Target's reinvention is humming along, at a cost

Target's reinvention plan is driving more people to its stores and its website, where they are spending more for everything from fashion to towels. But the cost of such a massive overhaul is extensive, and it took some of the shine off a strong quarter of sales.

The Minneapolis retailer reported better-than-expected sales in the fourth quarter, which includes the critical holiday period. But those healthy sales were overshadowed by muted earnings and a conservative profit outlook. In the race to modernize, profit margins are under significant pressure.

Shares slid 3.7 percent before the opening bell Tuesday.

Target is overhauling its business as customers move online. Amazon.com has created fierce loyalty among shoppers who spend $99 for a membership that comes with free shipping, as well as streaming movies and music. Amazon's acquisition of Whole Foods Market last year is also raising the stakes in the grocery business.

Target pledged last year to invest more than $7 billion to modernize its business over the next three years. That includes remodeling old stores, opening small ones in cities and college towns and offering faster delivery for online orders. (AP)

Dutch company launches flying car at Geneva show

Robert Dingemanse has heard the comparisons many, many times. The Jetsons, Harry Potter, James Bond.

As CEO of a Dutch company developing a flying car, he's used to curious people whose only frame of reference for his new vehicle comes from cartoons or movies.

But as of this week, Dingemanse's dream of letting commuters (albeit well-heeled ones) choose whether to drive or fly to work comes a significant step closer. He is unveiling the first production model of the PAL-V Liberty, a three-wheeled, two-seat car and gyroplane rolled into one, at the Geneva motor show.

"Flying cars have been in movies many, many times and they will be available next year," Dingemanse told The Associated Press at an airport near the southern Dutch city of Breda as he stood next to a sleek, black prototype of the PAL-V Liberty.

The PAL-V Liberty is one of several flying cars in development around the world such as The Transition, a folding wing two-seater being developed by US-based Terrafugia, and an all-electric vertical take-off and landing jet being developed by German startup Lilium. (AP)

Legislation to increase threshold at which banks are considered 'too big to fail'

With Democratic support, Senate eyes rollback of banking law

WASHINGTON, March 6, (AP): Ten years after a financial crisis rocked the nation's economy, the Senate is poised to pass legislation that would roll back some of the safeguards Congress put into place to prevent a relapse.

The move to alter some key aspects of the Dodd-Frank law has overwhelming Republican support and enough Democratic backing that it's expected to gain the 60 votes necessary to clear the Senate. Several Democratic lawmakers facing tough re-election races this year have broken ranks with Minority Leader Chuck Schumer, D-New York and Sen Elizabeth Warren, D-Massachusetts.

The legislation would increase the threshold at which banks are considered too big to fail. Such banks are subject to stricter capital and planning requirements, and lawmakers are intent on providing them relief in hopes that it will boost lending and the economy.

Banks have long complained about the cost of complying with the many requirements of Dodd-Frank. Under the Senate bill, some of the nation's biggest banks would no longer have to undergo an annual stress test conducted by the Federal Reserve. The test assesses whether a bank has enough capital to survive an economic shock and continue lending. Dozens of banks would also be exempted from making plans called "living wills" that spell out how the bank will sell off assets or be liquidated in a way that won't create chaos in the financial system.

The House version of the bill is a "recalibration" of Dodd-Frank to help community banks and credit unions increase their capitalization, the Financial Services Committee chairman said Tuesday. "A community bank that's 0.002 percent the size of J.P. Morgan shouldn't be laboring under a similar set of regulatory burdens," Texas Republican Rep Jeb Hensarling said.

The Senate legislation increases from $50 billion to $250 billion the threshold at which banks are considered critical to the system. The change would ease regulations on more than two dozen financial companies, including BB&T Corp, Sun Trust Banks Inc and American Express.

Opponents of the bill argue that the same banks getting regulatory relief through the Senate bill also got about $50 billion in taxpayer-funded bailouts during the financial crisis. They note Countrywide Financial, which was at the center of the mortgage crisis, was smaller than some of the banks targeted for relief now.

"There is no reason at all to roll back the rules on these big banks so they can pad their profits even more — and cut them loose to take on wild risks again," wrote Warren, who before joining the Senate led a congressional oversight panel for the bailout programs.

The Senate bill emerged from lengthy negotiations between Sen. Mike Crapo, the Republican chairman of the Senate Committee on Banking, Housing and Urban Affairs, and Democratic members on the committee. The ranking Democrat, Sen Sherrod Brown of Ohio, said the changes go too far and he walked away.

But many Democrats stayed on board, and the bill has 13 Republican and 13 Democratic or independent cosponsors, a rare level of bipartisanship for substantive legislation in the current Congress.

Republicans want Trump to back off his tariff proposal

Japan urges US to shun steel tariffs but makes no threats

WASHINGTON, March 6, (Agencies): In a remarkably public confrontation, House Speaker Paul Ryan and other Republican allies of President Donald Trump are pleading with him to back away from his threatened international tariffs, which they fear could spark a dangerous trade war. Trump retorted: "We're not backing down".

The president on Monday said US neighbors Canada and Mexico would not be spared from his plans for special import taxes on steel and aluminum, but he held out the possibility of later exempting the longstanding friends if they agree to better terms for the US in talks aimed at revising the North American Free Trade Agreement (NAFTA).

Deal

"We've had a very bad deal with Mexico; we've had a very bad deal with Canada. It's called NAFTA," he declared.

Trump spoke shortly after a spokeswoman for Ryan, a Trump ally, said the GOP leader was "extremely worried" that the proposed tariffs would set off a trade war and urged the White House "to not advance with this plan."

Likewise, Republican leaders of the House Ways and Means Committee circulated a letter opposing Trump's plan, and GOP congressional leaders suggested they may attempt to prevent the tariffs if the president moves forward.

Trump's pledge to implement tariffs of 25 percent on steel imports and 10 percent on aluminum imports has roiled financial markets, angered foreign allies and created unusual alliances for a president who blasted unfavorable trade deals during his 2016 campaign. Union leaders and Democratic lawmakers from Rust Belt states have praised the planned tariffs, joining with advocates within the administration including Commerce Secretary Wilbur Ross and White House trade adviser Peter Navarro.

But the president has been opposed internally by Defense Secretary James Mattis and White House economic adviser Gary Cohn, who warned against penalizing US allies and undercutting the economic benefits of the president's sweeping tax overhaul.

Likewise, the statement from Ryan's office said, "The new tax reform law has boosted the economy, and we certainly don't want to jeopardize those gains."

Asked about that public rebuke, White House press secretary Sarah Huckabee Sanders said, "Look, we have a great relationship with Speaker Ryan. We're going to continue to have one, but that doesn't mean we have to agree on everything."

Canada is the United States' No. 1 foreign supplier of both steel and aluminum. Mexico is the No. 4 supplier of steel and No. 7 for aluminum.

Congressional Republicans say any tariffs should be narrow in scope, and they privately warned that Trump's effort could hurt the party's hopes to preserve its majority in the fall elections.

As the president dug in on his position, any potential compromise with foreign trading partners and Republican lawmakers was expected to still include some form of tariffs.

Japan on Tuesday stuck to its a low-key approach to threatened US tariffs on steel and aluminium, reflecting a desire to keep trade fights from hurting security ties as well as lessons learned about how to deal with Trump.

Minister of Economy, Trade and Industry Hiroshige Seko on Tuesday repeated that Japanese steel and aluminium exports are not affecting America's national security but are helping America's economy. He declined comment on possible retaliation.

"High quality steel and aluminium exports from (US) ally Japan are not at all affecting US national security but rather are contributing to US employment and the economy," Seko told a news conference.

Trump last week proposed tariffs of 25 percent on steel and 10 percent on aluminium. That prompted Canada, Mexico and the European Union to threaten counter-steps if the plan, based on Section 232 of a 1962 US law that allows such tariffs based on "national security", went ahead.

Canada, Mexico push back against tariff plan

US says time running short for NAFTA talks

MEXICO CITY, March 6, (RTRS): The top US trade envoy said on Monday that bilateral deals could replace NAFTA if the pact is not renegotiated soon, ramping up pressure on Canada and Mexico, already smarting from President Donald Trump's plan to impose steel and aluminum tariffs.

US Trade Representative Robert Lighthizer said political headwinds would increase the longer the negotiations dragged on, warning that time to rework the 1994 trade deal was running "very short."

"We would prefer a three-way tripartite agreement. If that proves impossible, we are prepared to move on a bilateral basis," Lighthizer said, reading from a statement in Mexico City at the end of a seventh round of talks.

He also appeared to seek to divide Mexico and Canada in the talks, saying the United States was making more headway with its southern neighbor than with Canada.

The Mexico City round of NAFTA talks was thrown into disarray after Trump announced a plan last week to impose a 25 percent tariff on steel imports and a 10 percent tariff on aluminum imports, arguing they were needed to protect US industries and jobs.

Trump tweeted earlier on Monday that "Tariffs on Steel and Aluminum will only come off if new & fair NAFTA agreement is signed."

Lighthizer said that meant Canada and Mexico would enjoy tariff exemptions once a NAFTA deal was reached, calling the tariffs an "incentive" to conclude the talks.

Canada and Mexico say they should be exempted from such moves, and have warned they could retaliate. Canadian Foreign Minister Chrystia Freeland said at the event with Lighthizer that tariffs, which have rattled financial markets, were "unacceptable."

"We should be excluded because the most integrated steel industry in the world is the North American steel industry," Mexican Economy Minister Ildefonso Guajardo said at a later media briefing.

Both Canada and Mexico send more than 75 percent of their goods exports to the United States.

Guajardo said there would be no concessions made in the NAFTA negotiations to placate Trump on steel and aluminum, while Freeland said the two issues were separate.

Guajardo raised the possibility, however, that Mexico might not respond to Trump's metals tariffs, saying it was not necessarily beneficial to escalate matters.

Talks on the $1.2 trillion NAFTA pact are moving slowly, in part because Canada and Mexico are resisting US demands for major changes such as adding a sunset clause, which would lead to the automatic termination of NAFTA if it was not reworked every five years.

The Trump administration also wants to boost the North American content of autos produced inside NAFTA.

States set to remove Bahrain

EU blacklist of tax havens set to shrink further: docu

BRUSSELS, March 6, (RTRS): European Union (EU) states are set to remove Bahrain, the Marshall Islands and Saint Lucia from an EU list of tax havens next week, leaving only six jurisdictions on the list, three months after it was set up, an EU document shows.

The move is likely to bring more disapproval from lawmakers and activists who had strongly criticised a first delisting in January that nearly halved the number of listed jurisdictions to nine from 17.

The new delisting decision was taken by the EU Code of Conduct Group, which includes tax experts from the 28 member states, according to an EU document seen by Reuters.b EU finance ministers are expected to endorse the proposal at their regular monthly meeting in Brussels on March 13.

The six jurisdictions that remain on the blacklist are American Samoa, Guam, Namibia, Palau, Samoa and Trinidad and Tobago.

Bahrain, the Marshall Islands and Saint Lucia were delisted after they made "specific commitments" to adapt their tax rules and practices to EU standards, the document says. Those commitments are not public.

In January, EU governments decided to remove from the blacklist Barbados, Grenada, South Korea, Macao, Mongolia, Tunisia and the United Arab Emirates (UAE) and Panama.

The delisting of Panama caused particular outcry. The EU process to set up a tax-haven blacklist was triggered by the so-called Panama Papers, a publication of confidential financial documents that showed how wealthy individuals and multinational corporations use off-shore schemes to reduce their tax bills.

Ministers said the January delisting was a sign that the process was working as countries around the world were agreeing to adopt EU standards on tax transparency.

All delisted countries have been moved to a so-called grey list, which includes dozens of jurisdictions that are not in line with EU standards against tax avoidance but have committed to change their rules and practices.

Countries on the grey list can be moved back to the blacklist if they fail to respect their engagements.

Blacklisted jurisdictions could face reputational damages and stricter controls on their financial transactions with the EU, although no sanctions have been agreed by EU states yet.

The blacklist was set up to discourage the use of shell structures abroad, which in many cases are legal but may hide illicit activities.

It took nearly a year for EU experts to screen an initial number of 92 jurisdictions around the world before identifying 17 in December that could favour tax avoidance.

EU countries were not screened. They were deemed to be already in line with EU standards against tax avoidance, although anti-corruption activists and lawmakers have repeatedly asked to blacklist also some EU member states, like Malta and Luxembourg.

Cenbank to remain tight-lipped about plans for winding down QE

ECB to underline outlook for eurozone

FRANKFURT AM MAIN, March 6, (AFP): The European Central Bank could signal greater optimism for the eurozone at a meeting Thursday, but will remain tight-lipped about plans for winding down its massive support to the economy, analysts predict.

With a transatlantic trade war looming and a populist surge in Italy's Sunday elections that shadowed the major eurozone economy with uncertainty, ECB President Mario Draghi is unlikely to rock the boat with talk of higher interest rates or cuts to its "quantitative easing" bond-buying programme.

Observers see the ECB on the way out of its mass bond-buying scheme, after it decided to halve purchases of government and corporate debt to some 30 billion euros ($37 billion) per month from January this year.

Combined with historic low interest rates, bond-buying was designed to stoke economic growth in the eurozone by pumping cash through the financial system, helping boost inflation to the ECB's target of just below 2.0 percent — seen as most favourable for long-term growth.

But while GDP expansion in the 19-nation single currency area surged to 2.5 percent last year, price growth has not picked up in step.

In December, ECB forecasts called for inflation to hit 1.7 percent by 2020 — still slightly short of its goal.

Indicators like business confidence, unemployment and credit growth "have been consistent with the ECB's positive assessment" for future expansion of 2.3 percent this year and 1.9 percent in 2019, economist Frederik Ducrozet of Pictet bank noted.

Nevertheless, "notwithstanding the ECB's rising confidence, the staff projections for inflation are likely to remain stable in March," Ducrozet added.

A stable set of forecasts will not quell discord on the ECB's 25-strong governing council, made up of the executive board and governors from the 19 member states' central banks.

Minutes from January's meeting showed policymakers who favour a faster dismantling of bond-buying in light of stronger growth are increasingly vocal.

They were boosted last month when executive board member Benoit Coeure judged that "in future, the eurosystem (of the ECB plus the national central banks) can retreat as a buyer" without unravelling easier financing conditions.

"The end of QE is getting closer. The risk of deflation is clearly behind us and the only question is how to moderate and implement this exit," analyst Carsten Brzeski of ING Diba bank said.

But the so-called "hawks" remain outvoted by "doves": governors who think the ECB should keep fuelling the recovery until it is certain of reaching its inflation goal.

Compromise between the two sides to achieve a unanimous decision could produce "another cautious and very subtle step towards the QE exit," Brzeski predicted. The ECB may not risk removing language that promises more bond-buying if the economy takes a turn for the worse from its "forward guidance" policy statement.

Instead, it could stress its ability to respond to shocks with a range of different tools.

Meanwhile, Sunday's elections in Italy produced an unclear result that will make forming a government for the eurozone's third-largest economy difficult, with the parties that made the biggest gains promising lower taxes and higher social benefits.

This file photo taken on Jan 25, 2018 shows the building of the European Central Bank in Frankfurt am Main, Germany. The European Central Bank could signal greater optimism for the eurozone at a meeting on March 8, but will remain tight-lipped about plans for winding down its massive support to the economy, analysts predict.(AFP)

Safe-haven German bond yields bounce

LONDON, March 6, (RTRS): German bond yields rose sharply on Tuesday and were set for their worst day in five weeks as fears of a global trade war ebbed, lifting risk appetite and taking the shine off safe-haven assets before this week's European Central Bank meeting.

Italy's government bonds recovered from a selloff on Monday, driven by a surge in support for anti-establishment parties in Sunday's inconclusive national election.

Germany's 10-year bond yield climbed over 6 basis points to 0.70 percent, and was set for its biggest one-day jump in five weeks. It was up 10 bps from around five-week lows hit on Monday following Italy's election.

Investor worries about an imminent trade war eased as US President Donald Trump faced pressure from political allies to pull back from proposed steel and aluminium tariffs. That boosted stocks in Europe by 0.6 percent and dented demand for fixed income.

Risk appetite also got a boost from news that North Korea is willing to hold talks with the United States on denuclearisation and will suspend nuclear tests while those talks are under way, according to the South.

"Coming out of the weekend we had concerns about the Italian election, trade wars, and now all that is unwinding with stocks rallying," said Commerzbank rates strategist Rainer Guntermann. "That's why bonds are selling off."

Analysts said investors also appeared to look beyond immediate political risks in Italy, which has a history of post-election uncertainty.

"Investors are balancing the negative unknown, a negative outcome from the elections, against two positive knowns — a cyclical economic upswing and Sunday's ballot result in Germany which paves the way for a new government there," said Richard McGuire, head of rates strategy at Rabobank.

Chevron in talks to sell stake in Canada project

TORONTO/HOUSTON, March 6, (RTRS): Chevron Corp is exploring options including the sale of a minority stake in its Canadian liquefied natural gas (LNG) project as it pushes ahead, three people familiar with the matter told Reuters.

Among the parties in talks with Chevron for a possible stake in Kitimat LNG are Petroliam Nasional Bhd, or Petronas, which scrapped its own $36 billion LNG project in British Columbia last year due to challenging market conditions, two of the people said. They spoke on condition of anonymity because the process is private.

Reuters spoke over the past week to the sources, who said there is no certainty that Chevron would proceed with the stake sale.

Chevron is also considering selling a stake in the project to a financial investor such as a Canadian pension fund or a private equity firm, the people added.

Canadian companies Seven Generations Energy Ltd and Tourmaline Oil Corp are in discussions to supply natural gas to Chevron's project, the people said. Seven Generations may also consider buying a stake in the project by partnering with other gas producers, the people said.

The project in British Columbia, a 50/50 joint venture with Australia's Woodside Petroleum Ltd, has a 20-year, 10 million-metric-tonne-per-year export license for LNG and is expected to cost tens of billions of dollars to build.

Kitimat could become one of the largest capital investments in a Canadian energy project, Chevron says on its website.

Taking such a substantial investment decision has been difficult for the duo, given concerns over a global LNG supply glut for the last three years. Fierce political opposition in Western Canada to building pipelines and other energy infrastructure has also escalated in the last several years.

However, surging gas demand from China and Southeast Asia is reassuring export project developers that the market cycle is finally beginning to turn.