Qatar Airways to take 60% stake in Rwandan int'l airport

Qatar Airways has agreed to take a 60% stake in a new $1.3 billion international airport in Rwanda, the state-run Rwanda Development Board said on Twitter on Monday.

The board said a first phase of construction would provide facilities for 7 million passengers a year in the Bugesera district, about 25 km south east of the capital Kigali. A second phase, expected to be completed by 2032, would double capacity to 14 million passengers a year.

The country's infrastructure minister Claver Gatete told a news conference that a construction company was still being sought to build the airport, and that once work starts, the first phase would take five years to complete.

Qatar Airways declined to immediately comment outside of normal business hours.

The plans for the new airport are a modification of those drawn up in 2017 for a smaller facility with a maximum capacity of 4.5 million passengers a year in the same location.

Company and government officials said at the time that Rwanda had signed a deal with the African division of Portuguese construction firm Mota-Engil to build an international airport at a cost of $818 million.

Gatete said the investment from Qatar Airways would enable it to build the larger airport.

"We are looking for a bigger sized airport. That's why we are looking for a bigger investor," he said. (RTRS)

Exxon prevails in climate change lawsuit

A judge on Tuesday ruled in favor of Exxon Mobil Corp in a lawsuit brought by New York state accusing the oil company of hiding from investors the true cost of addressing climate change.

Justice Barry Ostrager in Manhattan Supreme Court ruled that the state attorney general failed to produce any evidence that investors were misled. The case, filed in October 2018, was the first of several climate change lawsuits against major oil companies to go to trial.

The lawsuit by the office of New York State Attorney General Letitia James said that Exxon Mobil caused investors to lose up to $1.6 billion by falsely telling them it had properly evaluated the impact of future climate regulations on its business.

The lawsuit said the company told investors it was projecting the impact of future regulations by using a "proxy cost" of up to $80 per ton of carbon emissions in wealthy countries by 2040, but internally used figures as low as $40 per ton or none at all. (RTRS)

Market Movements 10-12-2019

			Change	Closing pts
FRANCE	-	CAC 40	+10.78	5,848.03
S. KOREA	-	KRX 100	+17.94	4,523.24
PAKISTAN	-	KSE 100	+221.80	40,664.60
CHINA	-	Shanghai SE	+2.84	2,917.32

			Change	Closing pts
AUSTRALIA	-	All Ordinaries	-24.28	6,812.09
JAPAN	-	Nikkei	-20.51	23,410.19
GERMANY	-	DAX	-34.89	13,070.72
EUROPE	-	Euro Stoxx 50	-0.40	3,671.78
PHILIPPINES	-	PSEi	-43.62	7,736.18
INDIA	-	Sensex	-247.55	40,239.88

Business

Mubadala has invested $100bn in US

Eyes China

ABU DHABI, Dec 10, (RTRS): Abu Dhabi state investor Mubadala Investment Co has invested $100 billion in the United States, more than 40% of its roughly $240 billion portfolio, Deputy CEO Waleed al-Muhairi said on Tuesday.

"What that tells you is that from our perspective the risk reward equation works in the United States," he said at the SALT conference in Abu Dhabi, adding that the bulk of the investments are direct, with a small portion indirectly invested through funds.

He said the remaining part of the portfolio is almost equally split between three regions – the United Arab Emirates, Europe and Asia.

Muhairi said Mubadala has invested $2 billion in China in 15-16 sectors from its $10 billion UAE China fund and could step up investments in the mainland.

"China is the UAE's largest trading partner, it is an important economic relationship for us," he said.

Mubadala would want to participate in some "shape, way or form" in the growth of China, which could become the largest economy in the world, Muhairi said.

Technology is a focus for Mubadala, he added.

Mubadala has invested $15 billion in Softbank's Vision Fund I and recently announced plans to invest $250 million through two funds in technology firms in the Middle East and North Africa.

Lagarde not expected to announce any changes in the bank's rates

New ECB chief faces slow growth, dissent

Trader Gregory Rowe (left), and specialist Michael Pistillo work on the floor of the New York Stock Exchange. (AP)

FRANKFURT, Germany, Dec 10, (AP): Mario Draghi took over as head of the European Central Bank eight years ago amid market speculation that the euro currency union might break up. Christine Lagarde succeeds him with a little more breathing room – but facing serious challenges from a weak economy, policy differences among her own officials, and questions about how much more central banks can do to help.

Analysts do not expect Lagarde to announce any changes in the bank's interest rates and bond-purchase stimulus program when she holds her first rate-setting meeting and news conference on Thursday. The bank enacted a stimulus package in September to nudge the economy along in the face of headwinds like the US-China trade conflict and Britain's departure from the European Union.

It's the first chance to hear how Lagarde communicates with markets and the public, a chief task for the head of an institution that affects the lives of 342 million people. That is not an easy task; the bank's policy to keep one of its key interest rates below zero has come under criticism from Germany news media as penalizing savers, while any imprecise remark from Lagarde can set off big market movements.

Lagarde may "err on the side of caution and continuity" at first, said Frederik Ducrozet, senior European economist at Pictet Wealth Management. That would be a contrast to Draghi's first meeting in 2011 when the bank cut interest rates during a debt crisis that threatened to break up the currency union.

Lagarde's challenges include managing dissent within the ECB over stimulus policy after a minority of governing council members openly criticized the stimulus package that was decided at Draghi's next-to-last meeting. That job may be supported by Lagarde's extensive political experience from serving as head of the International Monetary Fund and before that as French finance minister.

She has said the bank will pursue a review of how it defines its inflation goal and also look at whether the bank's measures could support efforts to fight climate change. Currently, the bank defines its mission as having an annual inflation of "less than but close to" 2%. One reason for the review is that the bank – like other central banks – has struggled to raise inflation to levels that are considered healthier for the economy despite massive stimulus involving pumping newly created money into the economy. Inflation was an annual 1.0% in November. The eurozone economy grew only 0.2% in the third quarter.

The ECB – like the US Federal Reserve and several other central banks around the world – has cut interest rates to combat economic weakness amid a trade dispute between the US and China that threatens to disrupt world supply chains. But some economists question to what extent more stimulus such as interest rate cuts can help the economy after a decade of low rates since the global financial crisis.

Lagarde, like Draghi, has urged European governments to spend more on initiatives that can boost economic growth, such as roads, bridges and high-speed internet networks. Neither has received much response, however.

The central bank on Sept 12 cut the rate on excess cash deposited with it by commercial banks overnight to minus 0.5%. That unusual step amounts to a penalty pushing banks to lend money rather than let it pile up at the ECB.

Trade deficit grows

Turkey's CA 'surplus' seen at $1.65 billion

ISTANBUL, Dec 10, (RTRS): Turkey's current account is expected to have recorded a surplus of $1.65 billion in October as tourism income fell and the trade deficit grew, a Reuters poll showed on Tuesday, and the 12-month surplus was seen beginning to decline.

The 12-month cumulative current account swung into surplus in June for the first time in 17 years, after a currency crisis cut nearly 30% of the lira's value against the dollar last year and reversed a gaping deficit, which had reached $58 billion in May 2018.

The annual deficit has remained positive since then, reaching $5.9 billion in September.

The median estimate in the Reuters poll of 14 economists for October's monthly current account balance stood at a surplus of $1.65 billion, with forecasts ranging between surpluses of $1.9 billion and $1.1 billion.

Turkey for long had a large current account deficit, which was a key concern for investors because it left the economy reliant on a speculative inflow of funds to finance the shortfall.

Economic activity slowed substantially in the wake of the lira crisis, while the cost of imports surged. The economy has since showed signs of recovery.

The 12-month cumulative surplus is expected to begin declining as a wider trade deficit and reduced tourism income drag the October surplus below the same month last year, said Deniz Cicek, economist at QNB Finansbank.

"We expect this decline in the current account surplus to continue in the coming period depending on the recovery of the economy," he said.

Despite the decline, expectations for the 2019 year-end current account have swung to a surplus in recent months.

The median estimate of nine economists who participated in the Reuters poll was for a surplus of $2 billion for the current account balance for the whole of 2019. Estimates ranged between a balanced current account and a surplus of $4.5 billion.

Azevedo vows to find a solution

US seals demise of WTO appeals bench: officials

GENEVA, Dec 10, (RTRS): The fate of the World Trade Organization's top court was effectively sealed on Monday after the United States said it would not back a proposal to allow it to continue, trade officials said, although the WTO chief vowed to find a solution.

The Trump administration has been blocking appointments to the WTO's seven-member Appellate Body that rules on trade disputes for more than two years, with US officials saying the court had gone beyond its remit.

The Appellate Body needs a minimum of three judges to function but the terms of two of the three remaining members of the appeals panel expire on Tuesday and there are no replacements in sight because of the US blocking strategy.

Another attempt was made on Monday to reach a consensus on laying down arrangements for filling the vacancies, as well as obliging the appeals panel to issue rulings within 90 days.

But the US ambassador to the WTO, Dennis Shea, said other members had not addressed Washington's concerns about what he called the court's "overreach" and "disregard" of WTO rules.

Shea said in a speech, the text of which was released by the US mission, that the United States did not support the proposal to start filling Appellate Body positions.

Much of the US displeasure stems from how the WTO has tied its hands in dealing with China. In binding rulings, WTO judges have given Beijing the benefit of the doubt on subsidies and rejected Washington's treatment of dumping.

One Asian ambassador told Reuters: "The United States said it can't join a consensus. We'll be writing the obituaries."

But WTO Director-General Roberto Azevedo said that a "well-functioning, impartial and binding dispute settlement system is a core pillar of the

Brazilian Roberto Azevedo, Director-General of the World Trade Organization (WTO), waits for the opening of the General Council at the headquarters of the WTO in Geneva, Switzerland. (AP)

WTO system", adding: "We cannot abandon what must be our priority, namely finding a permanent solution for the Appellate Body."

China's trade ambassador, Zhang Xiangchen, who wore a black tie for the occasion, said: "This is no doubt the most severe blow to the multilateral trading system since its establishment".

Joao Aguiar Machado, the European Union's ambassador, put the blame squarely on Washington.

"In two days from now, we will have an unprecedented situation in the World Trade Organization, which will no longer be able to deliver binding resolution of trade disputes and will no longer guarantee the right to appeal review," Machado said.

"The actions of one member will deprive other members of their right to a binding and two-step dispute settlement system, even though this right is specifically envisaged in the WTO contract," he said.

The EU would continue supporting efforts to unblock Appellate Body appointments while preparing its own contingency measures, Machado said.

Even as pound 'rallies', traders wary of post-election downside

LONDON, Dec 10, (RTRS): Expectations of a Conservative Party victory in Thursday's UK election have sent the pound rocketing - but some investors are hedging themselves against a surprise outcome that could deal the currency a mighty blow.

Since early November, sterling has rallied 2% against the dollar, hitting a seven-month high of $1.3180, while against the euro it reached a 2-1/2-year high of 83.94 pence, up 2.7% in the past month.

Opinion polls put the ruling Conservatives on course for a parliamentary majority, enabling Brexit to go ahead by the end of January, 3-1/2 years after the referendum on whether Britain should leave the European Union.

But options show there's clearly some nervousness running through the market. On Monday, one-week sterling risk reversals, a measure of sentiment and positioning in option markets, traded at their most bearish since June 2017.

What that means is that the implied volatility premium for sterling "puts" over "calls" for the period straddling the election has risen sharply.

It's unusual for the option premium to protect against a currency setback to rise at the same time as the currency rallies in the spot market. But that may have something to do with opinion polls' patchy track record of predicting the outcomes of recent UK elections.

While sterling puts were in demand before the 2017 election, the currency's spot market gains were nowhere as remarkable as in the run-up to this vote.

The recent moves have taken the premium for one-week puts over calls – essentially options giving holders the right to sell or buy the pound respectively – from around 0% to more than 3% implied volatility, highs not seen since before the 2017 election.

Risk reversals out to two-month maturities also show the cost of protecting against sterling weakness has risen to levels last seen in April.

"It shows investors are buying spot but also low-delta sterling puts just on the off-chance that if we get a surprise they are protected. In other words you are seeing people hedge for a downside scenario," Peter Kinsella, head of global FX at UBP said, adding it was no longer cheap to hedge downside risks.

A low-delta put refers to an option to sell at a "strike" price far below current levels.

With one-week implied volatility doubling since Friday and implied volatility on sterling puts above 3%, the premium on a $1.29 strike option has shot up to around 1.7%.

Some option sellers had jacked up prices "because they don't want to be short downside strikes going into the election," Kinsella added.

Some recent sterling gains are down to investors slashing short pound positions – from $7.8 billion in August to $2.4 billion this month.

But some opinion polls still suggest it's too close to call a parliamentary majority for the Conservatives, with vast numbers of undecided voters and calls for tactical voting.

A Labour government, even one formed with support from smaller parties, may send sterling to the low $1.20s, traders reckon.

JPMorgan forecasts sterling at $1.34 by year-end but says "the story is not over".

"There are a lot of scenarios and even a no-deal Brexit is not completely out of the picture," JPMorgan strategist Luis Oganes said, adding that this entailed maintaining "some degree of cautiousness, and we're certainly not going all out on the currency."

New President of European Central Bank Christine Lagarde, (right), talks to European Central Bank Vice-President Luis de Guindos during a Finance Ministers Eurogroup meeting at the European Council headquarters in Brussels, Nov 8, 2019. (AP)

Egypt's annual urban inflation rises to 3.6%

CAIRO, Dec 10, (RTRS): Egypt's annual urban consumer price inflation rose to 3.6% in November from 3.1% in October, the official statistics agency CAPMAS said on Tuesday.

Egypt, whose annual inflation rate increased to 33% in 2017, is emerging from a three-year IMF-backed economic reform programme. The government has hiked domestic fuel prices several times, most recently in July, as part of the terms of the $12 billion agreement.

Urban inflation decreased 0.3% month-on-month. The slight rise year-on-year was "because of unfavourable base year impacts," said Yara Elkahky, an economist at Naeem Brokerage. "But it is good news and aligned with our estimate."

Annual urban consumer price inflation had fallen for six consecutive months between May and October. The central bank has made three consecutive cuts to interest rates since August, slashing them by a cumulative 350 basis points.

Radwa El-Swaify, head of research at Pharos Securities Brokerage, also said the figures were largely in line with expectations. She expects base year effects will push inflation higher in December, to 6.5-7% year-on-year.

Core inflation, which strips out volatile items like food, fell to 2.1% year-on-year in November from 2.7% in October, the central bank said on Tuesday.