2 accused in ex-Nissan boss' escape denied release from jail

Two American men wanted by Japan on charges that they helped sneak former Nissan Motor Co. Chairman Carlos Ghosn out of the country in a box have again been denied release from a US jail.

US District Judge Indira Talwani on Friday rejected a bid to free Michael Taylor, a 59-year-old US Army Special Forces veteran, and his 27-year-old son, Peter Taylor, on bail while they fight their extradition to Japan. Talwani said a magistrate judge properly found the two men to be a risk of flight.

"While the Taylors may well seek to remain in the United States to fight extradition through available legal channels, they have also shown a blatant disregard for such safeguards in the context of the Japanese legal system and have not established sufficiently that if they find their extradition fight difficult, they will not flaunt the rules of release on bail and flee the country," Talwani wrote.

An email was sent Saturday to an attorney for the Taylors.

Their lawyers have said the men have no plans to flee and argue their health is at risk behind bars because of the coronavirus pandemic. The Taylors have been locked up in a Massachusetts jail since their arrest in May.

Authorities say the Taylors helped smuggle Ghosn out of the Japan on a private jet while he was on bail and awaiting trial on financial misconduct allegations. With former the Nissan boss hidden in a large box, the flight went first to Turkey, then to Lebanon, where Ghosn has citizenship but which has no extradition treaty with Japan.

Ghosn said he fled because he could not expect a fair trial, was subjected to unfair conditions in detention and was barred from meeting his wife under his bail conditions. Ghosn has denied allegations that he underreported his future income and committed a breach of trust by diverting Nissan money for his personal gain. (AP)

In this file photo, former Nissan Chairman Carlos Ghosn speaks to Japanese media during an interview in Beirut, Lebanon. (AP)

Market Movements 07-08-2020

			Change	Closing pts
GERMANY	-	DAX	+83.20	12,674.88
FRANCE	-	CAC40	+4.39	4,889.52
EUROPE	-	Euro Stoxx 50	+12.26	3,252.65
S. KOREA	-	KRX 100	+23.06	5,059.24
INDIA	-	Sensex	+15.12	38,040.57

			Change	Closing pts
AUSTRALIA	-	All Ordinaries	-35.35	6,144.92
CHINA	-	Shanghai SE	-32.43	3,254.04
JAPAN	-	Nikkei	-88.21	22,329.94
PAKISTAN	-	KSE 100	-136.43	40,029.69
PHILIPPINES	-	PSEi	-56.56	5,846.02

Business

Our priority is to maintain solid capital position, with the proper buffers: Al-Sager

NBK stands on solid grounds ... and pandemic demonstrates our digital strength: Group CEO

KUWAIT CITY, Aug 9: CEO of National Bank of Kuwait Group, Isam Al-Sager stated that: "The past few months witnessed challenges on all levels as a result of COVID-19 outbreak and the subsequent extreme measures taken by governments around the world in an effort to control the outbreak. However, these measures reflected very negatively on the economic activity and business sentiment globally."

On the sidelines of the Analysts' Conference Call/Webcast for the results of 1Q and 1H 2020, Al-Sager added that the Group's business was impacted in most of our locations leading to more challenging operating environment across our network. Net profit for 1Q2020 recorded KD77.7mn and KD33.4mn for 2Q2020. This led to 1H2020 profits of KD111.1mn, down 47% year-on-year compared to last year.

Al-Sager noted that the domestic economy was pressured and the impact of the long period of lockdown has had its toll on our operations as well. We are expecting this year's GDP to contract by 6% because of the expected non-oil GDP contraction by around 4%.

Al-Sager pointed out that: "From business shutdowns to curfews and border closures, all these actions along with the change in sentiment created a severe shock to world economies. The impact of the pandemic in the GCC region was even more severe because of the large drop in oil prices and its impact on economic activity and budget deficits. In the first half of 2020, most GCC countries have seen their fiscal positions weakening with exceptionally large budget deficits projected for 2020."

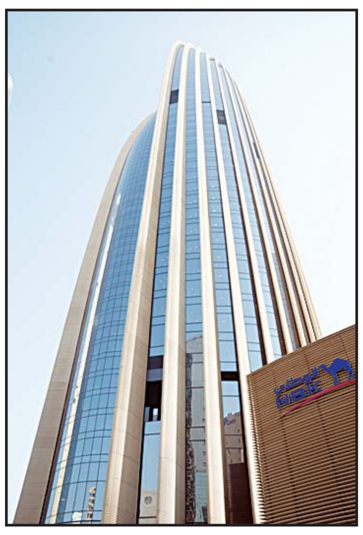
"The full closure and slower economic activity, especially during Q2 of the year, had significant impact on our operations. The drop in transaction volumes has resulted in lower fees and commissions income, whereas the low interest rate resulted in more pressure on our interest margin. Additionally, the impact of non-oil GDP contraction, the lower oil prices and the lock down period, had all increased the level of uncertainty around the cash flows outlook for many of our customers, which led to higher provision charges," added Al-Sager.

Proactive Measures

NBK Group CEO affirmed that: "From day one of COVID-19 pandemic outbreak, the bank took proactive measures and activated emergency plans at the very early stages of the crisis, in order to protect our employees and ensure business continuity."

Al-Sager added that NBK business model showed great flexibility during the crisis, which enabled it

Isam Al-Sager



NBK Group HQ building

to provide support and advice to our customers facing financial difficulties and relying heavily on our digital capabilities to maintain the level of service quality and accessibility that our customers would expect in normal times.

Al-Sager indicated that since the early days of the crisis, we realized that the virus spread and the control measures implemented by governments around the world would have a negative impact on the bank's profitability. Therefore, we immediately introduced some cost-savings initiatives to be implemented across the Group in an effort to ease the pressure on the bottom line, without affecting our future business plans.

Al-Sager stressed that NBK, in coordination with the Central Bank of Kuwait and Kuwait Banking Association, participated in all initiatives aimed at relieving our customers and lifting some of the pressures they were facing. We extended support to our customers by suspension of fees on POS terminals, ATMs and digital channels for 3 months, in addition to increasing the limit for contactless payments. Moreover, we provided support to individuals by the deferment of consumer/installment loans and credit card installments for a period of 6 months for all our customers. We have also provided support financing to individuals, SMEs, and economic entities impacted by COVID19 crisis.

Strong Capital Base

Al-Sager emphasized that despite all the challenges that faced the bank in 1H, the Bank's balance sheet strength remains intact and still stands on firm grounds; noting that the bank's strong capital base, comfortable liquidity levels and the quality of its profits will give it great capacity to absorb the impact of COVID-19.

Al-Sager pointed out that the impact of COVID-19 reaffirmed some of NBK's key strengths, thanks to its strategic investments over recent years to accelerate the development of digital banking services, which provided the bank with high operational flexibility during this period.

He also mentioned that digital channels delivered virtual alternatives to branches allowing the bank to serve its customers in the best way possible, noting that the bank's disaster recovery and crisis management plans all proved very successful when tested during the early days of the outbreak, the fact that gives the bank more comfort as we move ahead towards a recovery phase.

Al-Sager stated that it is too early to have a well-informed discussion on dividend distribution for 2020 as we are still in the half year. In addition, dividend is a function of earnings and capital and normally this happens at year-end after the Bank assesses the closing capital position and future capital needs; noting that the priority will be to maintain the bank's solid capital position, with the proper buffers similar to what we have maintained over the years.

Regarding the intended government cut in its budget by 20% and how that will affect capital expenditure and if there are any delays on expected mega projects, Al-Sager said that Kuwait as well as other GCC countries, will feel the pressures, not only from the spread of COVID-19, but also because of the drop in oil price as Oil GDP and oil receipts remain a significant contributor to the country's GDP and to budget revenues. The immediate response to that would be budget cuts and rationalization of spending. Capital expenditure will be among those planned cuts, and accordingly, we do expect some project delays and/or cancellations and have witnessed already.

Al-Sager added that despite that negative trend, we still see some activity with the value of projects awarded in 1H2020 totaling some KD 900mn, noting that he is also hopeful to see some rebound in activity on both the execution side as well as the awards with the planned gradual opening of the economy.

On his part, Head of Group Management Accounting at National Bank of Kuwait, Mr. Shyam Kalyanaraman affirmed that the Group's balance sheet remains strong with high credit quality and stable capital levels. NBK's capital base along with its ability to generate healthy operating profits provides a strong credit loss absorption capacity.

Kalyanaraman added that the bank's operating income is from a well-diversified asset mix, which is unique to NBK amongst Kuwaiti banks in terms of its geographical spread of operations, and due to its ability to conduct business in both conventional and Islamic banking. This diversification gives a significant degree of resilience to Group's earnings and provides it with a strong competitive edge.

He also added the bank has resilient operating income from Domestic and International Operations, upbeat lending in 1Q2020, although impacted in 2Q2020 due to the slower pace of economic activity, good growth in core franchise deposits, reasonable cost growth, comfortable liquidity levels and solid capital base.

With regard to the deferral of consumer loans installments for a period of 6 months, Kalyanaraman explained that, as instructed by the Central Bank of Kuwait, the modification loss has been charged to equity not to the P&L. Our equity has been charge, after adjusting for our holding in Boubyan Bank, with KD 130mn, which will be phased-out in capital adequacy ratio calculation over 4 years starting from 2021.

Regarding the increase of provisions and impairments, he mentioned that it was notably due to the charge in respect of investment book to cater for the effects of volatility that may arise in anticipation of worsening macroeconomic factors due to the impact of COVID-19, and in respect of the bank's operations in Lebanon while NMC exposure is covered fully as part of the credit provision.

He also affirmed that the cost of risk in the previous years normalized at around 82bps, and given the impact of COVID-19, we do see some provisions with respect to some of our Kuwaiti corporate and retail portfolios, in addition to some precautionary charges as well in anticipation of future circumstances.

"There has been no big issue with respect to credit quality. What we have seen today is only with respect to liquidity issues with our corporate customers, but we have not seen any deterioration in credit quality," Kalyanaraman said.

He also pointed out that despite the relaxation offered by the Central Bank of Kuwait regarding some regulatory requirements; the Group was able to maintain the original mandated liquidity levels.

In this file photo, credit cards are displayed in Zelienople, Pennsylvania. U.S. consumer borrowing rose in June after three months of declines but the key category of credit card debt extended its decline. (AP)

US consumer borrowing up

1.8m jobs available in US in July

WASHINGTON, Aug 9, (Agencies): The pandemic still has Americans easing off the plastic.

US consumer borrowing rose in June after three months of declines but the key category of credit card debt extended its decline.

The Federal Reserve reported Friday that overall consumer borrowing rose by 2.6%, or $8.95 billion, in June after big declines in March, April and May as many parts of the country went into lockdown to combat the coronavirus.

In June, the category of borrowing that covers credit cards fell for a fourth month, dropping by $2.3 billion, or 2.8%. That was offset by an increase in the category that covers auto loans and student loans, which increased by $11.3 billion, or 4.3%.

Consumer borrowing is closely watched for signals it can send about consumers' willingness to keep borrowing to support their spending, which accounts for 70% of US economic activity.

The overall economy, as measured by the gross domestic product, plunged at a record-shattering annual rate of 32.9% in the April-June quarter. The Trump administration is hoping for a big gain in the current July-September quarter to show voters going to the polls in November that the economy is coming back from a deep recession.

However, many private economists are worried that a resurgence in virus cases may cause consumers to grow fearful and cutback on their spending. Also, Democrats in Congress and the White House have so far been unable to resolve differences on another round of relief spending.

That impasse has caused the loss of the $600 extra weekly payments in unemployment benefits that has been a big factor in helping the economy to recover. Both the White House and Democrats are still talking and it is possible that a deal can still be reached.

Overall consumer debt fell by $20.8 billion in March, $65.3 billion in April, and $14.4 billion in May before rising by $8.95 billion in June.

The various changes left consumer debt as measured by the Fed's monthly report at $4.12 trillion in June.

The Fed report does not cover mortgage debt or any other loans secured by real estate such as home equity loans.

Meanwhile, up to 1.8 million jobs were available in the United States in July, according to the U.S. Bureau of Labor Statistics.

Total nonfarm payroll employment rose by 1.8 million in July and the unemployment rate fell to 10.2 percent, the bureau reported Friday.

These improvements in the labor market reflected the continued resumption of economic activity that had been curtailed due to the coronavirus (COVID-19) pandemic and efforts to contain it.

In July, notable job gains occurred in leisure and hospitality, government, retail trade, professional and business services, other services, and health care.

The number of coronavirus cases began rising in June, surging to around 70,000 cases diagnosed in one day by mid-July - more than twice as much its previous peak. Those infections touched off a wave of closures, as some employers paused hiring or delayed planned rehirings, and in some cases, laid off workers for a second time.

Virus slows businesses

Buffett's firm reports 87% jump in 2nd qtr net profit

OMAHA, Nebraska, Aug 9, (AP): Warren Buffett's company reported an 87% jump in its second-quarter profit as the paper value of its investment portfolio increased with the stock market, but it took a roughly $10 billion write down on the value of its aircraft parts manufacturing business because of the economic impact of the coronavirus pandemic.

Berkshire Hathaway Inc. said Saturday that it earned $26.3 billion, or $16,314 per Class A share, during the second quarter. That's up from $14.1 billion, or $8,608 per share, a year ago.

Berkshire said it cut the value of its Precision Castparts unit because of how much the pandemic has hurt air travel and businesses that support that airline industry. Precision Castparts cut about 10,000 jobs, or about 30% of its workforce, during the first half of the year as it responded to the reduced demand.

CFRA analyst Cathy Seifert said the Precision Castparts write-down – combined with Berkshire's sale of all its airline stocks earlier this year – suggests that Buffett expects the pandemic to have a lasting negative impact on the airline business.

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. They also exclude the Precision Castparts write down. By that measure, Berkshire's operating earnings declined 10% to $5.5 billion, or $3,420.48 per Class A share, as most of its businesses were hurt by restrictions related to the coronavirus pandemic. That's down from $6.1 billion, or $3,754.83 per share.

The four analysts surveyed by FactSet expected operating earnings per Class A share of $3,182.06.

The pandemic's impact on Berkshire's businesses was significant, but Edward Jones analyst Jim Shanahan said it may not have been as bad as expected, partly because Geico insurance and BNSF railroad performed well during the quarter.

Like all auto insurers, Geico benefited from lower claims because there were fewer accidents as people drove less with many people working from home. It reported a $2.1 billion underwriting profit in the quarter, up from $393 million a year ago. Also, a $2.5 billion in premium reductions Geico is offering customers because of the lower claims will be spread over the coming year as people renew policies instead of taking effect all in the second quarter when most other insurers sent refunds.

BNSF's profit declined 15% to $1.1 billion during the quarter as the number of shipments it handled fell 18%. But the railroad was able to cut its operating expenses 26% to help offset the lower volume. Shanahan said BNSF performed better than most other major railroads.

Berkshire was holding nearly $147 billion cash and short-term investments at the end of the second quarter, but Buffett did use $5.1 billion during the quarter to repurchase Berkshire shares, which is the biggest buyback since Berkshire relaxed its policy on repurchases in 2018.

Buffett also found a way to use more of that cash after the quarter ended. First, he agreed to buy Dominion Energy's natural gas pipeline and storage business in early July for $4 billion and take on $5.7 billion of Dominion debt. Then Buffett's company bought roughly $2.1 billion worth of Bank of America stock in late July and early August to give it control of 11.9% of the bank's stock.

Berkshire Hathaway Inc. owns more than 90 companies, including the railroad and insurance, utility, furniture and jewelry businesses. The company also has major investments in such companies as Apple, American Express, Coca-Cola and Bank of America.

In this file photo Warren Buffett, Chairman and CEO of Berkshire Hathaway, smiles as he plays bridge following the annual Berkshire Hathaway shareholders meeting in Omaha, Nebraska. (AP)

$2 trillion value on the horizon

Apple shines in pandemic

NEW YORK, Aug 9, (AP): Early in 2020, Apple appeared to be caught in a horrible bind.

The initial spread of the novel coronavirus shut down the factories in China that assemble its iPhones and also closed its retail stores in a country that ranks as the company's biggest market besides the U.S. Things looked even bleaker in March after the global pandemic shoved the U.S. economy into what now looks to be its deepest downturn since the Great Depression nearly a century ago.

Since then, Apple has managed to shine amid the gloom, putting it on the cusp of becoming the first U.S. company to boast a market value of $2 trillion, just two years after it became the first to reach $1 trillion. With its stock already up 50% this year, the only question among analysts is whether Apple will pass the $2 trillion milestone before the release of its next-generation iPhones in October.

It looks like "a performance for the ages," as Wedbush Securities analyst Daniel Ives described it last week after Apple released unexpectedly strong earnings for an April-June quarter during which most U.S. consumers were stuck at home and the company's U.S. stores were closed most of that time.

So how has Apple defied the doomsayers? Factories in China reopened by March and Apple's hugely loyal customer base trust its products so much that they continued to buy iPhones and other devices online. The company also made a decision several years ago to focus on selling digital services, which now include music and video streaming and warranties on top of the commission it collects from an app store now under antitrust scrutiny.

An upcoming four-for-one stock split that will make Apple's shares more affordable to more investors also sparked a rally after it was announced last week.

Apple has been at the vanguard of a group of Big Tech companies that are increasingly taking over people's lives and the stock market. Just five companies - Apple, Microsoft, Amazon, Facebook and Google's parent company - account for nearly 23% of the S&P 500's entire value.

Big Tech companies have soared for years because they've been able to deliver outsized growth even when the global economy was slow. More recently, they've largely been able to deliver even during a pandemic.

Apple, for example, said its earnings per share rose 18% in the spring from a year earlier. That compares with an expected drop of 34% for companies across the S&P 500, according to FactSet.