Egypt's court lifts ban on Uber, Careem services

Egypt's top administrative court on Saturday lifted a ban on operations by ride-hailing companies Uber and Careem, which have faced fierce opposition from traditional taxi drivers, a judicial source and lawyer said.

A lower administrative court withdrew the permits of US-based Uber and its main rival, Dubai-based Careem, in March 2018 after 42 taxi drivers filed suit, arguing the apps were illegally using private cars as taxis and were registered as a call centre and an internet company, respectively.

In April last year, however, the Cairo Court of Urgent Matters said the ruling should be suspended and the two firms should be allowed to continue operating until a final decision was made by the Highest Administrative Court, which accepted the companies' appeal on Saturday.

Uber has faced repeated regulatory and legal setbacks around the world due to opposition from traditional taxi services. It has been forced to quit several countries, including Denmark and Hungary.

The company has said Egypt is its largest market in the Middle East, with 157,000 drivers in 2017 and four million users since its launch there in 2014. Last week, Uber reached an agreement with the Egyptian Tax Authority to pay value-added tax (VAT), which Careem said it had been paying since March 2018. (RTRS)

Babacan Holding to invest in energy, logistics

Turkish real estate and construction company Babacan Holding is planning to invest 200 million euros ($227 million) in geothermal energy and 120 million lira ($23 million) in the logistics sector, the company's chairman said on Friday. The unlisted company will finance 50 percent of the energy investments from its own capital and seek foreign financing for the remainder, Ibrahim Babacan told Reuters in an interview. Babacan Holding had planned to go public this year but would likely postpone those plans given waning interest from investors due to high exchange and interest rates, he said.

"We are carrying out work on geothermal energy in Aydin's Soke region," he said, referring to the western province. "We are drilling in three different places. We are planning geothermal plants with a total of 110 megawatts. We will realise the investments in three years." Electricity produced from the plants would be sold to the state and the company could engage in greenhouse farming to utilise the heat produced during the process, Babacan said.

The company would also invest in the logistics sector and would begin two separate logistics storage construction projects in 2019 in Turkey's northern Marmara region, he said. This year, it would begin two real estate projects in Istanbul and the southern province of Gaziantep worth a total of 600 million lira, Babacan said, adding it already had three ongoing projects worth 1.6 billion lira. (RTRS)

Market Movements 22-02-2019

		Change	Closing pts
AUSTRALIA	All Ordinaries	+27.30	6,241.90
GERMANY	DAX	+34.42	11,457.70
FRANCE	CAC 40	+19.74	5,215.85
EUROPE	Euro Stoxx 50	+6.85	3,270.55
S. KOREA	KRX 100	+4.26	4,641.17
PHILIPPINES	All Shares	+26.83	4,883.83

		Change	Closing pts
JAPAN	Nikkei	-38.72	21,425.51
INDIA	Sensex	-26.87	35,871.48
PAKISTAN	KSE 100	-54.58	40,016.13

Business

Deficit already projected to increase to $897 bln in fiscal 2019 and $1.1 trln by 2022

US economic growth set to slow as fiscal stimulus fades

John Kemp is a Reuters market analyst. The views expressed are his own – Editor

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By John Kemp

The US government pumped up the economy in 2018 by taxing less, spending more, especially on defence, and boosting borrowing, but it probably cannot repeat the same stimulus in 2019/2020.

As the fiscal stimulus from last year fades, economic growth is set to slow, especially in the manufacturing sector, which has been a major beneficiary from higher defence spending.

The federal government's receipts from taxes, social security contributions, customs duties and other items fell by 0.4 percent in 2018, as reduced tax rates more than offset the impact of an expanding economy.

Federal revenues have recently been growing at some of the slowest rates outside recession periods in the last four decades ("Monthly Treasury Statement", US Bureau of the Fiscal Service, Feb 13).

At the same time, government spending has continued rising at a rate close to its long-term average, with federal outlays increasing by more than 4.4 percent last year compared with 2017.

The result has been a massive fiscal stimulus in an economy already well advanced in the business cycle with unemployment at multi-decade lows and limited spare capacity.

Much of the extra spending has been directed towards the Department of Defense, where outlays jumped by almost 5.6 percent in the fiscal year to September 2018.

Within the military budget, a big part of the extra spending has gone on equipment, with procurement surging by 8.2 percent in fiscal 2018, up from a 1.4 percent increase in fiscal 2017 and 1.3 percent in fiscal 2016.

Much of the extra spending has been directed towards long-lived hardware rather than non-durable items, giving a massive boost to the defence industrial base.

US manufacturers reported that new orders for defence capital goods grew at an annual rate over 20 percent in 2018, separate data published by the US Census Bureau showed.

New orders for defence capital goods rose four times faster (23.7 percent) than new orders for non-defence capital goods (6.0 percent) last year, according to the Census Bureau.

The question is whether this rate of fiscal expansion is sustainable, and, if not, what will happen when the military spending boom slows.

The government recorded a deficit of $779 billion in fiscal 2018 (3.8 percent of GDP), according to the US Congressional Budget Office ("Budget and economic outlook", CBO, January 2019).

On current policies, the deficit is already projected to increase to $897 billion in fiscal 2019 (4.2 percent) and $1.1 trillion by fiscal 2022 (4.7 percent).

The scope for boosting the economy further by cutting taxes or increasing spending may therefore be more limited in future. (RTRS)

Brexit uncertainty

Fitch may cut UK 'AA' rating

LONDON, Feb 23, (RTRS): Fitch Ratings said on it may downgrade the United Kingdom's 'AA' debt rating based on growing uncertainty about the negotiations between Britain and the European Union over the nation's departure from the economic bloc next month.

"Fitch believes that a 'no-deal' Brexit would lead to substantial disruption to UK economic and trade prospects, at least in the near term," the rating agency said in a statement.

Fitch also said it may lower its 'AA' rating on the Bank of England if it cuts the UK's sovereign rating.

Earlier on Wednesday, British Prime Minister Theresa May held "constructive" talks in Brussels as she sought concessions on Brexit from a skeptical EU and her strategy came under strain after the defection of three lawmakers.

In late U.S. trading, sterling extended losses briefly against the dollar following Fitch's statement on the UK's rating. It ended down 0.1 percent at $1.3051.

Time is running out for May to gain approval from UK lawmakers ahead of the March 29 Brexit deadline.

"For the withdrawal agreement to be approved by the UK by the deadline, the government would need to substantially widen its support," Fitch said.

30 years on, US-China politics & tech collide

President Donald Trump meets with Chinese Vice-Premier Liu He (center front), as US Trade Representative Robert Lighthizer (front right), listen in the Oval Office of the White House in Washington, Feb 22. (AP)

Technology transfer at centre of the trade tussle

LONDON, Feb 23, (RTRS): "US EASES CURBS ON EXPORTS TO CHINA" read a Reuters headline on March 1, 1989, when Washington lifted long-standing restrictions on technology shipments to China.

On that day 30 years ago, US commerce officials talked warmly of improving ties with China and of the need to help its economy – then about half the size of Italy's – to grow, despite the objections of military strategists at the Pentagon.

Next Friday not only marks the 30th anniversary of the decision, but it is also the deadline set by President Donald Trump for a deal to end the seven-month trade war between the United States and China, now its biggest economic rival.

A different kind of technology transfer is at the centre of the trade tussle that is likely to play a big part in defining the path of the world economy in years to come.

The United States has accused Beijing of forcing US companies doing business in China to share their technology with local partners and hand over intellectual property secrets, charges that China denies.

More broadly, the row over trade has produced tit-for-tat tariffs on hundreds of billions of dollars of goods, disrupting manufacturing supply chains and weighing on the global economy.

Without a deal on March 1, US tariffs on $200 billion of Chinese goods are scheduled to rise to 25 percent from 10 percent, although Trump has said he may be flexible on the deadline if he sees progress being made.

Stand-off

But the current stand-off is widely seen as just part of a broader struggle for hegemony between the world's two biggest economic powers.

"The tensions between the United States and China are obviously not just about trade," said Paul Gruenwald, global chief economist at ratings agency Standard & Poor's.

He said China had offered to buy more US soybeans, liquid natural gas and airplanes, but the bigger issues are about intellectual and technology transfers as well as state subsidies.

"I suspect the negotiations are going to be tricky. I can't see big changes by China," Gruenwald said.

Negotiators are drawing up six memorandums of understanding on structural issues: forced technology transfer and cyber theft, intellectual property rights, services, currency, agriculture and non-tariff barriers to trade, two sources familiar with the progress of the talks told Reuters in Washington.

Failure to reach a deal would have big consequences, and not only for the world's top two economies.

In a full-blown trade war with 25 percent tariffs on all goods flowing in both directions, China could lose up to 171 billion euros ($194 billion) in exports to the United States – around a fifth of the current annual total – according to a new report from EconPol Europe, a research network founded by Germany's Ifo Institute.

The United States, meanwhile, would lose around 51 billion euros of exports going to China. The winner – at least in the terms of crude mercantilism favoured by some – could be Europe.

"Trump may claim victory as the US manufacturing sector grows while the Chinese one shrinks, and the bilateral trade balance of the U.S. with China improves," EconPol Europe researchers Gabriel Felbermayr and Marina Steininger said.

"However, with the EU it deteriorates and Europe's trade (surplus) with the US becomes even larger," they added, since the United States would turn to Europe to substitute at least some of its Chinese imports.

And that could stoke further antagonism from the United States directed at the European Union, Felbermayr and Steininger said. Trump on Wednesday said the United States would impose tariffs on European car imports if it cannot reach a trade deal with the EU.

While Trump is also due to travel to Vietnam for talks with North Korean leader Kim Jong-un on Wednesday and Thursday, the US/China trade talks are more likely to be the key driver for markets, Investec economist Philip Shaw said. "Thus far the direction of travel appears to be positive. But offsetting some of the positive tone are concerns that the US administration may launch a car-based trade war with the EU," Shaw said.

For the shorter-term prospects of the global economy, investors are waiting to hear US Federal Reserve Chairman Jay Powell answer questions from lawmakers on Tuesday and Wednesday.

Berkshire reports $25bn Q4 loss

Buffett encourages investors to bet on American economy

OMAHA, Nebreska, Feb 23, (AP): Billionaire Warren Buffett says the company he built through decades of acquisitions continues to perform well even though he hasn't found any major deals at attractive prices recently.

Buffett released his annual letter to Berkshire Hathaway Inc shareholders on Saturday. He says the two potential successors he promoted last year to oversee most day-to-day operations are doing well, but the 88-year-old tycoon makes no mention of retiring.

Buffett also encourages investors to continue betting on the American economy because Berkshire has prospered by doing so, but he says they shouldn't forget about the rest of the world.

He says Americans will benefit and be safer if all nations thrive. Buffett's company recorded a $25 billion loss in the fourth quarter because of a big drop in the paper value of several of its stock investments.

Buffett said Saturday that Berkshire's businesses are performing well overall, but it has to record the market value of its stock holdings at the end of each quarter and Buffett has struggled to find attractive acquisitions recently. Berkshire lost $25.4 billion, or $10.31 per Class B share, in the quarter. That's down from last year's profit of $32.6 billion, or $13.19 per B share.

Buffett has long said Berkshire's operating earnings offer a better view of quarterly performance because they exclude investments and derivatives, which can vary widely.

By that measure, Berkshire reported operating earnings of $5.7 billion, or about $2.32 per B share. That's up from $3.3 billion, or about $1.35 per share.

The five analysts surveyed by FactSet expected Berkshire to report operating earnings of $9.58 per share for the full year. Berkshire reported operating earnings of $24.8 billion, or about $10.05 per B share.

In this file photo, Berkshire Hathaway Chairman and CEO Warren Buffett speaks during an interview in Omaha, Neb with Liz Claman (unseen), on Fox Business Network's 'Countdown to the Closing Bell'. Berkshire Hathaway Inc reports earnings on Feb 22. (AP)

Oversupply weighs

Asian spot prices for LNG hit new lows

LONDON, Feb 23, (RTRS): Asian spot prices for liquefied natural gas (LNG) dropped to new lows this week as sporadic spot demand failed to change the overall trend of oversupply in the market.

Spot prices for April delivery to northeast Asia are estimated at around $6.20 per million British thermal units (mmBtu), down 10 cents from the previous week.

BP sold a cargo to Gunvor at this price on Thursday for mid-April delivery to Asia in the Platts open window. Japanese utility Tohoku Electric bought a cargo in the market for April delivery at a similar price, a trade source said.

There were several enquiries for deliveries to China between late April and early May after traders returned from the Lunar New Year holidays, but overall LNG demand across north Asia remained exceptionally weak, sources in Singapore said. The current price is at the lowest level since September 2017, but it is unlikely to have reached its bottom yet.

"I think (when the price falls to) between $5-6/mmBtu, we should start to see some demand creation in Asia," a trader in Europe said, adding that it would start rebalancing the flow of cargoes between the Atlantic and Pacific basins.

There were some offers in Europe from sellers looking to divert their cargoes from Asia to Europe, another trader said.

South Korea's KOGAS is also diverting cargoes from its US offtake to Europe this winter, with the latest cargo to reach Britain's Isle of Grain terminal on Feb 28. Gas prices in Europe fell this week too, contributing to the weakness in the global LNG market. A stronger oil market may support gas prices somewhat but weak demand and ample supply are expected to keep them generally low.

Cargoes in Europe traded this week at around 95 percent to Britain's gas price benchmark for delivery into Britain, around 96-97 percent to the Dutch gas benchmark for delivery to the Netherlands, a 30 cent discount to the Dutch price for delivery to Spain and a 20 cent discount to the Dutch price for delivery to Italy, a trader said.

A number of outages that have taken place so far this year contributed to at least 15 missed cargoes, but oversupply is much higher than that.

Train 2 at Nigeria's Bonny plant was off this week, after going offline last week, sources in Europe said. Train 1 which was also offline last week is back online, they added.

In the United States, production recovered after an outage last week at one of the trains at Sabine Pass, a US trade source said.

"The train didn't fall to zero, as evidenced by still a lot of gas trading out there," the source said, adding that current production levels were around 5.2 billion cubic feet per day.

US producer Cheniere, which operates Sabine Pass, declined to comment.

Cheniere, however, could make a transhipment of a Yamal LNG cargo in Europe, which would signify that the company may need to substitute volumes lost in maintenance and loading halts in the United States earlier this month.

The Cool Explorer which is empty and is heading to the Gate terminal in the Netherlands is chartered by Cheniere, shipping sources said.

New supply options this week came from Russia's Sakhalin 2 plant and Angola LNG. India's Gail offered a new swap of its US offtake.

On the demand side, Argentina's Integracion Energetica Argentina (IEASA), Kuwait Petroleum Corp (KPC) and Mexico's CFE issued buy tenders.