US mortgage rates fall; 30-year at all-time low of 3.13%

Long-term U.S. mortgage rates fell this week as the benchmark 30-year home loan reached a new all-time low.

Mortgage buyer Freddie Mac reported Thursday that the average rate on the key 30-year loan declined to 3.13% from 3.21% last week. It was the lowest level since Freddie began tracking average rates in 1971. A year ago, the rate stood at 3.84%.

The average rate on the 15-year fixed-rate mortgage eased to 2.58% from 2.62%.

In recent weeks, signs have pointed to the economy appearing to be slowly recovering from the devastation of the coronavirus pandemic, with more businesses partially reopening.

The housing market has shown strength and robust homebuying demand, but it may be difficult to sustain because of the tight supply of homes available for sale, said Freddie Mac chief economist Sam Khater.

The outlook for the economy and housing will be affected by prospects for a vaccine for the virus and government relief measures and policies, Khater noted.

The government reported Thursday that about 1.5 million laid-off workers applied for U.S. unemployment benefits last week, a historically high number, even as the economy increasingly reopens and employers bring some people back to work. The latest figure marked the 11th straight weekly decline in applications since they peaked at nearly 7 million in March. (AP)

In this file photo, a realty company's signs rest on several lawns in front of newly constructed houses in Brandon, Mississippi. (AP)

Pandemic poses 'acute risks' for small businesses and their employees

Powell warns that long downturn would mean severe damage

WASHINGTON, June 22, (AP): Federal Reserve Chairman Jerome Powell warned that the U.S. economy faces a deep downturn with "significant uncertainty" about the timing and strength of a recovery. He cautioned that the longer the recession lasts, the worse the damage that would be inflicted on the job market and businesses.

In testimony to Congress, Powell stressed that the Fed is committed to using all its financial tools to cushion the damage from the coronavirus. But he said that until the public is confident the disease has been contained, "a full recovery is unlikely." He warned that a prolonged downturn could inflict severe harm - especially to low-income workers who have been hit hardest.

"The way the pandemic has hit our economy... has been a real inequality-increaser," the chairman said, because low-wage service jobs have been hardest hit and are disproportionately held by minorities. "That's who's bearing the brunt of this."

He noted that the pandemic also poses "acute risks" for small businesses and their employees.

"If a small or medium-sized business becomes insolvent because the economy recovers too slow, we lose more than just that business," he said. "These businesses are the heart of our economy and often embody the work of generations."

Several Democratic senators used their questions to Powell to press for a new congressional rescue bill that would provide increased aid for state and local governments, which face the prospect of mass layoffs because of diminished tax revenue, as well as an extension of enhanced unemployment benefits.

Powell agreed that while both Congress and the Fed have supplied record-high support, the severity of the downturn may require more.

"The shock that the economy received was the largest in memory," he said, noting that the congressional response and the Fed's response were also the largest on record. "Will it be enough? I would say that there is a reasonable probability that more will be needed both from (Congress) and the Fed."

Without further help, states and cities could be forced to lay off more employees, Powell said, which also happened after the 2008-2009 recession and which, he added, slowed the recovery after that downturn. Similar layoffs now could "weigh on" the economy, he said.

Powell agreed that Congress should consider extending unemployment benefits beyond their typical six-month period, on the assumption that unemployment would likely still be quite high by the end of the year. He did not weigh in on the debate over whether the extra $600 in weekly federal unemployment benefits should be extended beyond its current July 31 cutoff date, as House Democrats have proposed.

"Some form of support for those people going forward is likely going to be appropriate," he told the committee. "There are going to be an awful lot of unemployed people for some time," he said, suggesting that workers in the travel and hotel industries, among others, will likely have to find work in different industries.

Kathy Bostjancic, a senior economist at Oxford Economics, noted that Powell reiterated the cautious message he had expressed at a news conference last week.

"While the economy seemingly has turned the corner, the road to full recovery is long and contingent on the public gaining confidence that the virus is contained," Bostjancic said. "The outlook remains cautious despite ... initial signs of rehiring and a bounce-back in consumer spending."

In his remarks to the lawmakers, Powell said he remains confident about the economy's future: "Long run, I am confident we will have a full recovery."

Since March, the Fed has slashed its benchmark short-term rate to near zero, bought $2.1 trillion in Treasury and mortgage bonds to inject cash into markets and rolled out numerous lending programs to try to keep credit flowing smoothly. On Monday, the Fed announced that it will begin buying corporate bonds as part of a plan to ensure that companies can borrow during the pandemic. The Fed's policymakers have also forecast that their key rate will remain near zero through 2022.

Collectively, the central bank's actions are credited with helping fuel an extraordinary rally in the stock market, which has nearly regained its pre-pandemic highs after a dizzying plunge in March.

On Tuesday, Powell suggested that the drop in economic output during the current April-June quarter, as measured by the gross domestic product, will likely be the most severe on record. Many economists are forecasting that GDP could shrink at a record-setting 40% annual rate this quarter.

While the Trump administration is forecasting a V-shaped recovery with strong growth in the second half of this year, Powell was more cautious and sought to focus concerns on low-wage workers. In a semi-annual monetary report accompanying the testimony, the Fed noted that workers with lower earnings, including minorities, were being hit especially hard by the job market disruptions.

Employment has fallen nearly 35% for workers who were previously earning wages in the bottom fourth of wage earners, the Fed said. By contrast, employment has declined 5% for higher-wage earners. Because lower-wage earners are disproportionately African-American and Hispanic, unemployment has risen more sharply for those groups.

Currency traders watch monitors at the foreign exchange dealing room of the KEB Hana Bank headquarters in Seoul, South Korea, Monday, June 22, 2020. (AP)

World shares slip as global virus tally approaches 9mn

Asian markets mixed

BANGKOK, June 22, (AP): World shares sagged Monday as reports of new coronavirus infections in the US and worldwide surged, with the global total approaching 9 million.

European markets opened lower after a mixed session in Asia.

Britain's FTSE 100 lost 0.3% to 6,275.24. The CAC 40 in Paris edged 0.2% lower to 4,967.73, while Germany's DAX slipped 0.1% to 12,315.63. US futures augured a strong start to the week, with the contracts for both the S&P 500 and the Dow up 0.8%.

Sydney's S&P/ASX 200 was almost unchanged at 5,944.50, supported by a report that consumer spending has rebounded more quickly from the pandemic shock than expected, analysts said.

"However, that partly reflects pent-up demand and the strong support from government initiatives. Employment income has slumped and we only expect spending to return to pre-virus levels next year," Marcel Thieliant of Capital Economics said in a report.

Tokyo's Nikkei 225 index slipped 0.2% to 22,437.27, while the Hang Seng in Hong Kong sank 0.5% to 24,515.23. The Kospi in South Korea slipped 0.7% to 2,126.73.

The Shanghai Composite index edged 0.1% lower to 2,965.27, while India's Sensex jumped 0.9%. Shares rose in Taiwan and Singapore but fell in Jakarta and Bangkok.

High

Investors appear cautious with prices already relatively high and "out of whack" with earnings expectations, Mizuho Bank said in a commentary. "And so, investors may be increasingly nervous about being caught on the wrong side of 'irrational exuberance,' " it said.

On top of that, the "sheer speed and amplitude of the equity market rebound ... from the depths of the March sell-off may also counsel some patience rather than haste; prudently pausing to take profits for the quarter," it said.

The World Health Organization on Sunday reported the largest single-day increase in coronavirus cases by its count, at more than 183,000 new cases in the previous 24 hours. The UN health agency said on Sunday that Brazil led the way with 54,771 cases and the US next at 36,617. India confirmed 15,400 new cases.

The United States also reported more than 30,000 new coronavirus cases on Friday and Saturday, with the daily totals their highest since May 1.

A large share of the cases are in the South, West and Midwest, where hospitals in some areas are becoming overwhelmed.

Case numbers in South Korea and China have appeared to be moderating after recent outbreaks centered in their capitals.

Great uncertainty remains over whether countries that have been relaxing pandemic-fighting restrictions on travel and business might end up re-imposing broader controls that would slow a recovery from the worst global downturn since the Great Depression in the 1930s.

"The extent to which the COVID-19 pandemic slows economic recovery could increasingly come into focus. These shifting dynamics are always challenging to equate," Stephen Innes of AxiCorp said in a commentary.

On Friday, the S&P 500 ended a wobbly day down 0.6% at 3,097.74 after mounting worries about the rising coronavirus infections undercut an early rally.

The simultaneous expiration of contracts for stock options and futures, an occasional occurrence that can drive bouts of buying and selling and is known as "quadruple witching day," added to volatility.

Even if widespread stay-at-home orders don't happen, the fear is that scared shoppers may still shy away from stores and businesses may pull back on their own spending.

The yield on the 10-year Treasury note was steady Monday at 0.70% after climbing as high as 0.74% on Friday. It tends to move with investors' expectations for the economy and inflation.

A barrel of US crude oil for delivery in July gained 6 cents to $39.81 per barrel in electronic trading on the New York Mercantile Exchange. It rose 2.3% to settle at $39.75 on Friday.

Brent crude, the international standard, picked up 15 cents to $42.34 per barrel.

In currency trading, the US dollar was at 106.94 Japanese yen, up from 106.87 on Friday. The euro rose to $1.1214 from $1.1178.

Mabanee Co rallies 8 fils, Jazeera Airways slips

Kuwait extends gains, volume ticks up

By John Mathews
Arab Times Staff

KUWAIT CITY, June 22: Kuwait stocks crept higher on Monday extending last session's modest gains. The All Shares Index, after a wobbly start, climbed 15.8 pts to 5061.55 points paced by heavyweights.

The Premier Market sprinted 23.84 points to 5505.92 points while Main Index was little changed at 4185.04 points. The BK 50 Main rose 12.92 points to 4160.40 pts.

The volume turnover meanwhile saw a modest rebound after hitting month's lowest level in the last session. Over 110 million shares changed hands – 18 pct increase from Sunday.

The sectors closed mixed. Industrial sector outshone the rest with 0.99 percent gain whereas healthcare dipped 0.9 pct, the biggest loser of the day. Volume wise, Financial sector topped with 46.2 million shares whereas Banking sector were ahead in value with KD 11.59 million.

In the individual shares, sector bellwether National Bank of Kuwait rose 3 fils to 801 fils on back of 3.5 million shares while Boubyan Bank climbed 7 fils to 497 fils after pushing over 1 million shares. Mabanee Co rallied 8 fils to 660 fils recouping last session's losses.

Zain took in 1 fil to close at 562 fils with a volume of 1.8 million while Ooredoo jumped 21 fils to 669 fils. STC stood pat at 850 fils off early lows while Agility sprinted 10 fls to 692 fils. Humansoft Holding soared 82 fils to KD 2.632 and KIPCO added 3 fils on back of 4.5 million shares

The market opened on a tame note and moved sideways in early trade. The main index sagged almost an hour into the session to bottom at 5038 points and clawed back thereafter amid fresh buying in some of the counters before closing in the green territory.

Gainer

Top gainer of the day, Masaken jumped 10 pct to 38.5 fils while First Takaful Insurance galloped 9.8 percent to stand close behind. FACIL skidded 10.4 percent, the steepest decliner of the day and Ahli United Bank topped the volume with 18.7 million shares.

Reflecting the day's gains, the market spread was skewed towards the winners. 55 stocks advanced whereas 41 closed lower. Of the 114 counters active on Monday, 18 closed flat. 5703 deals worth KD 21.3 million were transacted during the session.

National Industries Group took in 1 fil with a volume of 3.2 million while Mezzan Holding tripped 1 fil before ending at 609 fils. Boubyan Petrochemical Co ticked 1 fil higher to 590 fils and Al Qurain Petrochemical Co stood pat at 278 fils. Heavy Engineering Industries and Shipbuilding Co dialed up 1 fil.

Jazeera Airways fell 2 fils to 670 fils and ALAFCO eased 1 fil to 168 fils. Advanced Technology dipped 25 fils to 675 fils while Combined Group Contracting Co and Soor paused at 177 fils and 109 fils respectively. KCPC clipped 1 fil and KPPC gave up 1.3 fils to close at 42.7 fils.

Kuwait Cement Co dialed down 2 fils while Hilal Cement and ACICO Industries trimmed 1 fil each. Kuwait and Gulf Links Transport Co added 1.5 fils and KGL Logistics eased 0.40 fil to 29.7 fils. Gulf Cable climbed 7 fils to 538 fils and NICBM clipped 1 fil. Kuwait Foundry Co took in 1 fil and Inovest gave up 2.2 fils.

In the banking sector, Kuwait Finance House dialed up 1 fil on back of 5.2 million shares while Gulf Bank and Kuwait International Bank held ground at 213 fils and 177 fils respectively. Burgan Bank added 2 fils to close at 196 fils.

The market has been positive so far during the week gaining 41 points in last two sessions. It has climbed 65 points from start of the month and is down 1220 points year-to-date.

Few buyers follow

China moves vast trade fair 'online'

BEIJING, June 22, (AP): Standing in front of shelves laden with colorful backpacks, a saleswoman promoted bags on the Canton Trade Fair's website without knowing whether anyone was watching as the world's biggest sales event opened in cyberspace to avoid the coronavirus pandemic.

The twice-a-year fair usually draws more than 180,000 foreign buyers and 60,000 Chinese vendors to the southern city of Guangzhou. But with most foreign visitors barred from China, the event has transformed itself into an e-commerce platform with mini-shopping channels for nearly 8,000 vendors.

The saleswoman for Honeyong Enterprise Co.,Ltd. showed off backpacks for children. Shark fins jutted out of a model for boys. A hot pink model for girls had lace flaring out from the bottom like a ballerina's tutu.

"It will look like dancing girls when your little girl wears it," said the saleswoman, who gave her name as Sophia. "If you want more choices, please contact me right now," Sophia said, pointing to an instant message link on the screen, "or send me an email."

The fair, founded in 1957, was for decades Chinese exporters' main link to foreign buyers. It faces growing competition from companies such as Hong Kong's Global Sources and China's Alibaba Group that connect buyers and exporters online. But the fair still is popular with retailers and other customers who want to meet new suppliers and try out products.

Orders at last year's spring session, which attracted 195,000 buyers, totaled 199.5 billion yuan ($29.6 billion), organizers say. Last November's autumn session produced an additional 207 billion yuan ($29.4 billion) in deals.

This year, it isn't clear yet how many buyers have followed vendors to the website.

"Not many foreign customers visit us online," said Honeyong's sales manager, Clare Wan. "Maybe if they want to check out new products, they still want to see them in person."

To manage its online bazaar, the Chinese government turned to tech giant Tencent, operator of the popular WeChat messaging service.

The video platform includes technology that produces a three-dimensional digital image of a product that potential buyers can turn around and see from different angles, according to Tencent. Instant messaging and interpretation features are intended to allow customers in other countries to talk directly to sellers.

Tencent and Alibaba are working with trade shows in China and abroad to put events online in hopes of reaching more customers.

Last year, Alibaba set up a video channel for Chinese vendors to show products to visitors at the Consumer Electronics Show in Las Vegas, the industry's biggest annual sales event.

The coronavirus pandemic "means we have to pioneer the 21st-century trade show," said John Caplan, Alibaba's president for North America and Europe.

Still, the internet is no substitute for meeting vendors in person, said Chris Sillitoe, who owns a sourcing company in Britain that buys tools and other hardware for retailers. Sillitoe has visited every Canton Fair in the last two decades.

"That's absolutely what it's all about," said Sillitoe. "The virtual fair isn't a replacement for being on the ground in China."

On another channel, an employee of Five-Star Toy Co. held up a miniature cash register for children and showed how it could scan a mock fried potato and display the price on a screen. Other brightly colored toys on the company's page included a piano and a musical phone.

The 800-employee company in Shantou, near Hong Kong, has taken part in the Canton fair since 2016, said its sales manager, Vicky Yu. She said sales to the United States, Europe, South America and Southeast Asia are off by more than 50% and some customers who placed orders are cancelling.