BA pilots vote for strike action, no dates set

British Airways pilots have voted overwhelmingly for strike action in a pay dispute that could disrupt the British flag carrier's peak summer holiday season.

The British Airline Pilots Association (BALPA) on Monday said that 93% of the votes cast were in favour of industrial action, though the union did not yet have dates for any potential strikes. Turnout for the vote was 90%, it added.

"This strong result demonstrates the resolve of BA pilots and shows BA that it must table a sensible improved offer if a strike is to be averted," BALPA General Secretary Brian Strutton said in a statement.

BALPA added that further negotiations with BA were on hold while the airline attempted to block strike action in court on Tuesday.

British Airways said it was disappointed that BALPA was threatening holidaymakers with strike action and that its proposed pay offer was fair.

"We continue to pursue every avenue to find a solution to protect our customers' travel plans and avoid industrial action and we urge BALPA to return to talks as soon as possible," the airline said in a statement. (RTRS)

Sharara oilfield resumes output

Libya's National Oil Corporation (NOC) has restarted the Sharara oilfield and lifted force majeure on loadings of its crude oil from the Zawiya terminal, it said on Monday.

The oilfield, the OPEC member's largest, was shut on Friday evening after an unidentified group shut a valve on the pipeline linking it to Zawiya, 49 km (30.4 miles) west of Tripoli.

Valve 13 was reopened on Sunday evening, the NOC said, adding production resumed in the early hours of Monday.

The oilfield, which had a pre-civil war capacity of around 340,000 barrels per day (bpd), was pumping at a rate of 290,000 bpd before it was shut, the NOC said on Saturday.

A field engineer told Reuters on Monday production had already returned to around half of capacity.

NOC declared force majeure on Sharara crude shipments from Zawiya on Saturday.

"NOC extends its thanks to the technical staff and Petroleum Facilities Guard for their efforts to quickly reopen the pipeline," the corporation said.

Libya's overall oil production before the Sharara outage stood at 1.2-1.3 million bpd, NOC chief Mustafa Sanalla said earlier this month. (RTRS)

Market Movements 23-07-2019

			Change	Closing pts
EUROPE	-	Euro Stoxx 50	+9.74	3,489.92
FRANCE	-	CAC 40	+14.68	5,567.02
GERMANY	-	DAX	+29.33	12,289.40
PAKISTAN	-	KSE 100	+0.39	32,584.55
S. KOREA	-	KRX 100	+0.18	4,444.01

			Change	Closing pts
AUSTRALIA	-	All Ordinaries	-0.07	6,781.25
CHINA	-	Shanghai SE	-37.23	2,886.97
INDIA	-	Sensex	-305.88	38,031.13
JAPAN	-	Nikkei	-50.20	21,416.79
PHILIPPINES	-	PSEi	-23.24	8,246.83

Shift in policy comes even as global economy continues to grow

European Central Bank could act before Fed to add stimulus

FRANKFURT, July 22, (AP): The European Central Bank could take action including a possible rate cut at its policy meeting on Thursday, as central banks around the globe rev up stimulus to support the world economy through a period of heightened uncertainty from trade wars and Brexit.

The ECB, which sets interest rates for the 19 European Union member countries that use the euro, is expected by many analysts to at least tweak its promise to keep interest rates at rock-bottom levels into next year. The new wording would emphasize that the next move down the road could be a cut.

But a rate cut Thursday is not out of the question either - even though one of the rate benchmarks is already below zero.

That would see the ECB moving ahead of an expected rate reduction from the US Federal Reserve, which has an outsized role due to the size of the U.S. economy and the dollar's status as an international currency for borrowing and trade. Fed officials have signaled they may cut rates at their July 30-31 meeting, from the current benchmark federal funds rate of 2.25-2.5 percent. Central banks in South Korea, Indonesia and South Africa have already cut rates in recent days.

Analysts at bank Morgan Stanley predict the ECB will cut its deposit rate from minus 0.4% to minus 0.5% at the bank's Sept. 12 meeting or before and "wouldn't be surprised if this was to happen already" at Thursday's meeting. The negative rate means banks pay to keep cash overnight at the ECB, a penalty aimed at pushing them to lend the money.

"The main question is whether the ECB can afford to wait six more weeks before delivering new monetary stimulus or whether it should surprise financial markets by frontloading new measures," Carsten Brzeski, chief economist for Germany at bank ING, wrote in a note to investors.

The shift in policy comes even though the global economy continues to grow – including in Europe and the US – and unemployment has fallen.

The central banks would be moving to pre-empt the economic impact from risks including slowing trade and investment due to the US-China trade dispute. For the ECB, there's also Britain's impending departure from the European Union, which is set to happen by Oct 31 and could result in disruption to trade if it occurs without a negotiated exit agreement.

Central banks like the Fed and the ECB had earlier been in the process of withdrawing a decade of monetary stimulus deployed in the wake of the Great Recession and financial crisis of 2008-09. The Fed had raised rates and the ECB only in December halted a 2.6 trillion euro ($2.9 trillion), four-year bond purchase stimulus that pumped newly created money into the economy.

With rates already low and those 2.6 trillion newly printed euros still in the financial system it's an open question how much additional stimulus would result from the ECB's moves. Yet consumers, investors, businesses and governments are all likely to be affected by the shift.

For one, savers may see an even longer period of paltry interest returns on bank deposits and other low-risk holdings. On the other hand, stimulus measures tend to buoy stocks and real estate, cheering markets in the short term but raising questions about whether some assets might rise too far and then fall painfully.

Low rates also mean less pressure on Europe's indebted governments such as Italy. Low rates make it easier for businesses to borrow but raise the prospect that cheap money is keeping alive inefficient "zombie firms" that would otherwise go bust and permit the economy to shift investment to more productive use. Companies have taken on more debt, an ominous sign for some economists.

The ECB's minimum tweak Thursday could be adding the word "or lower" to its promise to keep rates unchanged at least through mid-2020.

Beyond a possible interest rate cut, many analysts think the bank could re-start the bond purchases later this year if things do not start looking up.

Brzeski said that waiting until September would mean the bank could gather more data and use new quarterly staff projections to support any move.

He cautioned that "Draghi's track record of over-delivering and trying to be ahead of the curve, however, could bring new ECB action at the July ECB meeting. It's a very close call."

In this Tuesday, Dec. 11, 2018 photo the European Central Bank (ECB) sits next to the river Main in Frankfurt, Germany. The European Central Bank could take action including a possible rate cut at its policy meeting on Thursday, as central banks around the globe get ready to rev up stimulus in order to support the long-running recovery from the Great Recession. (AP)

5.6 pct cut expected

E.ON expects UK energy price cap cut in October

LONDON, July 22, (RTRS): Britain is likely to cut its cap on household energy prices by around 5.6% or 70 pounds ($87) a year from October, E.ON UK said on Monday, meaning lower power bills for around 11 million Britons.

The cap on default electricity and gas bills – a flagship policy of British Prime Minister Theresa May to end what she called "rip-off" prices - came into force in January to set a maximum price suppliers can charge consumers on certain tariffs.

A steady decline in British wholesale gas prices this year has lead to expectations the cap would be lowered.

"A range of external factors including plentiful energy supplies and mild weather conditions have driven a falling market in recent months and because of this we expect to see lower prices," Michael Lewis, CEO of E.ON UK, said in a statement on the company's website.

It is the British arm of Germany's E.ON.

Energy regulator Ofgem can review the cap twice a year to take into account any changes in wholesale prices and costs such as network fees, or policy costs such as environmental levies.

It is set to announce the new cap level in August to take effect in October.

The cap is currently set at 1,254 pounds a year for average gas and electricity use.

All of Britain's big six energy providers have set their standard variable energy prices at the maximum allowed under the cap, and would therefore have to lower their bills for a total of around 11 million customers, if the limit is reduced.

Britain's big six energy suppliers are E.ON UK, Centrica's British Gas, Iberdrola's Scottish Power, Innogy's npower, SSE and EDF's EDF Energy.

The day-ahead gas contract averaged around 40 pence per therm in the first half of 2019, according to Refinitiv Eikon data, compared with around 56 pence per therm in 2018 when freezing weather caused prices to spike.

Wholesale energy costs make up almost 40% of a British dual-fuel energy bill.

Oil outlook sours as sanctions, tensions fail to bring out bulls

Brent futures struggle to move above $65 pb

LONDON/NEW YORK, July 22, (RTRS): Sentiment in the oil market has shifted dramatically in recent days, with hedge funds, producers and traders all taking a more bearish tack in response to what they see as weakness in worldwide demand.

The oil market has struggled to sustain a rally despite supply restrictions that generally would be considered bullish. US sanctions on Venezuela and Iran have removed more than 1.5 million barrels of daily supply from the market, OPEC extended a supply-cut deal into 2020 and tensions between the United States and Iran are rising.

Yet, Brent futures have struggled to sustain a move above $65 a barrel and slumped about 7% last week, while US futures have rarely moved above $60 a barrel.

"Given all the bullish news we've had, the flat price has hardly changed," said Janelle Matharoo of InsideOut Advisors, a commodities trading and risk management consultancy. "Fifteen years ago, this kind of news would have shifted the price $20, $30 per barrel."

Hedge funds and investors have exited bullish bets on the realization that demand may be weaker than anticipated while US production surges. Producers, meanwhile, have rushed to lock in future prices, betting that this may be their best chance to protect against a selloff, oil traders and brokers said.

Front-month, or current, futures contracts have not had a massive selloff – but looking at later-dated contracts, the underlying weakness is apparent.

The premium on front-month Brent crude futures compared with oil to be delivered in half a year has fallen from a six-year high in May at more than $4 a barrel to less than $1.50 last week. That is a signal that worries about tight supply have abated.

Even rising tensions in the Strait of Hormuz, where the United States and others are moving to protect tankers against Iran, has produced only modest gains. On Friday, news that Iran had seized a British tanker supported prices – but futures rose less than 1%.

The steady rise in US oil output and demand worries from a protracted Sino-US trade war, however, have weighed on demand forecasts. The International Energy Agency recently cut its expectation for global demand through 2019 and 2020 and said it may cut it again if the global economy - and especially China -show further weakness, while Saudi Arabian exports fell to a 1-1/2-year low in May.

Traders said there had been relentless selling in bullish Brent call options as far as December 2021 and 2022, a reflection of growing expectations that demand for oil is weakening as supply grows.

"There's a feeling on the margin that the current price is potentially unsustainable and the market structure supports that," said Matharoo.

Average 2020 Brent oil prices slipped to the weakest in a month at $60.28 a barrel last week. Separately, bullish speculator bets on U.S. crude futures and options on the NYMEX are near the lowest level since 2013.

The price weakness presents challenges for oil producers, and many have started to hedge to protect against a damaging future downturn in prices.

With the recent weakness in the market, some consultants are warning about waiting too long to protect against future market moves by buying options to sell or buy oil at a certain price in the future.

"We're telling producers it's time to lock in," said Thibaut Remoundos of London-based hedging consultancy CTC. "We're less bullish than most of our clients ... We believe there is greater downside risk than is priced in."

Meanwhile Russian oil output has recovered to around 11.05 million barrels per day (bpd) between July 1 and July 21 from the 10.79 mln bpd it fell to in early July, according to two sources and Reuters calculations.

This is still below June's average of 11.15 million bpd and lower than Russia has commited to reduce under a global deal.

Russian oil production fell close to a three-year low in early July, as output was undermined by a row between Russian oil pipeline monopoly Transneft and the country's biggest producer Rosneft.

Transneft curbed oil intake from Yuganskneftegaz, Rosneft's main upstream unit, the oil producer said, hurting production that has already been depressed by an oil contamination crisis.

Last week, Russian Energy Minister Alexander Novak said there were no curbs at Yuganskneftegaz and that Russian oil production was back to level, stipulated in the global oil deal with OPEC.

The sources said that output at Yuganskneftegaz was still down in July 1-21 by 11% from June's average, while Rosneft's total production, excluding joint ventures, declined by 4 percent for the period.

Rosneft, Transneft and the energy ministry did not immediately reply to requests for comment.

Member states submit national risk assessments

EU states take initial steps toward 5G security

BRUSSELS, July 22, (KUNA): Twenty-four European Union Member States have now completed the first step and submitted national risk assessments, in response to a recommendation by European Commission for a common approach for of 5G networks' security.

These assessments will feed into the next phase, a EU-wide risk assessment which will be completed by Oct 1, EU Commissioner for the Security Union, Julian King, told a news conference here Friday.

"We are pleased to see that most Member States have now submitted their risk assessments ... to our call for concrete measures to help ensure the cybersecurity of 5G networks across the EU," he said.

"The national risk assessments are essential to make sure that Member States are adequately prepared for the deployment of the next generation of wireless connectivity that will soon form the backbone of our societies and economies, " he noted.

EU National risk assessments include an overview of main threats and actors affecting 5G networks; degree of sensitivity of 5G network components and functions as well as other assets; in addition to various types of vulnerabilities, such as those potentially arising from the 5G supply chain, he said.

Fifth generation (5G) networks will form essential digital infrastructure in the future, connecting billions of objects and systems, including critical sectors such as energy, transport, banking, and health, as well as industrial control systems carrying sensitive information and supporting safety systems.

According to media reports, Chinese companies account to 34% of worldwide applications for major patents related to 5G technology.