Chevron will write down assets by at least $10 billion

Chevron Corp said Tuesday it will book a charge of at least $10 billion because lower long-term prices for oil and natural gas will reduce the value of its assets.

More than half the write-down is related to gas drilling operations in Appalachia.

The huge fourth-quarter write-down – between $10 billion and $11 billion – underscores the challenge posed by rising production that has prevented energy prices from increasing sharply during a time of increasing global demand.

Chevron said it will reduce spending on some investments including Appalachian shale, a liquefied gas terminal in British Columbia, and other international projects. The company said it is evaluating options including selling those assets.

The San Ramon, California-based company disclosed the estimated charge as it announced that capital and exploration spending next year will be held flat at $20 billion. Chevron will focus on operations in the Permian Basin of west Texas and New Mexico, a big project in Kazakhstan, and deepwater drilling opportunities in the Gulf of Mexico.

Chairman and CEO Michael Wirth said the company must invest in its best assets.

"With capital discipline and a conservative outlook comes the responsibility to make the tough choices necessary to deliver higher cash returns to our shareholders over the long term," he said in a statement.

In trading before the announcement, Chevron shares rose 59 cents to close at $117.89. (AP)

This file photo shows the logo for Chevron on the floor of the New York Stock Exchange. (AP)

Market Movements 11-12-2019

		Index	Change	Closing pts
AUSTRALIA	-	All Ordinaries	+41.16	6,853.24
GERMANY	-	DAX	+76.02	13,146.74
FRANCE	-	CAC 40	+12.85	5,860.88
EUROPE	-	Euro Stoxx 50	+15.67	3,687.45
S. KOREA	-	KRX 100	+12.89	4,536.13
PHILIPPINES	-	PSEi	+50.23	7,786.41
INDIA	-	Sensex	+172.69	40,412.57

		Index	Change	Closing pts
JAPAN	-	Nikkei	-18.33	23,391.86
PAKISTAN	-	KSE 100	-133.18	40,531.42

Business

Crude output falls 193,000 bpd in November on Saudi cut

OPEC sees small 2020 oil deficit even before latest supply cut

LONDON, Dec 11, (RTRS): OPEC on Wednesday pointed to a small deficit in the oil market next year due to restraint by Saudi Arabia even before the latest supply pact with other producers takes effect, suggesting a tighter market than previously thought.

In a monthly report, OPEC said demand for its crude will average 29.58 million barrels per day (bpd) next year. OPEC pumped less oil in November than the average 2020 requirement, having in previous months supplied more.

The report retreats further from OPEC's initial projection of a 2020 supply glut as output from rival producers such as US shale has grown more slowly than expected. This will give a tailwind to efforts by OPEC and partners led by Russia to support the market next year.

OPEC kept its 2020 economic and oil demand growth forecasts steady and was more upbeat about the outlook.

"On the positive side, the global trade slowdown has likely bottomed out, and now the negative trend in industrial production seen in 2019 is expected to reverse in 2020," the report said.

Oil prices were steady after the report's release, trading near $64 a barrel, below the level some OPEC officials have said they favour.

The Organization of the Petroleum Exporting Countries, Russia and other producers, a group known as OPEC+, have since Jan 1 implemented a deal to cut output by 1.2 million bpd to support the market.

At meetings last week, OPEC+ agreed to a further cut of 500,000 bpd from Jan 1, 2020.

The report showed OPEC production falling even before the new deal takes effect.

In November, OPEC output fell by 193,000 bpd to 29.55 million bpd, according to figures the group collects from secondary sources, as Saudi Arabia cut supply.

Saudi Arabia told OPEC it made an even bigger cut in supply of over 400,000 bpd last month. The kingdom had boosted production in October after attacks on its oil facilities in September briefly more than halved output.

The November production rate suggests there would be a 2020 deficit of 30,000 bpd if OPEC kept pumping the same amount and other factors remained equal, less than the 70,000 bpd surplus implied in November's report and an excess of over 500,000 bpd seen in July.

OPEC and its partners have been limiting supply since 2017, helping to revive prices by clearing a glut that built up in 2014 to 2016. But higher prices have also boosted US shale and other rival supplies.

In the report, OPEC said non-OPEC supply will grow by 2.17 million bpd in 2020, unchanged from the previous forecast but 270,000 less than initially thought in July as shale has not grown as quickly as first thought.

"In 2020, non-OPEC supply is expected to see a continued slowdown in growth on the back of decreased investment and lower drilling activities in US tight oil," OPEC said, using another term for shale.

US inflation firms in November

CPI increases 2.1% year-on-year

WASHINGTON, Dec 11, (RTRS): US consumer prices increased solidly in November, which together with labor market strength could support the Federal Reserve's intention not to cut interest rates again in the near term after reducing borrowing costs three times this year.

The report from the Labor Department on Wednesday also showed underlying inflation firming last month. It came as Fed officials were due to conclude a two-day policy meeting. The US central bank is expected to keep rates on hold. It signaled a pause in October in the easing cycle that started in July when it cut rates for the first time since 2008.

"There are not worrisome deflation undercurrents in this economy and Fed officials do not need to cut interest rates further to boost economic demand," said Chris Rupkey, chief economist at MUFG in New York.

The consumer price index rose 0.3% last month as households paid more for gasoline and food prices increased for a third consecutive month. The CPI advanced 0.4% in October. In the 12 months through November, the CPI increased 2.1% after gaining 1.8% in October.

Economists polled by Reuters had forecast the CPI climbing 0.2% in November and rising 2.0% on a year-on-year basis.

Excluding the volatile food and energy components, the CPI rose by 0.2%, matching October's increase. The so-called core CPI was up by an unrounded 0.2298% last month compared to 0.1572% in October. The core CPI was lifted by gains in healthcare and prices of used cars and trucks, recreation and hotel and motel accommodation.

In the 12 months through November, the core CPI increased 2.3% after a similar gain in October.

The Fed tracks the core personal consumption expenditures (PCE) price index for its 2.0% inflation target. The core PCE price index rose 1.6% on a year-on-year basis in October and has undershot its target this year. November PCE price data will be published later this month.

The dollar was little changed against a basket of currencies after the CPI data, while US Treasury prices dipped.

November's firmer inflation readings followed a report last Friday showing the economy added a robust 266,000 jobs in November and the unemployment rate fell back to 3.5%, its lowest level in nearly half a century. Other data on housing, trade and manufacturing have also been relatively upbeat, and suggested the economy was growing at moderate speed rather than stalling.

In November, gasoline prices rose 1.1% after rebounding 3.7% in October. Food prices edged up 0.1%, rising for a third straight month. Food consumed at home gained 0.1%.

Owners' equivalent rent of primary residence, which is what a homeowner would pay to rent or receive from renting a home, increased 0.2% last month, matching October's rise.

Cbank expects moderate economic growth next year

US Fed holds interest rates steady

WASHINGTON, Dec 11, (RTRS): The US Federal Reserve on Wednesday held interest rates steady and signaled borrowing costs are likely to remain unchanged indefinitely, with moderate economic growth and low unemployment expected to continue through next year's presidential election.

The decision by the US central bank's rate-setting committee left the benchmark overnight lending rate in its current target range between 1.50% and 1.75%.

New economic projections showed a solid majority of 13 of 17 Fed policymakers foresee no change in interest rates until at least 2021. The other four saw only one rate hike next year.

Notably, no policymakers suggested lower rates would be appropriate next year, a sign the Fed feels it has engineered a "soft landing" after a volatile year in which recession risks rose, the US bond yield curve inverted, and trade policy disrupted markets.

"The Committee judges the current stance of monetary policy is appropriate to support sustained expansion of economic activity, strong labor market conditions, and inflation near the ... symmetric 2 percent objective," the Fed said in a policy statement after the end of a two-day meeting.

There were no dissents to the policy statement, the first without opposition since the April 30-May 1 meeting.

In the midst of an ongoing US-China trade war, Fed policymakers said they would continue monitoring "global developments" in deciding whether interest rates need to change. They also said they would keep an eye on "muted inflation pressures," a reflection of concern that the pace of price increases has failed to hit the central bank's target.

In this file photo Federal Reserve Board Chair Jerome Powell addresses a round table discussion during a visit to Silver Lane Elementary School, in East Hartford, Connecticut. (AP)

Fed Chairman Jerome Powell was scheduled to hold a press conference to discuss this week's policy meeting, the last of the year.

After the Fed's October policy meeting, Powell said it would take a "material" change in the economic outlook for the Fed to change rates again. The Fed cut rates three times this year, including in October.

The quarterly economic projections released on Wednesday showed little change from those in September, as policymakers sketched out an economy they feel has skirted recession risks and is poised to grow close to trend for several years more.

A reference in the October policy statement to "uncertainties" about the economic outlook was dropped on Wednesday.

Gross domestic product at the median is projected to grow 2% next year and 1.9% in 2021.

An Emirates jetliner comes in for landing at Dubai International Airport in Dubai, United Arab Emirates on Dec 11, 2019. Dubai International Airport in the UAE is the world's busiest for international travel. (AP)

Khalifa Port plans $1 bln 'expansion'

ABU DHABI, Dec 11, (RTRS): The capacity of Abu Dhabi's Khalifa Port will increase by 50% by the end of 2020 as part of a 3.8 billion dirham ($1 billion) expansion of the emirate's main port announced on Wednesday.

The oil-rich capital of the United Arab Emirates is investing billions of dollars in infrastructure to reduce the emirate's dependence on oil and gas and the port is a key part of its plans.

Khalifa Port, which opened in 2012, is between Abu Dhabi city and the financial centre of Dubai where the region's largest transshipment port Jebel Ali is located.

The container port's handling capacity will increase to 7.5 million twenty-foot equivalent units (TEUs) a year, up from 5 million, with a 1.6 billion dirham investment from Abu Dhabi Terminals, owned by state-run Abu Dhabi Ports and Swiss-based Mediterranean Shipping Co (MSC).

"Khalifa Port always tries to be at the forefront and ahead of other ports," said Mohamed al-Menhali, the port's acting director.

The port is expected to handle 2.5 million TEUs this year, up from 1.7 million in 2018, according to state owner Abu Dhabi Ports.

The expansion will be partly self-financed with the rest raised through local banks, executives said.

Industry main body sees stability in 2020

IATA cuts 2019 airline profit forecast

GENEVA, Dec 11, (RTRS): Airline profits are on course to fall faster than expected in 2019 as trade wars hit global commerce and broader confidence, the industry's main global body said on Wednesday, while predicting a modest recovery next year.

Cutting its full-year net profit forecast to $25.9 billion, a 5.1% decline from 2018, the International Air Transport Association said an improvement in 2020 was contingent on a "truce" in global trade disputes. In June it had forecast $28 billion in profit this year.

"Trade wars produce no winners," IATA Director General Alexandre de Juniac told an annual media briefing.

De Juniac also cited slower growth, Brexit and social unrest among factors that "all came together to create a tougher than anticipated business environment for airlines" in 2019.

IATA slashed its full-year global revenue forecast to $838 billion from the $899 billion predicted in June and said it expected an improvement to $872 billion for 2020.

"We've downgraded our forecasts for 2019 pretty much across the board," chief economist Brian Pearce said. "It's pretty clear that this has been driven mostly by the impact of trade wars."

Reflecting downward pressure on fares, net profit per passenger fell to $5.70 this year from $6.22, with the industry's net profit margin expected to decline to 3.1% this year from 3.4% in 2018.

But the sharpest deterioration is being felt in airlines' cargo businesses – where a 3.3% drop in freight demand marked the steepest decline since the 2009 financial crisis, with revenue down 8% year-on-year.

Growth in world trade has all but evaporated to an expected 0.9% this year, sharply down from the 2.5% forecast in June and the 4.1% expansion predicted a year ago, IATA said.

Underpinning the partial recovery predicted next year, IATA forecast more robust trade growth of 3.3% as "election-year pressures in the US contribute to reduced trade tensions".

The nine-month-old grounding of the Boeing 737 MAX has had a significant impact on some airlines, though less than 0.5% of the global fleet is directly affected.

Pearce said the expected return of a backlog of hundreds of stranded MAX jets to the market in 2020 could produce a surge in capacity that would be "hard to swallow" for aircraft markets – offset partly by the retirement of older jets.

While a handful of carriers led by US majors dominate the industry's overall profits, the past year has also seen a slew of airline failures mainly in Europe.

Pearce said he saw scope for further consolidation because of the high proportion of airlines that had failed to perform in an industry that remains highly fragmented because of regulations making cross-border tie-ups difficult to carry out.

Airbus beats Boeing again in aircraft orders and deliveries

NEW YORK, Dec 11, (AP): Boeing's grounded 737 Max got a boost from two orders in November, but the American aircraft company continues to trail Europe's Airbus in both orders and deliveries of airline planes.

Boeing disclosed Tuesday that it received 11 net orders in November – 63 new orders but 52 cancellations.

Turkey's SunExpress ordered 10 Max jets, and an unidentified buyer took 20. However, 10 other Max orders were canceled or switched to other Boeing planes, the company said.

Orders for the Max vanished for several months after the plane was grounded in March following two crashes that killed 346 people. Boeing is behind schedule in completing changes to software and computers that it hopes will convince regulators to let the plane fly again.

The Chicago-based company delivered 24 planes in November, down from 79 a year earlier, when half the planes it shipped were Max jets. Boeing halted Max deliveries after the grounding, cutting off a vital source of cash flow.

By contrast, Airbus reported last week that it took 222 new orders – 120 in one deal with Air Arabia – and delivered 77 commercial planes in November.

Boeing could deliver fewer than half the planes it shipped in 2018. Through November, it recorded 345 deliveries this year, far behind the pace of last year, when it finished with 806 deliveries.

Chicago-based Boeing has said the company hasn't lost a major order because of the Max crashes. But some customers have shifted orders to other Boeing planes, a Saudi discount carrier backed out of a tentative deal for Max jets, and Boeing lost other orders because of the financial collapse of India's Jet Airways.