Nike shares slip, faces Twitter storm after sneaker fail

Shares of Nike Inc fell nearly 2 percent on Thursday, a day after a sneaker worn by emerging basketball star Zion Williamson split in half 33 seconds into a hotly anticipated game between Duke University and North Carolina.

The freshman center, who plays for the Duke Blue Devils, suffered a mild sprain to his right knee, according to his coach Mike Krzyzewski.

Williamson did not return to play in the match-up, which ended with No. 1 Duke losing 72-88 to the No. 8 ranked Tar Heels.

"We are obviously concerned and want to wish Zion a speedy recovery," Nike said in a statement.

"The quality and performance of our products are of utmost importance. While this is an isolated occurrence, we are working to identify the issue."

Williamson was wearing the Nike PG 2.5 basketball shoe when he was injured, according to ESPN. The line of sneakers are a product of a collaboration between the world's largest sportswear company and six-time NBA All-Star Paul George, who plays for the Oklahoma City Thunder.

Nike shares were down about 1 percent at $84.03 in early trading on the New York Stock Exchange, while its relatively thinly-traded shares on the Frankfurt market fell around 1 percent. Shares in rivals Adidas and Puma edged higher.

Nike is Duke's exclusive supplier of uniforms, shoes and apparel under a 12-year contract that was extended in 2015 and has had an exclusive deal with the private university since 1992, ESPN reported. (RTRS)

In this file photo, the Twitter bird logo is on an updated phone post on the floor of the New York Stock Exchange. (AP)

Trading volumes in pound inch higher since start of 2019

Brexit concerns bite into sterling's share of London FX market

LONDON, Feb 21, (RTRS): As Brexit talks drag on, sterling trading volumes in London, the world's biggest forex trading centre, are languishing well below long-term averages, with long-term investors and sovereign players set to stay on the sidelines until the crisis is over.

Trading volumes in the pound have inched higher since the start of 2019 as Britain's scheduled March 29 exit from the European Union approaches. But in the past year — a period when virtually every one of the world's major currencies including the Chinese yuan clocked increased market share — interest in trading sterling tailed off.

That drop in volumes, a clear sign of investors' reluctance to buy and sell British assets, may be contributing to sterling volatility, with many citing reduced liquidity as a reason why the currency seems to have become vulnerable to exaggerated swings on relatively minor headlines in recent weeks.

"A lot of people ... have increased exposure (in recent weeks) though sterling volumes are about 40-50 percent lower than pre-Brexit roughly on an average," said Fabrizio Russo, Nomura's head of foreign exchange sales for Europe, the Middle East and Africa. He was speaking of turnover on Nomura's platform.

Dollar/pound remains the second-most traded exchange rate in London but average daily turnover dropped to $324 billion in the six-month period ending October 2018, versus $351 billion in the previous period ending April 2018, according to the latest data from the Bank of England.

The size of the broader currency market has expanded in the past four years but the pound's percentage market share has broadly stagnated and against some currencies it has fallen.

The share of the pound/dollar exchange rate declined to 12.4 percent in October 2018 from 12.9 percent earlier while the euro/pound exchange rate, the most susceptible to Brexit-related headlines, has seen its share decline to 2.5 percent, according to BoE data which is based on FX trading in London.

Before the June 2016 Brexit referendum, euro/pound's share was 2.6 percent, peaking at 2.9 percent in October 2016.

Such has been its decline that even the offshore-traded Chinese currency has overtaken the euro/pound rate, with a 2.8 percent share in London versus the dollar, almost double 2016 levels. The Australian dollar and Japanese yen also increased their shares, to 5.1 percent and 12.2 percent respectively, the BoE said.

Instead, more investors have turned to the derivative markets to hedge sterling bets, preferring to take positions here rather than the volatile spot market.

Because the pound has become more susceptible to Brexit headlines, companies and some institutional investors have taken to the currency forwards and swaps markets to execute their currency needs rather than executing them via cash markets, a head of trading at a European bank in London said.

For instance, CLS data shows average daily turnover on sterling swaps rose to $202 billion in January 2019 from $188 billion a year ago. Similar increases were noticed even in the euro/pound currency swap markets with a 27 percent increase in swaps to $24 billion.

Average daily turnover on pound/euro currency futures on a platform run by the CME group has jumped to more than nearly 5,000 contracts this week, from 1,500 contracts at the start of February.

Of late, expectations of a Brexit solution have fuelled some interest in sterling. The currency is also considered undervalued and big institutional investors such as sovereign wealth funds remain broadly underweight.

CLS, a major settler of foreign exchange trades says average daily volumes in the pound clocked a decent $65 billion in January, up from $64 billion in the December quarter and $60 billion in the September quarter.

Last year's average was $62 billion. But pre-Brexit, daily average volumes were as much as $100 billion and have fallen 30-40 percent across the board barring a brief spike in September 2018, CLS data shows.

But the struggling economy and Brexit uncertainty are also capping turnover. A series of defeats for Prime Minister Theresa May in parliament indicates she does not have lawmakers' support less than six weeks before the March 29 exit date.

Shrinking eurozone factories 'drag' economy to a near-halt

Factory growth declines for first time since mid-2013

LONDON, Feb 21, (RTRS): Factories across the eurozone unexpectedly shunted into reverse this month as activity in manufacturing powerhouse Germany declined again amid trade tensions and struggles in the auto sector, surveys showed.

While that downturn was offset by a much faster than expected acceleration in services activity — which meant overall private sector growth picked up modestly — it will likely worry policymakers as factories also drive the bloc's dominant service industry.

IHS Markit's Flash Composite Purchasing Managers' Index, which is seen as a good guide to economic health, rose to 51.4 this month from a final January reading of 51.0, above a Reuters poll median expectation for 51.1 but still below where it has been for much of the past four years.

"This does not mean that growth worries are over as the manufacturing output index dropped to below 50, signalling contraction for euro zone industry for the first time in almost six years," said Bert Colijn at ING.

The flash manufacturing PMI tumbled to 49.2 this month, its lowest since mid-2013 and substantially below the 50-mark that separates growth from contraction.

A Reuters poll had predicted a modest dip to 50.3 from January's final reading of 50.5. The lowest forecast in the poll of 38 economists was 49.6.

An index measuring output, which feeds into a composite PMI, dropped to 49.2 from 50.5, its lowest reading since May 2013. In a further sign of how manufacturers are struggling, the new orders index fell to a near six-year low of 46.2 from 47.8.

Adding to that gloomy picture, factories ran down old orders faster while also building up a stock of completed products.

In France, the bloc's second biggest economy, business activity shrank marginally as manufacturing growth helped offset slack in services that has dogged firms in the wake of anti-government protests.

But Germany's vast manufacturing sector contracted for a second month. That comes only weeks before Britain, Europe's second-largest economy, is due to leave the European Union, uncertainty around the US-China trade war continues and new pollution standards are still affecting car makers.

"While there were some moderately encouraging signs from the Composite PMI, all is not well in the manufacturing sector," said Jack Allen at Capital Economics.

In contrast, demand for services across the currency union picked up and firms were able to build up a backlog of work, so a PMI for the services industry jumped to 52.3 from 51.2, above a Reuters poll consensus for 51.4.

That helped optimism rise, with the business expectations index bouncing to a four-month high of 61.6 from 60.5 and firms taking on new workers at a faster rate.

On Tuesday, official figures showed consumer confidence in the bloc rose more than expected this month but remained consistent with only modest household spending growth.

February's PMIs pointed to first-quarter eurozone growth of just 0.1 percent, IHS Markit said, below the latest Reuters poll estimate for 0.4 percent. The surveys come soon after the European Central Bank ended its more than 2.6 trillion euro asset purchase stimulus programme.

With overall demand falling and backlogs diminishing firms had to curtail by how much they raised prices. The output prices index fell to an 18-month low of 52.5 from 53.4.

With January inflation across the bloc expected to be confirmed at 1.4 percent when official figures are released on Friday, well below the ECB's 2 percent target ceiling, a decline in inflationary pressure will also concern ECB policymakers.

Global 'sovereign' debt to jump to $50tn: S&P Global

LONDON, Feb 21, (RTRS): Another jump in borrowing by governments will take the global mountain of sovereign debt to $50 trillion this year, ratings agency S&P Global forecast on Thursday.

The firm predicted sovereigns will borrow an equivalent of $7.78 trillion this year, which would be up 3.2 percent on 2018.

"Some 70 percent, or $5.5 trillion, of sovereigns' gross borrowing will be to refinance maturing long-term debt, resulting in an estimated net borrowing requirement of about $2.3 trillion, or 2.6 percent of the GDP of rated sovereigns," said S&P Global Ratings credit analyst Karen Vartapetov.

The rise in the total debt stock to $50 trillion would be a 6 percent rise on last year having been partly exacerbated by exchange rate swings.

At nearly $2,000, Galaxy Fold to go on sale April 26

Samsung announces folding phone with 5G

SAN FRANCISCO/LONDON, Feb 21, (RTRS): Samsung Electronics Co Ltd on Wednesday unveiled a nearly $2,000 folding smartphone in a bid to top the technology of Apple Inc and Chinese rivals and reignite consumer interest amid slumping sales.

The Galaxy Fold will go on sale on April 26 and take advantage of new and faster 5G mobile networks. The device looks similar to a conventional smartphone, but then opens like a book to reveal a display the size of a small tablet at 7.3 inches (18.5 cm).

The device "answers skeptics who said that everything that could be done has been done," DJ Koh, chief executive of Samsung Electronics, said at an event in San Francisco. "We are here to prove them wrong."

Samsung remains the world's largest smartphone maker with nearly a fifth of global unit sales but underperformed a slumping market last year. Chinese rival Huawei Technologies Co Ltd - whose Mate series of phones also command premium prices - gained market share. Other Chinese makers like Xiaomi Corp have also been increasing prices, leaving Samsung to defend its turf against upstart rivals in addition to its longtime foe Apple.

With the foldable phone, Samsung is going on the offensive on two fronts in the smartphone race: It is offering an eye-catching new feature with the big, bending screen and the first 5G connection in a premium phone, a feature analysts do not expect Apple to match until 2020.

Samsung is also making improvements to its flagship Galaxy S devices and plans to offer a 4G version of its folding phone.

It also challenges the notion of what a phone can cost, debuting at nearly twice the price of current top-of-the-line models from Apple and Samsung itself.

Patrick Moorhead, founder of Moor Insights & Strategy, said the new folding device could help Samsung stay at the top and lure consumers to upgrade devices that have looked largely the same over the past five years.

Features of the new Samsung Galaxy Fold smartphone are displayed during an event Feb 20, 2019, in San Francisco. Samsung is hailing the 10th anniversary of its first smartphone with three new models that seem unlikely to reverse a sales slump in an industry recycling the same ideas. The S10 line-up unveiled Wednesday in San Francisco all boast fancy cameras, sleek screens covering the entire front of the device and at least 128 gigabytes of storage, the most important features to consumers looking for a new smartphone. (AP)

"Samsung and Apple go back and forth" to lead the premium smartphone market, Moorhead said. "I think this is Samsung's chance to take back the innovation crown." And even though the $1,980 starting price is steep, some dedicated Samsung fans said they would pay it. Navneet Kumar Singh, a Samsung enthusiast from India who traveled to San Francisco to watch the launch, is ready to place his order.

"The prices of the flagship models have been a little aggressive in India," he said, "But in the end, if you invest the money you're getting a different experience."

Samsung also introduced several accessories to compete against Apple, including a pair of wireless headphones called Galaxy Buds. The headphones include wireless charging, a feature that Apple has promised to put into is competing AirPods but has not yet released.

Samsung also said that its new Galaxy phones will be able to wirelessly charge its headphones and new smartwatches by setting the accessories on the back of the phone.

Along with the folding phone, Samsung also added new cameras and a 5G version to its Galaxy series of phones.

Verizon Communications Inc will be the first carrier to offer service for Samsung's 5G phones. The networks are expected to be 10 times faster than current ones, improving viewing of live news and sports events.

With the 5G versions of its flagships, the Korean electronics maker looks to have beaten Chinese rivals in the 5G race, although the device will operate only on the small number of networks launching later this year. Apple is not expected to release a 5G smartphone until late 2020.

Caterpillar & Apple among big names hit by trade war

NEW YORK, Feb 21, (AP): Companies making everything from computers to construction cranes are seeing their profits hurt as the United States' trade war with China causes the world's second largest economy to slow.

Apple is selling fewer iPhones in China and Caterpiller fewer bulldozers. Nvidia, a maker of graphics chips for video game consoles, reported a drop in its revenue.

Intel and 3M are among the other big-name companies who've recently blamed circumstances in China for their worsening financial outlooks.

More broadly, any companies making the majority of their revenue oUSde the US fared worse on earnings and revenue growth during the fourth quarter. They'll likely see further falls this year.

China's economy grew at the weakest annual rate last year since 1990. Demand for Chinese exports faded last year and the International Monetary Fund expects China's growth to weaken further in 2019.

Much of the current trade uncertainty hinges on a deadline, just over a week away, that could see the US hike its tariff on $200 billion worth of Chinese goods from 10 percent to 25 percent on March 2.

President Donald Trump imposed the penalties last year over complaints Beijing steals or pressures foreign companies to hand over technology. Beijing retaliated with higher duties on US goods and told its importers to find other suppliers. That led to a 40 percent drop in Chinese imports of American goods in January.

The dispute has already raised costs of goods for companies and consumers. An escalation of the trade fight would ripple through the global economy, said Mark Schofield, managing director at Citi Research.

Citi's base case for an immediate resolution involves a preliminary trade deal that would likely keep tariffs, and uncertainty in place. At worst, an escalation adds costs to companies and more volatility to the market, he said.

The two sides are meeting for talks Thursday and Friday in Washington, and Trump says he might be willing to push back the March 2 date if the talks go well.

Alphabet cloud computing remains third

Google's new cloud boss has big task to catch rivals: data

SAN FRANCISCO, Feb 21, (RTRS): Google has a new cloud computing boss and big ambitions to someday produce more revenue from that business than from advertising.

Now comes the hard part: winning over big-spending customers.

Alphabet Inc's cloud computing division remains a distant third behind Amazon.com Inc and Microsoft Corp in terms of global revenue, according to analysts' estimates. A few major companies manage their data on Google's servers. But Google has nowhere near the vast customer base of Amazon, according to a new Reuters analysis of company regulatory filings.

Businesses generally are not required to disclose their cloud vendors. Reuters found 311 out of about 5,000 worldwide that did so in 2018. While not comprehensive, the data provide a window into Google's challenge.

Thirty five of those companies named Google as a cloud provider. The largest by market capitalization were oil major Total SA and bank HSBC Holdings Plc.

Amazon Web Services led with 227 clients, including travel company Expedia Group Inc and industrials giant Siemens AG. Microsoft's Azure cloud had 69 firms, among them weapons maker Axon Enterprise Inc and business data firm Dun & Bradstreet Co.

Thirty four of the companies cited multiple clouds.

The previously untracked data show the work ahead for Thomas Kurian, who is weeks on the job as chief executive of Google Cloud. Kurian has vowed to double down where Google has seen promising results. Specifically, he plans to target governments and top companies in retail, manufacturing, healthcare, media and finance.

"A lot of our focus as we go forward is making sure that our sales organization has the background and the ability to sell to large, more traditional companies," Kurian said at a Goldman Sachs investor conference last week. "There's enormous appetite in those companies to consider Google."

Google declined to comment or make Kurian available for an interview.

People familiar with his plans said he is looking to reshape his division's culture. A key part is developing or acquiring easy-to-use, industry-specific corporate applications, an area that Amazon and Microsoft do not dominate.

"It's about the on-ramp onto their cloud," said Daniel Ives, a New York-based financial analyst following the cloud industry for Wedbush Securities. "The main way to get that is through applications."

A 22-year veteran of Oracle Corp, Kurian gave the database company fresh life as the product leader behind its move to selling cloud services. His hire is already making potential customers reconsider Google, said Ray Wang, founder of Constellation Research, a Monta Vista, Calif-based firm that helps businesses negotiate cloud deals.

"They've worked with him," Wang said. "There's a trust factor that wasn't there before."

Kurian also must reassure some investors bewildered by Google's cloud ambitions: Diversifying revenue beyond advertising is a plus, but it is not coming cheap.

Google, Microsoft and Amazon combined spent nearly $53 billion on capital expenses last year, driven by data center projects to house their clouds.

With gross margins of 20 percent or less, selling cloud storage or tools for which customers need specialized staff is less lucrative for a small vendor, industry experts said. But margins on the type of software Kurian likely wants to offer can top even the 60 percent of Google's ad business.

"The next wave of growth is going to have to come from the heavy hitting applications," said Kerry Liu, chief executive at Rubikloud, which helps retailers with cloud projects.

Google got serious about the cloud around 2016, five years after Amazon Web Services had become a multibillion-dollar behemoth. But Google's reputation for limited customer support has attracted mostly newer businesses or those with significant tech know-how.

Mike Fisher, Etsy Inc's chief technology officer, said Google's superior AI tools helped win over the New York-based crafts marketplace. Fisher expects data-crunching algorithms to account for 25 percent of its server use this year, up from 10 percent last year.