

BUSINESS

EM stocks, currencies fall as Fed rate-cut outlook scaled back

Emerging-market assets fell on Monday as expectations dwindled for an aggressive interest-rate cut by the US Federal Reserve, while the introduction in China of a Nasdaq-styled index pulled investment away from existing indices.

US President Donald Trump said on Friday the US Treasury Secretary had a good talk with his Chinese counterpart, amid signals from China that officials may soon meet in their bid to end a year-long trade war.

A 25-basis-point rate cut by the

Fed next week has been priced in by the markets. Expectations of 50-bps cut have waned as the trade conflict seemed to abate and economic data turned more encouraging.

"US economic data remains solid, inflation is not worryingly low, unemployment is at multi-decade lows ... it therefore remains possible that the market will be disappointed by the pace of Fed easing," UBS analysts said in a note.

MSCI's index for emerging-market stocks dropped 0.4%, led by losses in

the Shanghai benchmark index as the country's new Nasdaq-style STAR Market drew investor attention away from the main markets.

STAR is being seen China's boldest attempt at capital market reforms, driven by Beijing's ambition to become technologically self-reliant as the prolonged trade war with Washington catches Chinese tech firms in the cross-fire.

China's blue-chip index and Hong Kong stocks ended lower. South Ko-

rea's Kospi was flat.

Outside Asia, markets in Moscow, Johannesburg and Istanbul, all fell between 0.2% and 0.5%.

Most developing-world currencies were lower against the dollar. The currencies of crude-oil importers were hardest hit, including Turkey's lira and India's rupee, as geopolitical tensions in the Middle East pushed up oil prices.

The same jump in oil prices helped Russia's rouble gain. Investors were looking to Friday's central bank meet-

ing, where a rate cut of 25 bps is expected.

Markets will also be watching for a Turkish central bank decision on rates on Thursday. The median forecast in a Reuters poll of 23 institutions was for a rate cut of 250 basis points.

Turkey's benchmark rate was raised to 24% last September to stem the decline of the lira. The central bank has since left it unchanged as the economy slid into recession, to prevent renewed losses in the currency. (RTRS)

Exploiting customer info

Amazon faces EU 'scrutiny' over use of merchant data

BRUSSELS, July 22, (RTRS): Amazon became the target of an antitrust investigation by the European Union over its use of merchants' data, underlining regulators' increasing focus on how tech companies exploit customer information.

US tech giants Amazon, Google and Facebook have been in the regulatory spotlight as antitrust enforcers examine how they use data to boost their market power. Some US politicians and even one of Facebook's co-founders have called for them to be broken up.

The European Commission has been seeking feedback from retailers and manufacturers since September into Amazon's dual role as a marketplace for merchants and acting as a competitor following complaints from traders about Amazon's practices.

The Commission said its investigation would look into Amazon's data agreements with marketplace sellers and how the online retailer uses that data to choose which seller is selected to provide a product once a consumer clicks "buy."

European Competition Commissioner Margrethe Vestager, who can fine companies up to 10% of their global turnover, said the issue was crucial as more and more Europeans shop online.

Boosted

"E-commerce has boosted retail competition and brought more choice and better prices. We need to ensure that large online platforms don't eliminate these benefits through anti-competitive behaviour," she said.

Amazon said it would cooperate fully with the EU investigation. The company reached a deal with Germany's antitrust authority on Wednesday to overhaul its terms of service for third-party merchants.

Under Amazon's terms of service for Europe, merchants grant Amazon "royalty-free" rights to use in a range of ways their materials, such as technology, trademarks, content and product information.

In Washington, the US. Federal

Trade Commission is contemplating probes of Amazon and Facebook while the Justice Department is looking at Apple and Google.

In Congress on Tuesday, Representative David Cicilline, chair of the Judiciary Committee's antitrust subcommittee, pressed Nate Sutton, an associate general counsel at Amazon, about whether the online retailer used data about independent sellers on its platform to develop products to sell, thus competing against its own sellers.

Sutton argued that the data was used solely to know what to offer customers. "The algorithms are optimised to what customers want to buy regardless of the seller," he said.

Parallels

This EU probe has some parallels with the Commission's investigation of Google for giving illegal advantage in search results to its own comparison shopping service, Ian Giles, a partner at Norton Rose Fulbright, said.

"There have been concerns around the world that competition authorities have failed to appreciate the market power that comes from ownership of data," he said.

In Amazon's case, he said the Commission needed to show "the standard agreements with retailers were anti-competitive in somehow allowing Amazon to use the data to manipulate market outcomes, or that Amazon had in some way abused its dominance."

Politico reported last week the EU would start a probe.

The Commission had been struggling to define the market in which Amazon operates in order to identify where the competitive harm could have been, sources said.

They said the issue was whether to look at Amazon in the overall retail market or in its own niche.

This would not be Amazon's first run-in with the Commission. Two years ago, it was told to pay back taxes of about 250 million euros (\$280 million) to Luxembourg because of illegal tax benefits. That same year it settled with the regulator over its distribution deals with e-book publishers in Europe.

US stocks gain ground on trade 'optimism', sterling drops again

Oil prices jump on fresh Middle East tensions

NEW YORK, July 22, (RTRS): US stocks advanced on Monday at the start of a heavy earnings week, while European shares overall were little changed, as investors took heart from potential progress in US-China trade talks and escalating geopolitical tensions sent oil prices higher.

Tech shined as investors girded themselves for second-quarter reports from leading industrial and tech firms and looked ahead to the US Federal Reserve's expected interest rate cut later this month.

The South China Morning Post reported US trade negotiators will likely visit China next week for their first face-to-face talk with Chinese officials since the G20 meeting, when Trump held off imposing a new round of tariffs on Chinese imports.

The Dow Jones Industrial Average fell 30.49 points, or 0.11%, to 27,123.71, the S&P 500 gained 3.05 points, or 0.10%, to 2,979.66 and the Nasdaq Composite added 40.53 points, or 0.5%, to 8,187.02.

Growing tensions in the Middle East, coupled with lingering worries of a no-deal Brexit held world stocks flat.

The pan-European STOXX 600 index lost 0.01% and MSCI's gauge of stocks across the globe shed 0.04%.

Brent crude prices edged higher on concerns that Iran's seizure of a British tanker last week could result in supply disruptions. US crude rose 0.25% to \$55.90 per barrel and Brent was last at \$63.00, up 0.85% on the day.

The dollar and euro were little changed as traders looked to policy decisions from the US Federal Reserve and the European Central Bank regarding the pace at which they will cut interest rates, beginning with the ECB on Thursday.

The dollar index rose 0.08%, with the euro up 0.02% to \$1.1222.

US Treasury yields fell and the yield curve flattened as dovish Fed bank policy supported demand for government debt.

Benchmark 10-year notes last rose 5/32 in price to yield 2.0325%, from 2.05% late on Friday.

The 30-year bond last rose 17/32 in price to yield 2.5546%, from 2.578% late on Friday.

Gold steadied having slid 1% in the previous session on lowered rate cut expectations, but remained supported by global geopolitical uncertainties.

Spot gold added 0.2% to \$1,427.41 an ounce.

Shipping prices jumped on strong vessel demand, with the Baltic Dry Index rising to a 5-year high.

US

US stocks rose on Monday, lifted by technology companies, as investors eyed fresh US-China trade developments during a busy week of corporate earnings with results from marquee names including Facebook and Amazon on tap.

Second-quarter earnings started off on a sour note last week as results from major banks raised concerns about profit growth in a low interest rate environment. Tech earnings on the other hand

have been robust, with Microsoft Corp and International Business Machines reporting profit beats.

As earnings season progresses, profits at S&P 500 companies are now estimated to rise about 1%, according to Refinitiv IBES data, in a reversal from earlier expectations of a small drop.

About 30% of S&P 500 companies are set to report results this week. Facebook Inc, Amazon.com Inc and Google-parent Alphabet Inc, up between 0.1% and 1%, are reporting between Wednesday and Thursday.

Investors will parse through company results to gauge the impact that the trade war has had on corporate profits, to see whether results are poor enough to persuade the Federal Reserve to take strong action this year.

Hopes of an interest rate cut helped Wall Street's main indexes recover from a slump in May and scale record levels.

On the earnings front, Halliburton Co rose 7.1%, the most among S&P 500 companies, after the oilfield services provider's second-quarter profit beat analysts' estimates.

At 9:46 am ET, the Dow Jones Industrial Average was up 25.77 points, or 0.09%, at 27,179.97, the S&P 500 was up 6.17 points, or 0.21%, at 2,982.78. The Nasdaq Composite was up 43.28 points, or 0.53%, at 8,189.77.

Technology companies rose 0.91%, the most among the major S&P sectors trading higher, and the Philadelphia chip index gained 1.69%. Semiconductor companies likely got a boost from news that White House economic adviser Larry Kudlow will host a meeting with semiconductor and software executives on Monday to discuss the US ban on sales to China's Huawei Technologies.

Micron Technology Inc's shares, which rose 3%, were also lifted by a report that Goldman Sachs upgraded its shares to "buy".

Advancing issues outnumbered decliners for a 1.50-to-1 ratio on the NYSE and a 1.45-to-1 ratio on the Nasdaq.

The S&P index recorded one new 52-week high and one new low, while the Nasdaq recorded 14 new highs and 37 new lows.

Europe

European shares were flat to marginally higher in early trading on Monday, with Italian shares recovering some ground after a bout of selling driven by political nerves as all eyes moved to this week's meeting of the European Central Bank.

Italian shares outperformed after their worst day in two months on Friday, as political tensions stirred speculation of a snap election which would increase uncertainty for investors but also potentially usher in a more market-friendly cent-right coalition.

Milan's main index rose nearly 0.4% before trimming those gains.

After ending last week marginally higher on hopes that the US Federal Reserve could cut interest rates by a more aggressive half-percentage point at the end of this month, the pan-eurozone stocks benchmark was up around 0.1% by 0757 GMT.

A report by the Wall Street Journal on Friday said the Fed was not ready to

make a 50 basis point cut, cooling any optimism among investors who have bet strongly in the past six weeks on aggressive monetary action boosting growth globally.

The broader pan-European index which includes London and other non-euro markets was 0.1% lower.

The ECB meets on Thursday, with money markets pricing in a more than 50% chance of a 10 basis point cut in interest rates and bond investors expecting at least a clear promise of action in September.

The meeting and next week's Fed statement are likely to determine whether a rebound in shares since the worst falls in more than two years in May will continue or stall.

Earnings continued to flow in, with Dutch health technology firm Koninklijke Philips NV up 2.7% after it topped comparable sales estimates for the second quarter.

On Wall Street, three of investors' favoured FAANG stocks - Facebook Inc, Amazon.com Inc and Google-parent Alphabet Inc - are set to report results this week with some impact on global sentiment likely. At stake this earnings season is whether companies' earnings are poor enough to persuade the Fed and other central banks that they must take strong action this year.

Energy shares were again among the biggest gainers, tracking a rise in crude prices due to tensions in the Middle East and propping up London's commodity-heavy blue chip index

Asia

Asian shares were mostly lower Monday, tracking losses on Wall Street, though a newly launched technology stocks market in Shanghai soared with its trading debut.

Prices of the 25 companies listed on the Shanghai Stock Exchange's STAR Market more than doubled, with one company, Anji Microelectronics Technology (Shanghai) Co Ltd, logging a 415% advance.

Regulators have approved 25 companies in information technology and other fields for the STAR Market. The market, modeled on the US-based NASDAQ, reflects the ruling Communist Party's desire to channel private capital into its development plans. It gives small Chinese investors a chance to buy into tech industries that until now have turned to Wall Street to sell shares.

Elsewhere in Asia the mood was more subdued.

Japan's Nikkei 225 slipped 0.3% to 21,397.99. Australia's S&P/ASX 200 fell 0.2% to 6,687.10. South Korea's Kospi edged less than 0.1% higher to 2,095.28. Hong Kong's Hang Seng dipped 0.9% to 28,522.09, while the Shanghai Composite index shed 0.7% to 2,903.02. Taiwan's index rose while Southeast Asian benchmarks fell.

Oil

Oil prices rose on Monday on concerns that Iran's seizure of a British tanker last week may lead to supply disruptions in the energy-rich Gulf. Brent crude futures climbed 79 cents, or 1.26%, to \$63.26 a barrel by 1225 GMT.

West Texas Intermediate (WTI) crude

futures were up 74 cents, or 1.33%, at \$56.37 a barrel.

Last week, WTI fell over 7% and Brent lost more than 6%.

"But that doesn't mean markets will continue to go higher, and previous incidents in the Gulf haven't driven up prices much - suggesting that investors' calculus, rightly or wrongly, is that a war is not very likely."

Iran's Revolutionary Guards said on Friday they had captured a British-flagged oil tanker in the Gulf in response to Britain's seizure of an Iranian tanker earlier this month.

The move has increased the fear of potential supply disruptions in the Strait of Hormuz at the mouth of the Gulf, through which flows about one-fifth of the world's oil supplies, but no major escalation with Britain or the United States appears imminent.

Capping gains, force majeure was lifted on loadings of crude on Monday at Libya's Sharara oilfield, the country's largest, whose closure since Friday had caused an output loss of about 290,000 barrels per day (bpd).

Meanwhile, data late last week showed shipments of crude from Saudi Arabia, the world's top oil exporter, fell to a 1-1/2-year low in May.

Speculative money is flowing back into oil in response to the escalating dispute between Iran, the United States and other Western nations, along with signs of falling supply.

The Iranian capture of the ship in the global oil trade's most important waterway was the latest escalation in three months of confrontation with the West that began when new, tighter US sanctions on Iran took effect at the start of May.

Hedge funds and other money managers raised their combined futures and options positions on US crude for a second week and increased their positions in Brent crude as well, according to data from the US Commodity Futures Trading Commission and the Intercontinental Exchange.

Goldman Sachs on Sunday lowered its forecast of growth in oil demand for 2019 to 1.275 million bpd, citing disappointing global economic activity.

Currencies

Sterling extended its decline on Monday as the outlook for the currency turned bleaker, with traders increasing their bets on a no-deal Brexit ahead of the results of the Conservative Party's leadership election.

The pound's weakness was in contrast to the general calm in broader currency markets, and signalled growing unease among investors over the likelihood of eurosceptic former foreign minister Boris Johnson becoming the next prime minister.

The pound last traded down 0.2% at \$1.2476, not far from the 27-month low reached last week, having declined 1.7% against the dollar so far this month.

Against the euro, it fell to 89.98 pence. Market participants have been buying more options since early May to protect against losses in sterling and have consolidated their positions in the past few days, according to three-month sterling risk-reversals, which measure demand for buy and sell options on the British currency.



Workers, supporters and activists picket outside the Amazon fulfillment center in Shakopee, Minn. on the afternoon of Prime Day, July 15. Amazon became the target of an antitrust investigation by the European Union on over its use of merchants' data (AP)

exchange rates - July 22

	US dollar			Sterling pound			Euro			Japanese yen			Swiss franc			Canadian dollar			Swedish krona			Saudi riyal			UAE dirham			Bahraini dinar			Omani riyal			
	Cash	Drift	Transfer	Cash	Drift	Transfer	Cash	Drift	Transfer	Cash	Drift	Transfer	Cash	Drift	Transfer	Cash	Drift	Transfer	Cash	Drift	Transfer	Cash	Drift	Transfer	Cash	Drift	Transfer	Cash	Drift	Transfer				
BEC	Buy	303500	302100	302100	373339	372839	372839	333747	335746	335746	002723	002723	002723	302862	303861	303861	227263	225562	225562	022359	023358	023358	081400	081240	081240	083084	082916	082916	801411	800469	800469	785650	779371	779371
Muzzaini	Sell	305650	304450	304450	387239	383339	383339	347447	344746	344746	002913	002912	002912	313862	310961	310961	236563	235562	235562	033359	033358	033358	081400	081240	081240	083084	082916	082916	801411	800469	800469	785650	779371	779371
	Buy	297100	297100	297100	383000	383000	383000	343720	343720	343720	002821	002821	002821	312260	312260	312260	234370	234370	234370	033359	033358	033358	081400	081240	081240	083084	082916	082916	801411	800469	800469	785650	779371	779371
	Sell	297100	297100	297100	383000	383000	383000	343720	343720	343720	002821	002821	002821	312260	312260	312260	234370	234370	234370	033359	033358	033358	081400	081240	081240	083084	082916	082916	801411	800469	800469	785650	779371	779371
Commercial Bank	Buy	297000	302300	302300	377000	376651	376651	338000	339105	339105	002801	002801	002801	307000	307825	307825	231000	231222	231222	032146	032146	032146	080568	080626	080626	082258	082300	082300	801411	809465	809465	785650	785440	785440
	Sell	306150	305900	305900	384000	381136	381136	346000	343143	343143	002835	002835	002835	316000	311491	311491	238000	233976	233976	032529	032529	032529	081378	081586	081586	083084	083311	083311	801411	809465	809465	785650	785440	785440
Gulf Bank	Buy	303050	303050	303050	375445	375445	375445	337891	337891	337891	002795	002795	002795	306855	306855	306855	230615	230615	230615	032166	032166	032166	080667	080667	080667	082317	082317	082317	801411	809465	809465	785650	785440	785440
	Sell	305150	305150	305150	383100	383100	383100	344731	344731	344731	002838	002838	002838	313138	313138	313138	233515	233515	233515	032529	032529	032529	081378	081586	081586	083084	083311	083311	801411	809465	809465	785650	785440	785440
NBK	Buy	303050	303050	303050	378660	378660	378660	339660	339660	339660	002803	002803	002803	307660	307660	307660	231740	231740	231740	032230	032230	032230	080740	080740	080740	082450	082450	082450	801411	809465	809465	785650	785440	785440
	Sell	305150	305150	305150	382960	382960	382960	343690	343690	343690	002837	002837	002837	311560	311560	311560	234330	234330	234330	03256														