

Hertz suspends plans for \$500m stock sale pending SEC review

Hertz said it has put its plans to sell \$500 million worth of stock on hold because the offering is being reviewed by the Securities and Exchange Commission.

Trading in shares of the car rental company, which filed for bankruptcy protection last month, were halted before the announcement. The stock later resumed trading.

Hertz Global Holdings Inc., which is based in Estero, Florida,

said Monday that it received approval from bankruptcy court to proceed with the stock sale. The sale would be an unusual move for a company in the throes of a bankruptcy reorganization and a very risky proposition for investors.

The company warned that investors who buy its shares face "substantial risks" that the stock they bought might be rendered worthless.

Under a Chapter 11 restructur-

ing, creditors have first dibs on any assets, and typically have to settle for less than full repayment. For people who have bought the company's stock to have any chance to recoup their investment, Hertz would have to somehow repay its creditors in full first.

Investors would have to bet that the economy will rebound from the coronavirus downturn quickly and that Hertz's business would improve dramatically

so that it could afford to pay off its creditors and exit bankruptcy successfully.

Despite such long odds, shares in Hertz have doubled this month. The stock rose 2.6% to \$2 Wednesday.

That shares in a company in bankruptcy would be climbing reflects the optimism among some investors that the economy will recover swiftly as businesses reopen. (AP)



This file photo shows rental vehicles parked outside a closed Hertz car rental office in south Denver. (AP)

Market Movements

18-06-2020

| | Change | Closing pts | | Change | Closing pts | | |
|-------------|--------|-------------|-----------|-----------|-------------|---------|-----------|
| CHINA | - | +3.44 | 2,939.32 | AUSTRALIA | - | -57.16 | 6,051.93 |
| INDIA | - | +700.13 | 34,208.05 | HONG KONG | - | -16.47 | 24,464.94 |
| PHILIPPINES | - | +66.44 | 6,348.45 | JAPAN | - | -100.30 | 22,355.46 |
| | | | | PAKISTAN | - | -228.77 | 33,619.91 |
| | | | | S. KOREA | - | -22.57 | 4,558.43 |

Business

HOME CONSTRUCTION REBOUNDS 4.3% IN MAY US job losses continue amid virus

Suburbs appealing to homebuyers

WASHINGTON, June 18, (AP) — US home construction rebounded 4.3% in May after steep declines caused by shutdowns due to the coronavirus.

The Commerce Department reported Wednesday that new homes were started at a seasonally adjusted annual rate of 974,000 last month after steep declines in April and March. Compared with last year, however, construction activity remains 23.2% below last year's pace.

Home builders are hoping that as the nation re-opens, housing will post a strong recovery, helped by super-low mortgage rates. Industry analysts caution that the fledgling rebound could be derailed if infections spike again, causing potential buyers to put off looking for a new home.

Hot spots are popping up in regions of the country where building activity is increasing, but not in the South, where housing starts slid.

Applications for building permits, a good indication of future activity, rose a sizable 14.4% in May to an annual rate of 1.22 million units.

The report showed that construction of new single-family homes was up 5.4% while construction of apartments with five units or more increased 16.9%.

Construction was up a huge 69.8% in the West and 12.8% in the Northeast but housing starts fell 16% in the South, the biggest market for home construction, and were down 1.5% in the Midwest.

The National Association of Home Builders/Wells Fargo survey of builder confidence released Tuesday showed a record jump of 21 points in June to a reading of 58. Any reading above 50 indicates a positive market.

However, analysts cautioned that the rebound in housing may not come as quickly as the industry is hoping.

"We look for strong demand, improving homebuilder confidence and an ongoing shortage of supply to support growth in housing starts over the rest of the year, but we still expect starts to be down on average across 2020 overall," said Nancy Vanden Houten, lead US financial economist at Oxford Economics.

JOBS: AT&T has told the Communications Workers of America union that it plans to cut more than 3,400 technician and clerical jobs across the country over the next few weeks. The company also plans to permanently close more than 250 of its Mobility and Cricket Wireless stores, which would impact 1,300 retail jobs.

AT&T said in a statement Wednesday that there will be "targeted, but sizable reductions" in its workforce that will include executives, managers and union-represented employees. The company said it will be eliminating more non-payroll workers — the vast majority of whom are outside the US — than managers or union-represented employees.

Groupion furloughed or initiated exits with about 2,700 employees during the first quarter as it looked for ways to conserve cash amid the pandemic.

Many white-collar workers at Ford in the US and elsewhere won't return to the office until next year, and some may work remotely forever.

When the coronavirus first hit earlier this year, Ford closed its factories and told thousands of white-collar employees to stay home. Factories reopened last month, and salaried workers were to return in September.

But in a company-wide conference call Wednesday, executives said Ford will ask workers if they want to stay

at home, return to the office, or work a blended schedule. Managers will talk with employees in August to determine where workers will be, spokeswoman Cassandra Hayes said. Ford has about 30,000 white collar workers in the US, and 12,000 have to be on site to work. Company polls have shown that a "large majority" want to continue working at home, she said.

Ford is preparing for workers to return starting in September, setting up work stations and securing protective equipment. But it's possible the work won't be finished and some employees won't return until next year, Hayes said.

HOUSING: Homebuyers are increasingly looking to make purchases in suburban and rural areas. Realtor.com says that in May, online listing views for its website grew by 13% in suburban zip codes, nearly doubling the pace of growth of urban areas.

While time on the market has slowed nationally due to complications surrounding deal closings during the pandemic, suburban and rural markets are seeing lower increases due to strong consumer interest. Time on market increased by 25% in rural areas, 30% in suburban areas and 35% in urban areas year-over-year. This is the widest gap in percent change since realtor.com started tracking the metric four years ago.

BANKS: The FDIC says that profits for banks fell about 70% in the first quarter because of COVID-19, and they quadrupled money set aside against expected losses.

Net income totaled \$18.5 billion in first quarter 2020, according to the Federal Deposit Insurance Corp. That's a decline of \$42.2 billion from a year ago. Deposits soared to about \$1.24 trillion in the first quarter, up from about \$258 billion in the previous quarter as many people decided to exit the stock market.

RETAIL: Bedding maker Tempur Sealy International anticipates its second-quarter sales will be down 15% compared with a year earlier, as strong sales in May and early June are mitigating a very difficult April.

The company said Wednesday that its quarter-to-date orders have significantly improved from previous expectations. The improvement in order trends has been broad-based geographically, driven by improving wholesale channel trends and more than 125% growth in global online sales for the quarter-to-date.

J.C. Penney said it started running going-out-of-business sales at 136 stores on Wednesday. Penney filed for Chapter 11 bankruptcy protection last month, making it the biggest retailer to do so since the coronavirus pandemic forced non-essential stores to be shut down temporarily. As part of its bankruptcy reorganization, Penney has said it plans to permanently close nearly a third of its 846 stores in the next two years. That would leave it with just over 600 locations.

TRAVEL: Shares of cruise operators fell Wednesday as Norwegian Cruise Line Holdings announced it's extending its suspension of global cruise voyages to include all trips embarking between Aug. 1 and Sept. 30. The extension applies to all three cruise brands, Norwegian Cruise Line, Oceania Cruises and Regent Seven Seas Cruises. Norwegian is also canceling select voyages through October, including Canada and New England sailings, due to travel and port restrictions.

The cancellations exclude September Seattle-based Alaska voyages.

Southwest Airlines extended through September its promise to book planes lightly enough to leave middle seats open — although the airline, which doesn't assign seats, won't stop people from taking middle seats.

Is it safe to stay in hotels as 'reopenings' get underway?

NEW YORK, June 18, (AP) — Is it safe to stay in hotels as reopenings get underway?

It depends on the precautions both you and the hotel take. It's best to call ahead to see how the place you're considering is working to minimize the risk of COVID-19. The U.S. Centers for Disease Control and Prevention suggests asking if the staff is wearing face coverings, for example, and whether cleaning practices have been stepped up.

To reassure potential guests, many hotels — from luxury resorts to budget brands — are sharing the changes they're making on their websites. New

practices may include adding hand sanitizer stations in lobbies, disinfecting surfaces like elevator buttons more frequently and removing extra items in rooms, such as pens and paper. Breakfast buffets may also be replaced with prepackaged meals.

Once at a hotel, Dr. Albert Ko at the Yale School of Public Health says guests should continue to follow social distancing guidelines, since the virus spreads mainly from person-to-person contact. Dine outside if possible, he says, and don't crowd into elevators.

The CDC also suggests taking the stairs when possible and minimizing the use of common areas.



People wear face masks as they line up to enter a retail store in Schaumburg, Illinois. The Labor Department said that about 1.5 million people applied for US unemployment benefits last week, another sign that many Americans are still losing their jobs even as the economy begins to gradually reopen. (AP)

British inflation drops to 4-year low in May

BoE unveils another big stimulus for economy

'This is the largest economic shock to hit our economy'

A stronger job market is key to combating inequality — Powell

WASHINGTON, June 18, (AP) — Federal Reserve Chairman Jerome Powell stressed Wednesday that the federal government's role in strengthening the US market in the face of a recession is vital in preventing a worsening of economic inequality.

Powell said the Fed would continue to deploy all its financial tools to help "get back as quickly as we can to a tight labor market." And he reiterated his belief that Congress must avoid withdrawing its own rescue efforts too quickly or else the most disadvantaged households would disproportionately suffer.

The chairman's remarks to a House committee came on the second day of his semi-annual testimony to Congress on monetary policy. As he had on Tuesday to the Senate Banking Committee, Powell stressed that the Fed would keep its benchmark interest rate, which influences many business and household loans, near zero and make full use of the numerous lending programs it has unveiled since the coronavirus struck.

Asked what might cause the Fed to change its projection that rates won't be raised until after 2022, Powell said: "This is the largest economic shock to hit our economy in living memory. It looks like it will be the deepest recession. It may not turn out to be a very long run. But it will take some time" to get all the millions who have been laid off back to work.

"We want to get back to 3.5% (unemployment) and wages going up the most for people at the low end of the wage spectrum," Powell said. "We want to get back to that as soon as we possibly can, and we will be using our tools to do that."

Democrats pressed Powell to endorse a widening of the congressional support, including lengthening the period for enhanced unemployment benefits and providing more support for state and local governments.

Powell did not endorse specific proposals. But he said Congress should avoid a mistake it made during the last recession of pulling back on support too quickly and should provide targeted help to groups that have been hurt the most in the downturn.

"I do think it would be appropriate to think about continuing support for

people who are newly out of work and for smaller businesses who are struggling," Powell said. "The economy is just now beginning to recover. It's a critical phase, and I think that support would be well-placed at this time."

The unemployment rate had stood at a 50-year low of 3.5% in February before efforts to contain the coronavirus pandemic shut down wide parts of the US economy. The jobless rate surged and stood at 13.3% in May.

Powell noted that even though jobs increased in May, there are still more than 25 million people who have lost the jobs they had before the virus struck.

His comments on pursuing a tight labor market stood in contrast to the views of Fed leaders over most of the central bank's century of operation. Until recently, Fed officials would stress the pursuit of full employment, which in times past was pegged at around a 6% jobless rate, while warning that jobless rates much below that level could trigger unwanted inflation.

But Powell said recent history showed that in the current environment, with inflation remaining dormant, the Fed could pursue policies to drive unemployment much lower than it has in the past.

Other Fed officials this week have echoed Powell's concerns about the

economic inequalities that the pandemic has brought into sharp relief.

Mary Daly, president of the San Francisco Federal Reserve Bank, said in a speech Monday that "inclusive growth is faster growth" and called on Congress to invest more in public health, education, and broadband Internet access.

"Right now, not everyone gets the same chance to succeed in our country," she said in virtual remarks to the National Press Club. "And it's not for lack of trying — it's for lack of opportunity. Our system, whether we meant it to be or not, is set up that way."

Richmond Fed President Tom Barkin, also on Monday, wrote in an online essay that African-Americans and Latinos have been more likely to lose jobs during the pandemic, "underscoring historic fault lines in our society that are painfully tangible at present."

Barkin also said that online retraining might be necessary for many workers.

"That of course would require expansion of access to broadband," Barkin said.

In response to a question about a shortage of coins at banks, Powell said the shutdowns caused by the pandemic had raised concerns about circulation of coins, which the Fed's 12 regional banks are in charge of supplying to commercial banks.



In this file photo, Federal Reserve Chair Jerome Powell pauses during a news conference to discuss an announcement from the Federal Open Market Committee, in Washington. (AP)

LONDON, June 18, (AP) — The Bank of England has unveiled another big stimulus for the U.K. economy as it tries to limit the scale of the coronavirus recession.

In a statement Thursday, it said it was increasing its government bond-buying program by a further 100 billion pounds (\$125 billion). The intention is to keep a lid on interest rates in financial markets and keep money flowing through the financial system.

The meeting of the bank's monetary policy committee is taking place in the wake of figures showing that the U.K. economy shrank by a fifth in April alone as a result of the country's lockdown with so many sectors shuttered.

The committee also kept the bank's main interest rate unchanged at 0.1%, as anticipated.

Inflation in the U.K. fell to its lowest level in four years in May following a big coronavirus-related drop in prices at the pump, official figures showed Wednesday.

The Office for National Statistics said consumer prices increased by 0.5% in May from the year before and was down from 0.8% in April. May's rate was the lowest since June 2016.

The main downward contribution came unsurprisingly from fuel costs, which fell sharply in the wake of the big decline in crude oil prices. Though oil prices have recovered from the historically low levels they hit in April after much of the world was put under coronavirus lockdowns, they remain at around \$40 a barrel and below their level last year.

The meeting of the committee is taking place in the wake of figures showing that the U.K. economy shrank by a fifth in April alone as a result of the country's lockdown, which has seen many sectors shuttered.

Though some of the lockdown restrictions are easing, including Monday's reopening of shops selling items considered nonessential, such as books, sneakers and toys, the economy is set for one of its deepest recessions ever and a consequent big spike in the numbers unemployed. Last month, the Bank warned that the U.K. faced its worst recession since 1706.

"Although we find tentative evidence that a recovery started in mid-May already, the risks to the inflation and growth outlook remain tilted to the downside," said Kallum Pickering, senior economist at Berenberg Bank.

"The May inflation data supports the case for the ongoing aggressive monetary and fiscal action along with the likely further steps to come," Pickering said.