Egypt central bank keeps key rates unchanged

Egypt's central bank on Thursday kept its key interest rates steady, in line with a Reuters poll of economists.

Of 15 economists surveyed by Reuters, 14 said the bank's monetary policy committee was unlikely to change its overnight rates. The overnight deposit rate was held at 15.75% and the overnight lending rate at 16.75%, the central bank said in a statement.

Egypt's annual urban consumer price inflation plunged to 9.4% in June from 14.1% in May, official statistics agency CAPMAS said on Wednesday, a significantly bigger drop than analysts had expected.

However, last week, Egypt introduced its latest round of fuel subsidy cuts, raising domestic prices by between 16% and 30%, as it nears the end of an International Monetary Fund economic reform programme.

Analysts have said inflation in July and August was likely to return to double digits, especially as the effects of the fuel price hikes are felt.

"The inflation outlook incorporated the recently implemented fiscal consolidation measures, that include reaching cost recovery for most fuel products as well as fuel price indexation to underlying costs," the central bank said in a statement. (RTRS)

Trump blasts Bitcoin, Facebook's Libra

US President Donald Trump on Thursday criticized Bitcoin, Facebook's proposed Libra digital coin and other cryptocurrencies and demanded that companies seek a banking charter and make themselves subject to US and global regulations if they wanted to "become a bank."

"I am not a fan of Bitcoin and other Cryptocurrencies, which are not money, and whose value is highly volatile and based on thin air," Trump wrote on Twitter.

"If Facebook and other companies want to become a bank, they must seek a new Banking Charter and become subject to all Banking Regulations, just like other Banks, both National and International," he added. Trump's comments come one day after Federal Reserve Chairman Jerome Powell told lawmakers that Facebook's plan to build a digital currency called Libra cannot move forward unless it addresses concerns over privacy, money laundering, consumer protection and financial stability.

Powell said the Fed has established a working group to follow the project and is coordinating with other government's central banks. The US Financial Stability Oversight Council, a panel of regulators that identifies risks to the financial system, is also expected to make a review.

Hours earlier on Thursday, Trump criticized large technology companies at an event at the White House, who he said treated conservative voices unfairly. (RTRS)

Market Movements 12-07-2019

			Change	Closing pts
JAPAN	-	Nikkei	+42.37	21,585.90
CHINA	-	Shanghai SE	+12.79	2,930.55
FRANCE	-	CAC 40	+20.91	5,572.86
EUROPE	-	Euro Stoxx 50	+09.90	3,497.63
S. KOREA	-	KRX 100	+15.13	4,407.48

			Change	Closing pts
AUSTRALIA	-	All Ordinaries	-17.02	6,788.81
INDIA	-	Sensex	-86.88	38,736.23
PAKISTAN	-	KSE 100	-202.91	33,672.49
GERMANY	-	DAX	-08.80	12,323.32
PHILIPPINES	-	All Shares	-12.67	8,141.82

Business

Lender OKs $75mn investment into Asia Investment Fund

AIIB President praises role of Kuwait in bank development

LUXEMBOURG, July 13, (KUNA): President of the Asian Infrastructure Investment Bank (AIIB) Jin Liqun Friday praised the role of Kuwait in the founding and expansion of the bank.

"Kuwait was the very first country to work with other Asian countries to create this bank. We are looking forward to the early ratification of the Kuwait Parliament to become full member," he told a press conference at the sidelines of the annual AIIB meeting in Luxembourg this afternoon.

"Gulf countries are very, very important for us. Geographically they sit at a very important area linking Asia, Europe, Africa. So we attach importance to the Gulf countries," he said in reply to a question by the Kuwait News Agency (KUNA).

"We are looking forward for working relationship getting stronger with Gulf countries," he said.

"As middle income countries they are very much interested in working with our banks. We believe that it is important for us to work with middle income countries to improve their infrastructure and there will be positive impact on the lower income countries around the region," said Liqun.

He noted that the AIIB is working in Oman in developing the port and broadband connections and added that "we will be very much delighted if we can have the opportunity to support other Gulf countries".

On his part, Finance Minister of Luxembourg Pierre Gramegna told the joint press conference that it is for the first time that the AIIB is holding its annual conference outside Asia.

He stated that Luxembourg as a leading international finance centre can play an important role in strengthening Asia-Europe banking relations.

He said that the AIIB currently has 97 members and three more countries are expected to join it tomorrow, and noted 2,500 delegates are attending the 2-day meeting which kicked off Friday in Luxembourg.

AIIB Board of Directors Friday approved a USD 75 million investment into the Asia Investment Fund (AIF), a private equity fund established in Hong Kong that focuses on telecommunication, transportation and energy.

The investment aims to mobilize private capital for infrastructure and other productive sectors by investing in minority equity stakes in Asian companies via a private equity fund. The AIF's target size is USD3 billion with a 10-year term from the final closing date.

The approval was announced at the AIIB annual conference being held in Luxembourg Friday and Saturday.

"With this investment, AIIB will be able to construct a well-diversified equity portfolio across AIIB members," said AIIB Vice-President and Chief Investment Officer D.J. Pandian in a press release.

Opportunity

"The investment presents a good opportunity for AIIB to influence positively the investment processes of a sizable fund by contributing to the environmental, social and governance management system of the fund manager," said AIIB Director General Dong-Ik Lee.

The AIF was established with a USD5 00-million initial commitment from the Ministry of Finance of the People's Republic of China, investing as a limited partner in the fund, it noted.

Meanwhile, the AIIB now has 100 approved members after its Board of Governors Saturday supported the applications of three African countries.

AIIBs Board of Governors approved the resolution welcoming the three prospective African members during the bank's fourth Annual Meeting in Luxembourg.

"AIIB members collectively account for 78 percent of the world's population and 63 percent of global GDP. With the backing of all of our members, we are building a lean, clean, and green institution that can help to support their sustainable development," said AIIB President Jin Liqun, in a press statement.

The three prospective non-regional members will officially join AIIB once they complete the required domestic processes and deposit the first capital installment with the bank, he said.

"AIIB was created by 57 founding members as a multilateral institution focused on supporting sustainable development through infrastructure. That another 43 members have joined in the last three years is recognition that AIIB has established itself as part of the rules-based international system, with strong governance and high international standards," said AIIB Vice-President and Corporate Secretary Sir Danny Alexander.

"We now have members on every continent, and we welcome the growing interest of African countries in AIIB. We look forward to working with Benin, Djibouti and Rwanda to support their development in the years to come," he added.

US producer prices rise marginally

Data suggest tame inflation

WASHINGTON, July 13, (RTRS): US producer prices rose slightly for the second straight month in June as an acceleration in the cost of services was offset by cheaper energy goods, resulting in the smallest annual increase in producer inflation in nearly 2-1/2 years.

The report from the Labor Department on Friday also showed a slowdown in underlying producer prices last month, a sign that overall inflation could remain moderate for a while despite strong gains in prices of some consumer goods and services in June. The tepid readings also suggested that tariffs on Chinese imports were not yet having an impact on inflation.

The low inflation environment and rising risks to the economy from the trade war between the United States and China, and cooling global growth are likely to see the Federal Reserve cutting interest rates this month for the first time in a decade. Fed Chairman Jerome Powell on Wednesday told lawmakers the US central bank would "act as appropriate" to protect the economy against these risks.

"We don't anticipate any significant acceleration in inflation through the remainder of this year," said Ryan Sweet, a senior economist at Moody's Analytics in West Chester, Pennsylvania. "Therefore, the Fed can cut rates in July and then keep them unchanged through 2020."

The producer price index for final demand edged up 0.1% last month after a similar gain in May. In the 12 months through June, the PPI rose 1.7%, the smallest gain since January 2017, slowing from a 1.8% increase in May.

Economists polled by Reuters had forecast the PPI unchanged in June and increasing 1.6% on a year-on-year basis.

Excluding the volatile food, energy and trade services components, producer prices were unchanged in June after rising 0.4% for two straight months. The so-called core PPI increased 2.1% in the 12 months through June after advancing 2.3% in May.

The dollar was little changed against a basket of currencies, while US Treasury prices rose. Stocks on Wall Street were trading higher, with the S&P 500 and Dow indexes hitting record highs on rate cut expectations.

Undershot

The Fed, which has a 2% inflation target, tracks the core personal consumption expenditures (PCE) price index for monetary policy. The core PCE price index increased 1.6% year-on-year in May and has undershot its target this year.

In June, wholesale energy prices fell 3.1% after slipping 1.0% in the prior month. Goods prices decreased 0.4% last month after declining 0.2% in May. A 5.0% drop in gasoline prices accounted for nearly 60% of the decline in the cost of goods last month.

Wholesale food prices rebounded 0.6% in June, driven by chicken eggs and fresh fruits and melons. Corn prices surged 19.9%, the largest rise since July 2015. But meat prices fell.

Excluding food and energy, goods prices were unchanged for the third straight month.

"The prices of core goods that companies pay to produce their products are seeing no lift from the tariffs that the Trump administration has put in place," said Chris Rupkey, chief economist at MUFG in New York. "That's not good news as it speaks volumes to the weakening demand seen in the manufacturing sector this year."

Manufacturing is struggling under the weight of trade tensions, an inventory bloat and a slowing global economy.

The cost of services increased 0.4% in June, the most since October 2018, after rising 0.3% in May. Services were boosted by an increase in margins received by wholesalers and retailers.

The cost of healthcare services rose 0.2% last month, matching May's gain. While prices for doctor visits and dental care were unchanged last month, the cost of hospital care increased a solid 0.4%.

Government revenues and spending both hit records

US budget deficit jumps 23% through June

WASHINGTON, July 13, (AP): The US budget deficit increased by $140 billion during the first nine months of this budget year to $747.1 billion as government revenues and spending both hit records.

The Treasury Department reported Thursday that the deficit for the current fiscal year through June is up 23.1% over the same period a year ago with receipts rising by 2.7% while spending increased 6.6%.

The Trump administration is forecasting that the deficit for the full budget year, which ends on Sept. 30, will top $1 trillion, up from a deficit of $779 billion last year.

The Congressional Budget Office is not quite so pessimistic for this year, forecasting a deficit of $896 billion this year. But the CBO projects that deficits will top $1 trillion beginning in 2022 and will remain above $1 trillion annually through 2029.

The surge in deficits reflects a variety of factors including a $1.5 trillion tax cut President Donald Trump pushed through Congress in late 2017 and billions of dollars in extra spending Congress approved in early 2018.

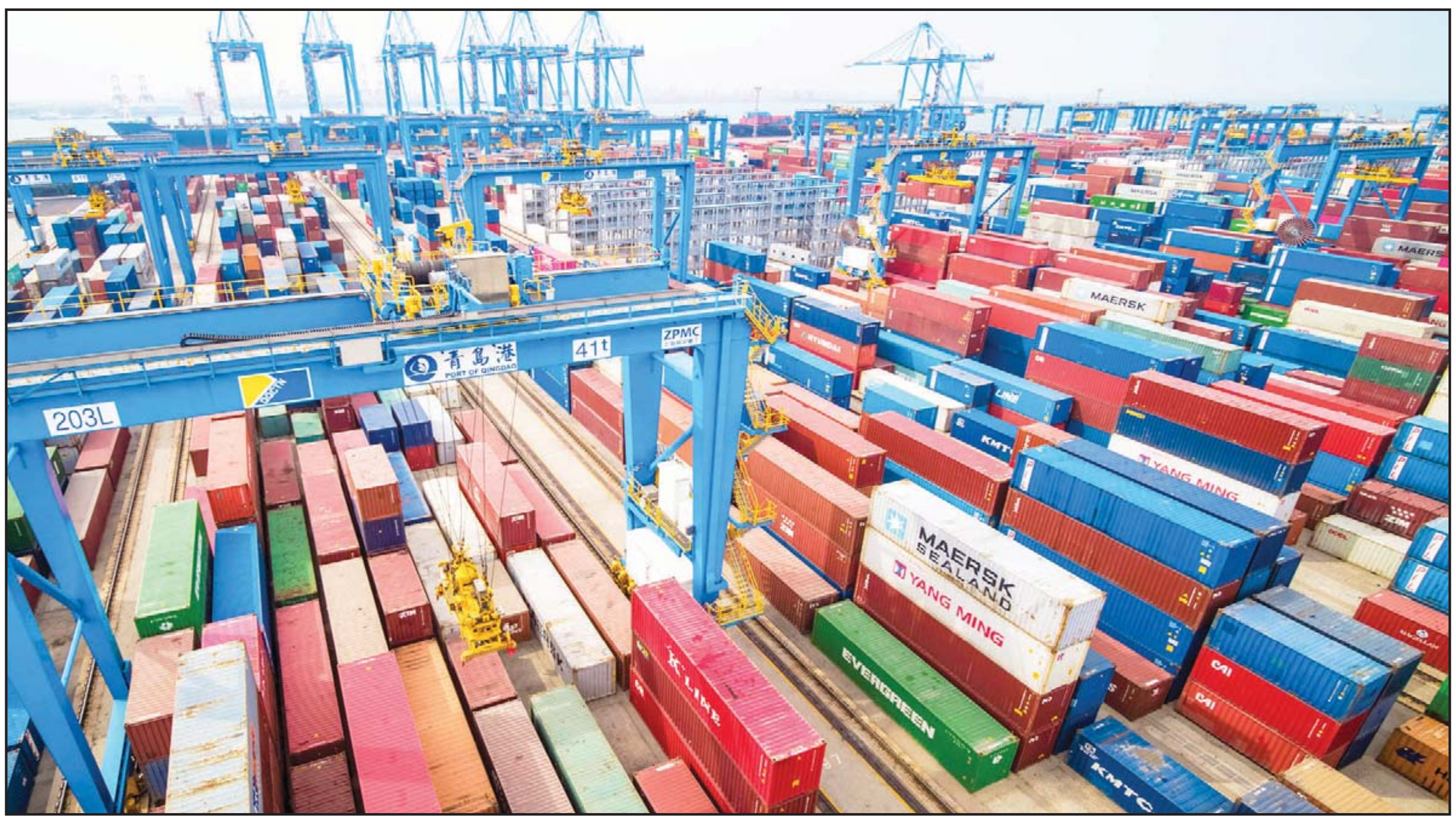
The Congress and the Trump administration have been unable to agree on a new budget, raising the prospects of another possible government shutdown when the new budget year starts on Oct. 1. In addition, Congress must pass an increase to the debt ceiling or risk an unprecedented default in the $22 trillion national debt.

The administration is pushing Congress to reach a budget deal and boost the debt limit before it starts its August recess but Democrats remain far apart with the Trump White House on what a deal should look like. The Treasury's monthly budget report showed that for June the deficit totaled $8.5 billion, down from a deficit of $74.9 billion in June 2018. However, much of that improvement reflected a calendar quirk that resulted in government benefits for June being distributed in May because June 1 fell on a Saturday.

For the October to June period, government receipts have totaled $2.61 trillion while spending totaled $3.36 trillion, both record amounts for the first nine months of a budget year.

The rise in receipts included a 78% jump in customs duties, which total $52 billion so far this budget year. Trump in May announced that he was doubling the punitive tariff he had imposed on $250 billion of Chinese goods from 10% to $25% after talks on a trade agreement to protect US technology broke down.

Trump held out the prospect of raising the tariff on an additional $300 billion of Chinese products but has suspended that possibility for now after the Chinese agreed to go back to the bargaining table.



In this file photo, containers are piled up at a port in Qingdao in east China's Shandong province. China's imports from the United States plunged 31.4% in June from a year earlier amid a tariff war with Washington, while exports to the US market sank 7.8%, Customs data showed on July 12. (AP)

Surging US output to outpace sluggish demand

IEA sees oil market oversupplied in 2019

LONDON, July 13, (RTRS): Surging US oil output will outpace sluggish global demand and lead to a large stocks build around the world in the next nine months, the International Energy Agency (IEA) said on Friday.

The forecasts appear to predict the need for producer club OPEC and its allies to reduce production to balance the market despite extending their existing pact, forecasting a fall in demand for OPEC crude to only 28 million barrels per day (bpd) in early 2020.

"Market tightness is not an issue for the time being and any rebalancing seems to have moved further into the future," the IEA said in its monthly report.

"Clearly, this presents a major challenge to those who have taken on the task of market management," it added, referring to the Organization of the Petroleum Exporting Countries and producer allies such as Russia.

The demand for OPEC crude oil in early 2020 could fall to only 28 million bpd, it added, with non-OPEC expansion in 2020 rising by 2.1 million bpd – a full 2 million bpd of which is expected to come from the United States.

At current OPEC output levels of 30 million bpd, the IEA predicted that global oil stocks could rise by 136 million barrels by the end of the first quarter of 2020.

Maintaining its forecasts for oil demand for the rest of 2019 and 2020, the Paris-based agency cited expected improvement in US-China trade relations and US economic expansion as encouraging but flagged tailwinds elsewhere.

"There are indications of deteriorating trade and manufacturing activity. Recent data show that global manufacturing output in 2Q19 fell for the first time since late 2012 and new orders have declined at a fast pace," it said.

The IEA said that markets were concerned by escalating tension between Iran and the West over oil tankers leaving the Gulf but that incidents in the region's shipping lanes have been overshadowed by supply concerns.

"The oil price impact has been minimal with no real security of supply pre-

Has OPEC reached its limits?

By Kamel Al-Harami
Independent Oil Analyst

Has OPEC reached its limits or does it have more breath to continue functioning alone as an independent organization without the need for any outside help? Since 2016, OPEC has not been able to function without inviting a very powerful third party to assist it in managing the oil situation, and bringing the oil prices to some acceptable level.

Now that the USA shale is taking over as the biggest oil producer with a production rate of 12.4 million, which may increase next year to 13.4 million barrels per day, it could retake its original position as the top world leader. At the same time, the oil organization itself is losing its volume and market share from its standard 28-30 percent, and losing its production of about 28 million barrels in the absence of oil volumes from its biggest founders Iran and Venezuela.

OPEC has been crippled by the absence of its two strongest political members who have volume and influence in the oil markets. It has to face new challenges related to shale oil and have to live with Russia for years to come. This is because OPEC can no longer manage alone as it is losing volume and has to survive weak oil prices.

OPEC now has to face not just the incoming volume of oil from non-OPEC countries, but also have to manage the USA administration's veto on any level above $70 per barrel, which is threatening its economies, and is faced with more deficits in annual budgets. Oil countries are thus forced to privatize or sell their assets to global energy companies to generate cash for the oil-hosting countries, with fall in its revenues, which is going to continue for years to come.

Al-Harami

Now OPEC has found a new partner with which it has to live for years. Keeping oil price at an acceptable level of at least below $40 is the ultimate objective of Russia. And without oil, things will go down the drain along with the states revenues.

The upcoming challenge is how the rest of OPEC will cope with the arrival of combined Iranian and Venezuelan oils into the market, and how much other colleagues must take in terms of the cuts in order to return to the oil markets with handsome volumes, forcing the biggest oil exporter Saudi Arabia to return to its original role of being a swing producer.

Despite all the actions, accords and agreements reached between OPEC and its Plus partners, the organization will not survive except through its own members, its politics and its volume distribution.

OPEC is in an awkward position, and it must for the time being cling to Russia and stick to its alliance for another nine months until its other two strong members come to life again; perhaps with other ideas and views.

Certainly OPEC has not yet reached its limits yet.

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email: naftikuwaiti@yahoo.com