

## China warns US of 'all necessary measures' over Huawei rules

China's commerce ministry says it will take "all necessary measures" in response to new U.S. restrictions on Chinese tech giant Huawei's ability to use American technology, calling the measures an abuse of state power and a violation of market principles.

An unidentified spokesperson quoted Sunday in a statement on the ministry's web-

site said the regulations also threatened the security of the "global industrial and supply chain."

"The U.S. uses state power, under the so-called excuse of national security, and abuses export control measures to continuously oppress and contain specific enterprises of other countries," the statement said.

China will "take all neces-

sary measures to resolutely safeguard the legitimate rights and interests of Chinese enterprises," it said.

Under the new rules, foreign semiconductor makers who use American technology must obtain a U.S. license to ship Huawei-designed semiconductors to the Chinese company.

Chip design and manufacturing equipment used in the

world's semiconductor plants is mostly U.S.-made, so the new rule affects foreign producers that sell to Huawei and affiliates including HiSilicon, which makes chips for supercomputers with scientific and military uses. The U.S. Commerce Department said foreign foundries would be granted a 120-day grace period for chips already in production. (AP)



A man wearing a face mask to protect against the coronavirus walks past a Huawei retail store in Beijing on Monday, May 18, 2020. (AP)

## Market Movements

18-05-2020

	Change	Closing pts		Change	Closing pts		
Australia	-	All Ordinaries +64.72	5,557.55	INDIA	-	Sensex -1,068.75	30,028.98
China	-	Shanghai SE +6.96	2,875.42	Pakistan	-	KSE 100 -203.36	33,804.97
Hong Kong	-	Hang Seng +137.30	23,934.77	Philippines	-	PSEI -62.60	5,479.35
Japan	-	Nikkei +96.26	20,133.73				
S. Korea	-	KRX 100 +21.30	4,132.26				

# Business

## Fed isn't considering cutting rates into negative territory, chairman reiterates

# US recovery may begin by summer, will likely be slow: Powell

WASHINGTON, May 18, (AP): Federal Reserve Chair Jerome Powell expressed optimism Sunday that the U.S. economy can begin to recover from a devastating recession in the second half of the year, assuming the coronavirus doesn't erupt in a second wave. But he suggested that a full recovery won't likely be possible before the arrival of a vaccine.

In an interview with CBS's "60 Minutes," Powell noted that the economy was fundamentally healthy before the virus struck suddenly and forced widespread business shutdowns and tens of millions of layoffs. Once the outbreak has been contained, he said, the economy should be able to rebound "substantially."

Powell offered an overall positive message while warning that it would take much longer for the economy to regain its health than it took for it to collapse with stunning speed.

"In the long run, and even in the medium run," the chairman said, "you wouldn't want to bet against the American economy. This economy will recover. And that means people will go back to work. Unemployment will get back down. We'll get through this."

Powell pointed out that the downturn wasn't a result of deep-seated financial instabilities, like the housing meltdown and the excessive risk-taking among banks that ignited the Great Recession. Rather, it resulted from an external event - a pandemic - that required a shutdown of the economy. That may mean, he said, that "we can get back to a healthy economy fairly quickly."

In the meantime, though, American workers are enduring their worst crisis in decades. More than 36 million people have applied for unemployment benefits in the two months since the coronavirus first forced businesses to close down and shrink their workforces. The unemployment rate, at 14.7%, is the highest since the Great Depression, and is widely expected to go much higher.

In the interview with CBS, Powell played down comparisons to the Depression. While acknowledging that unemployment could peak near the Depression high of 25%, he noted that U.S. banks are far healthier now and that the Fed and other central banks are much more able and willing to intervene to bolster economies than they were in the 1930s.

Still, Powell cautioned that it would take time for the economy to return to



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)

anything close to normal. A recovery "could stretch through the end of next year," he said. And a vaccine would likely be necessary for Americans to feel safe enough to return to their normal economic behavior of shopping, traveling, eating out and congregating in large groups - activities that fuel much of the economy's growth. Most health experts have said that a vaccine won't be ready for use for 12 to 18 months at least.

"Certain parts of the economy will find it very difficult to have really a lot of activity," Powell said. "The parts that involve people being in the same place, very close together. Those parts of the economy will be challenged until people feel really safe again."

The Fed chairman said he and other central bank officials, in conversations with businesses, labor leaders, universities and hospitals, have picked up on "a growing sense that the recovery may take some time to gain momentum."

"That would mean," he added, "that we will start our recovery and get on that road, and that'll be a good thing, but that it'll take some time to pick up steam."

Powell reiterated his view that both Congress and the Fed must be prepared to provide additional financial support to prevent permanent damage to the economy from widespread bankruptcies among small businesses or long-term unemployment, which typically erodes workers' skills and social networks. Congress has already approved roughly \$3 trillion in rescue

aid for individuals and businesses. But states and localities are in need of federal money to avoid having to cut jobs and services, and legislation to provide that money remains at an impasse in Congress.

If necessary, Powell said, the Fed could expand any of the nine emergency lending programs it has launched since the viral outbreak began to harm the economy - or create new ones. In March, the central bank slashed its benchmark interest rate to near zero as stock markets plunged and bond markets froze. The Fed has also intervened by buying \$2.1 trillion in Treasuries and other bonds in an effort to keep interest rates low and smooth the flow of credit.

The Fed could also provide more explicit guidance on how long it will keep rates pegged at nearly zero and the extent of its bond-purchase programs, Powell said. Doing so would give banks and other companies more confidence that borrowing rates will stay lower for longer.

But the chairman reiterated that the Fed isn't considering cutting rates into negative territory, which President Donald Trump has repeatedly urged. The issue of negative rates flared up in recent weeks when futures markets essentially bet that the Fed would take that step early next year, as some other central banks have done.

"There're plenty of people who think negative interest rates are a good policy," Powell said. "But we don't really think so at the Federal Reserve."

## Industrial production plunges 11.2% in April

# US layoffs surged to record high of 11.4m

WASHINGTON, May 18, (AP): U.S. layoffs soared in March to a record 11.4 million after state and local governments closed restaurants, bars, movie theaters and other nonessential businesses in response to the intensifying viral outbreak.

The Labor Department also said that job openings plunged, and hiring fell, though those changes weren't nearly as dramatic as layoffs, which rose more than six-fold. The number of available jobs dropped nearly 12%, to 6.2 million. The number of hires declined 13%, to 5.2 million.

New data is revealing how the severity of this downturn has skewed the nature of U.S. recessions.

Businesses typically cut back on hiring first as the economy begins to slow. Layoffs then intensify once employers start to accept that a recession is at hand.

In the pandemic, the layoffs have been immediate and massive.

"Workers lost jobs at a horrifying rate," said Nick Bunker, director of research at Indeed, the job listings

website. "Employers led with layoffs and hiring slowed, but not as dramatically as one might have expected."

The fact that job openings and hiring did not fall more in March suggests companies held out hope that the recession would be brief, and that they would be able to soon return to previous job search and hiring plans. Data from job sites like Indeed, which are more current, indicate that job openings fell further in April, a sign that businesses are bracing for a lengthier slowdown.

Layoffs jumped the most in restaurants and bars, where they surged almost 20-fold to 4.4 million. Retailers also reported an enormous increase, to 1.1 million in March from 224,000 in February.

The figures lag more recent data such as the April jobs report, released last week, which showed the unemployment rate leapt to 14.7% that month, the highest since the Great Depression. More than 20 million jobs were lost. But Friday's report, known as the Job Openings and

Labor Turnover survey, or JOLTS, helps illustrate how businesses responded to the initial viral outbreak.

The JOLTS also reports overall hiring figures, while the monthly jobs data reflects net changes.

Weekly jobless claims data show that layoffs have declined for six straight weeks after soaring in late March, but remain at historically high levels. Nearly 3 million people sought unemployment aid last week.

Tens of thousands of jobs lost are taking place at factories. On Friday, the U.S. also reported that American industry suffered the most severe plunge on record last month with factories, mines and utilities battered by the coronavirus pandemic.

Meanwhile, American industry suffered the most severe plunge on record last month with factories, mines and utilities battered by the coronavirus pandemic.

The Federal Reserve said that its industrial production index tumbled a record 11.2% in April. Manufacturing output also posted a record drop - 13.7% - as production of cars, trucks and auto parts plummeted more than 70%. Production of aerospace and other transportation products, metals and furniture fell around 20%. Output dropped 6.1% at mines and 0.9% at utilities.

The imposition of the U.S. industrial sector was not unexpected, "but one can't help but grimace," Jennifer Lee, senior economist at BMO Capital Markets, wrote in a research report. Industry was running at 64.9% of capacity last month, shattering the previous record low set in the Great Recession year 2009. Factory capacity utilization also hit a record low 61.1%.

Manufacturing may get a boost over the coming week as auto plants begin to reopen.

"Auto output at the large factories is slated to resume on Monday," said Stephen Stanley, chief economist at Amherst Pierpont Securities, "so we should see a pickup in manufacturing activity in May."

# Japan plunges into recession

Worse times likely ahead: economists

## Vision Fund investments plunge

# SoftBank racks up losses

TOKYO, May 18, (AP): Japanese technology company SoftBank Group Corp. racked up a loss of 961.6 billion yen (\$9 billion) for the fiscal year through March, on red ink related to its Vision Fund investments including troubled office space-sharing venture WeWork.

SoftBank, founded in 1981, said Monday the drop in share prices around the world from the fallout of the coronavirus pandemic had slammed the value of its sprawling investments.

Tokyo-based SoftBank had reported a profit of 1.4 trillion yen the previous fiscal year. Its sales for the fiscal year inched up 1% to 6.2 trillion yen (\$58 billion). It did not immediately break down quarterly results or give a forecast for the fiscal year through March 2021.

On top of WeWork's poor performance, the company suffered damage to the value of Uber and other holdings in its portfolio. The pandemic is adding to uncertainties.

The merger of Sprint with T-Mobile in the U.S. was completed on April 1, in one bit of good news.

The pandemic was not expected to affect SoftBank's telecommunications business, such as mobile phone services in Japan. As people stay home to help curb the spread of the coronavirus, they tend to use more online deliveries and other internet-based activities.

But the company's technology licensing and royalty revenues may drop due to Arm, which provides microprocessors and other technology and is also part of SoftBank's operations, because of pandemic-related disruptions. SoftBank's chief executive, Masayoshi Son, told reporters the company was facing "unprecedented challenges" because of the pandemic.

But he said some businesses such as Chinese e-commerce giant Alibaba and Arm hold great potential, and the stock value of SoftBank's holdings has fallen but is not crashing.

"I realize I am giving excuses, and the extreme economic hardships from this 'corona-shock' are very real," Son said.

SoftBank bailed out WeWork last year, and severed ties with its co-founder Adam Neumann, whose reported lavish living has tarnished the brand. Its IPO was ditched, and SoftBank has shelved its tender offer.

The future of the office-sharing business model itself is in question as reopening economies try to abide by social-distancing measures against the virus that causes COVID-19.

Earlier in the day, SoftBank announced Chinese billionaire Jack Ma was stepping down from the board.

Son said the move was related to Ma's decision to semi-retire, including from his post at Alibaba. They continue to communicate regularly as "like-minded soulmates," said Son.

"It's sad to see him go, but we will be best friends forever," he said.

SoftBank is a major investor in Alibaba. Ma, who joined the SoftBank board in 2007, and Son have a long-standing close relationship.

Ma, the co-founder of Alibaba, has been focusing on philanthropy lately, such as donating masks and test kits to help in the efforts against the pandemic.

SoftBank announced three new board members, including SoftBank Chief Financial Officer Yoshimitsu Goto and Waseda University professor Yuko Kawamoto.

Another new member is Lip-Bu Tan, founder of Walden International, a venture capital firm focused on computer chips, cloud and artificial intelligence. He is also chief executive of Cadence Design, a U.S. electronic design automation software and engineering services company.

Son said that adding outside board members will enhance corporate governance at SoftBank, responding to criticism he wielded too much control.

Also Monday, SoftBank said it was buying back its own shares, of up to 500 billion yen (\$4.7 billion) in value, to shore up its bottom line.

"I am not totally pessimistic, given all the challenges we have faced in the past," said Son. "We will keep at it."



In this photo, a person walks by a SoftBank shop in Tokyo. Japanese technology company SoftBank Group Corp. racked up a loss of 961.6 billion yen (\$9 billion) for the fiscal year through March, on red ink related to its Vision Fund investments, including troubled office space-sharing venture WeWork. (AP)

# India ups foreign investment in defense to 74%

NEW DELHI, May 18, (AP): India announced that global companies can now invest up to 74% in the country's defense manufacturing units, up from 49%, without requiring any government approval.

Finance Minister Nirmala Sitharaman expressed hope that the new policy will attract foreign companies with high-end technologies to set up their manufacturing bases in India in collaboration with Indian companies.

Sitharaman's announcement came as part of reforms Prime Minister Narendra Modi's government is implementing to revive India's economy, which has been

shattered by the coronavirus pandemic.

She also told reporters that India will stop importing weapons that can be made in the country. "We will notify a list of weapons and platforms for ban on their imports and fix deadlines to do it," she said, adding that this will improve self-reliance on defense manufacturing.

India introduced up to 49% foreign direct investment in defense production in 2016 to attract modern technology in the country. That attracted over 18.34 billion rupees (\$244 million) until December last year, according to a government statement.

India issues defense industrial li-

censes for making tanks, military aircraft, spacecraft and their parts, unmanned aerial vehicles, missiles for military purposes and warships.

India, a major buyer of military equipment, depended largely on the former Soviet Union during the Cold War. But it has been diversifying its purchases by opting for U.S. equipment as well.

During President Donald Trump's visit to India in February, the two countries signed a deal for India to buy from the U.S. more than \$3 billion in advanced military equipment, including helicopters.



In this file photo, people wait in line for help with unemployment benefits at the One-Stop Career Center in Las Vegas. Federal figures show that about 24,000 out-of-work Nevada residents filed first-time unemployment claims. That pushes the percentage of people seeking jobless benefits to 31% since casinos and businesses shut down in mid-March due to the coronavirus pandemic. (AP)