerland, Jan 25, (RTRS): Washington's main concern about the rise of cryptocurrencies is to make sure they are not used for illicit activity, US-Treasury Secretary Steven Mnuchin said on Thursday as he urged nations to join the United States in regulating them.

"My number-one focus on cryptocurrencies, whether that be digital currencies or bitcoin or other things, is that we want to make sure that they're not used for illicit activities," he told the World Economic Forum in Davos, Switzerland.

"We encourage fintech and we encourage innovation, but we want to make sure all of our financial markets are safe," Mnuchin said. "We want to make sure that the rest of the world — and many of the (Group of) 20 countries are already starting on this — have the same regulations."

US-based platforms for bitcoin and other virtual currencies must comply with anti-money laundering rules, with around 100 such platforms registered with the US Treasury's Financial Crimes Enforcement Network. The rules require them to file reports on suspicious financial activity. But many other countries have no such requirements.

Bitcoin soared more than 1,700 percent last year to a record high, raising fears that the volatile emerging asset poses a risk to investors and the global financial system.

Regulators have also warned of risks that criminals may use the virtual currencies to store and transmit their ill-gotten gains, because they can be used anonymously.

Several countries including South Korea and China have tried to slow trading of cryptocurrencies, and fears of a wider clampdown pushed bitcoin down nearly 20 percent last week.

Policymakers around the world are debating how to deal with the volatility of cryptocurrencies. A senior Bank of Japan official said on Thursday that imposing global, across-the-board regulations on their trading won't be easy.

Christine Lagarde, head of the International Monetary Fund, said countries should take into account both the risks and benefits associated with the development of the cryptocurrencies in deciding whether and how to regulate the market.

Britain should take a serious look at cryptocurrencies such as Bitcoin because of the way they can be used by criminals, Prime Minister Theresa May said on Thursday.

"Cryptocurrencies like Bitcoin, we should be looking at these very seriously, precisely because of the way that they can be used, particularly by criminals," May told Bloomberg Television in an interview in Davos.

She added that there were huge possibilities for Britain to attract tech companies once Britain leaves the European Union.

Britain wants to clinch a deal with the EU by the end of March on a Brexit transition period, Brexit minister David Davis said on Wednesday. Britain says a transition period should provide clarity for business and financial services firms.

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Meanwhile, Russia's Finance Ministry said on Thursday it was working on legislation to regulate cryptocurrency transactions without fully banning them or legalising digital FX as a means of payment in Russia.

Russia had initially said it would ban crypto-currencies as they could be used to launder money and finance terrorism. But as such currencies and particularly Bitcoin grew popular worldwide, Russian authorities have changed tack.

The ministry said it had prepared a bill that would permit trade in cryptocurrencies through digital exchanges which met certain conditions and would also cover initial coin offerings (ICOs).

Doing this, the ministry said, would reduce the risk of fraud and make it possible to tax cryptocurrency transactions to support the state budget.