2 Spanish banks merge amid tough times for financial sector

Two of Spain's biggest banks are poised to merge and create the largest lender in the country, with assets of more than 600 billion euros ($708 billion), bringing the prospect of more job losses amid difficult times for the financial sector.

The boards of CaixaBank and Bankia were due to meet Thursday to iron out the final details of a deal, an official at CaixaBank said. The person spoke only on condition of anonymity because the negotiations are confidential.

The announcement of an agreement, which has been in the works for weeks, could be made in coming days to the Madrid stock exchange, the person said.

A tie-up between CaixaBank, the largest bank in the domestic market, and Bankia, Spain's biggest mortgage lender, could herald other moves toward consolidation in the financial sector.

Banks in Europe are having a hard time amid low interest rates, which squeeze their profits on loans, a steep economic downturn and uncertainty about the future due to the coronavirus pandemic and the United Kingdom's departure from the European Union.

The Spanish government has welcomed the possible merger, saying the sector needs to consolidate, even though it is expected to bring job losses among the combined staff of more than 50,000. Both banks are also placing emphasis on developing online banking, reducing the need for bank branches.

CaixaBank S.A. is one of Spain's big three banks, along with Santander and BBVA. It has more than 35,700 staff and almost 4,600 offices.

With some 15.6 million customers, Caixabank has more than 44% of the business market involving companies invoicing up to 100 million euros ($118 million) a year. It reported a profit of 1.7 billion euros ($2 billion) last year.

Bankia S.A. was created in 2010 by the merger of seven regional Spanish savings banks as a way of surviving the then financial crisis. It is Spain's fourth-largest bank by assets.

Following a 2012 government bailout, 61.8% of Bankia's shares are held by the state, with the rest traded on the stock market. It has around 15,600 staff and last year posted a profit of 541 million euros ($638.5 million).

Santander and BBVA have bigger international operations than CaixaBank. (AP)

Wall St slumps as Big Tech leads decliners

'Markets hoped for the Fed to put policy money where the mouth is'

NEW YORK, Sept 17, (AP): U.S. stocks are lower Thursday as Wall Street continues to swirl after the Federal Reserve said it will keep interest rates at nearly zero for years to help nurse the wheezing economy.

The S&P 500 was 1% lower in morning trading, after trimming an earlier loss that reached 1.6%. It follows up on a volatile day, where the index at first rose following the Fed's announcement before giving out in the last hour of trading to drop to its first loss in four days.

The Dow Jones Industrial Average fell 165 points, or 0.6%, to 27,866, as of 10:25 a.m. Eastern time, and the Nasdaq composite was down 1.7%. The selling was widespread, with all 11 sectors that make up the S&P 500 lower and the heaviest losses in those that are homes to Amazon, Facebook and Apple.

Low interest rates are usually a boon for investors, sending stocks soaring, and analysts gave varying possible reasons for the market's weakness. Among them: the gloomy outlook Fed Chair Jerome Powell gave for the economy's prospects and built-up expectations in some corners that the Fed would be even more generous with its stimulus. This also isn't the first hangover stocks have had following a rate announcement by the Fed.

Markets "hoped for the Fed to put policy money where the mouth is" but "ended up a tad disappointed," Mizuho Bank said in a report. The Fed was "long on talk and short on action."

Another possibility for the weakness is the diminishing odds that Congress will deliver more aid for the economy anytime soon after benefits for unemployed workers and other stimulus expired recently.

Investors say such aid is crucial for the recovery, and Powell talked about the importance of it in a press conference Wednesday. A report on Thursday showed that another 860,000 workers applied for unemployment benefits last week. But partisan disagreements on Capitol Hill have held up any renewal of Congressional support. "Fundamentally, the economy is still moving in the right direction, but the risk of potentially jeopardizing the recovery from reduced fiscal support is becoming uncomfortably high," Piper Sandler strategist Craig Johnson wrote in a report.

Economists say the impact of Congress' inaction may already be showing in the data. Retail sales growth weakened last month, for example, as unemployed workers were no longer getting $600 in extra weekly benefits from the federal government. President Donald Trump issued an executive order in early August to provide a scaled-back version of the benefits, but that program is expiring.

Trump urged his fellow Republicans on Wednesday to move toward a big package of aid, which is what Democrats have been arguing for, but negotiations still remain far apart.

The number of workers applying for jobless benefits has been coming down slowly, but it remains incredibly high compared with history.

Big Tech stocks were again at the center of Wall Street's selling. After flying through the pandemic on expectations that their strong growth will only continue, Apple and other superstar stocks suddenly lost momentum earlier this month amid worries they had become too expensive. Apple fell 2%, Amazon sank 3% and Facebook lost 2.4%.

Among the few gainers was Herman Miller, which jumped 28.9% after reporting much stronger profit for its latest quarter than analysts expected. It benefited from a rush of people buying furniture for home offices they had to suddenly set up due to the pandemic.

Treasury yields fell in a sign of increased caution in the market. The yield on the 10-year Treasury fell to 0.65% from 0.69% late Wednesday.

Stocks in markets around the world were also weak.

In Europe, the German DAX lost 0.5%, and the French CAC 40 fell 0.6%. The FTSE 100 in London sank 0.2%.

Asian stock markets tumbled Thursday after the U.S. Federal Reserve indicated its benchmark interest rate will stay close to zero at least through 2023 but announced no additional stimulus plans.

Market benchmarks in Shanghai, Tokyo, Seoul and Hong Kong all retreated.

Also Thursday, the Japanese central bank left its interest rates unchanged and gave no indication about possible additional stimulus.

The Shanghai Composite Index lost 1% to 3,215.47 and the Nikkei 225 in Tokyo sank 0.7% to 23,321.33. The Hang Seng in Hong Kong retreated 1.6% to 24,327.67.

The Kospi in Seoul shed 1.4% to 2,399.96 while Sydney's S&P-ASX 200 declined 1.1% to 5,889.80.

India's Sensex opened down 0.2% at 39,210.14. New Zealand and Southeast Asia markets all retreated.

Currency traders work at the foreign exchange dealing room of the KEB Hana Bank headquarters in Seoul, South Korea on Sept 17. Asian stock markets declined Thursday after the US Federal Reserve indicated its benchmark interest rate will stay close to zero at least through 2023 but announced no additional stimulus plans. (AP)

Google receives $25m tax break

RENO, Nevada, Sept 17, (AP): Google will receive more than $25 million in tax breaks after pledging an additional $600 million for a new data center in southern Nevada, state officials said.

The company previously committed $600 million to the data center in the Las Vegas suburb of Henderson.

Google also said it would invest $600 million to build a data center at the Tahoe Reno Industrial Center in northern Nevada, bringing its total investment in the state to $1.8 billion, said Gov. Steve Sisolak. To date, the company has invested $300 million in the Reno facility.

Sisolak and seven members of the state Office of Economic Development board approved more than $25 million in tax breaks for the construction of the company's Henderson data center. The facility is expected to open in 2021, the Reno Gazette-Journal reported.

"This is a very good deal for Nevada," said Michael Brown, the director of the development board. "In return for the $25 million abatement that Google will receive, the company will make a $427 million impact on the economy over 20 years and generate $94 million in tax revenue over 20 years."

NAPESCO soars 40 fils, stc slips

Kuwait's bourse closes week on buoyant note

By John Mathews
Arab Times Staff

KUWAIT CITY, Sept 17: Kuwait stocks headed north on Thursday to wind up the week on a buoyant note. The All Shares Index, after a wobbly start, sprinted 52.33 points to 5,447 pts led by blue chips as it extended last session's modest gains.

The Premier Market jumped 75.9 points to 6,009.90 pts taking the month's gains to 155 pts while Main Market added 3.6 points. The BK 50 Main Index eased 2.15 points to 4,372.51 pts. The volume turnover meanwhile fell slightly following Wednesday's pullback. Over 445 million shares changed hands – down 1 pct from the day before.

All sectors, barring one, closed in green turf. Technology outshone the rest with 6 pct gain whereas Insurance, the only losers, slipped 0.37 percent. Volume wise, Real Estate topped with 142 million shares while Banking sector continued to dominate in value with KD 37.3 million.

Among the prime movers, sector bellwether National Bank of Kuwait rallied 5 fils on back of over 9 million shares while Kuwait Finance House scaled 8 fils after pushing over 15 million shares. Mabanee Co extended last session's gains with a 20 fils jump to 710 fils while Boursa reversed its two-day decline with a 29 fils jump to KD 1.019. NAPESCO soared 40 fils to KD 1.100.

Zain rose 5 fils to 581fils after pushing 9.4 million shares while Ooredoo added 3 fils before ending at 608 fils. stc was down 7 fils at 837 fils and Agility sprinted 24 fils to 653 fils on back of over 7 million shares. Humansoft Holding skidded 40 fils to KD 2.790 and KIPCO took in 1 fil to close at 154 fils. The market opened firm and ticked higher in early trade. The market sagged for over an hour and headed north again amid spurt in buying in most of the blue chips. It moved sideways past the mid-session and revved up in the final minutes to close with hefty gains.

Top gainer of the day, KBT soared 13.7 pct to 29 fils while Masaken climbed 10 percent to stand next. Thuraya skidded 19.5 percent, the steepest decliner of the day and Investors Holding topped the volume with 93.9 million shares. Reflecting the day's gains, the winners outnumbered the losers. 66 stocks advanced whereas 51 closed lower. Of the 131 counters active on Thursday, 14 closed flat. 14,292 deals worth KD 72.3 million were transacted during the session.

National Industries Group inched 1 fil higher to 174 fils and Mezzan Holding was up 5 fils at 621 fils. Boubyan Petrochemical Co extended Wednesday's strong gains with a 5 fils rise to 562 fils and Al Qurain Petrochemical Co closed 3 fils in green. Integrated Holding Co rose 5 fils to 380 fils and Aznoula inched 1 fils up.

Jazeera Airways lost its altitude with a 3 fils slip to 576 fils and ALAFCO added 3 fils after moving 11.6 million shares. Soor dialed up 2 fils and Oula Fuel paused at 110 fils. Burgan Well Drilling clipped 1.1 fils whereas Inovest eased 0.2 fil to 69.7 fils. Mashaer Holding tripped 1 fils and IFA Hotels and Resorts trimmed 0.4 fils.

Kuwait Cement Co inched 1 fil up to 196 fils on back of over 2 million shares while Kuwait Portland Cement gave up 5 fils. Gulf Cement Co took in 1.4 fils and Fujairah Cement Co edged 0.7 fil into green. Thuraya slid 18 fils to 74.1 fils and PAPCO was up 5.5 fils at 65 fils. OSOS eased 0.1 fil to 91.8 fils and Gulf Petroleum Investment followed suit with brisk trading. Kuwait Foundry Co slipped 4 fils to 246 fils and Gulf Cable closed 3 fils in green. ACICO Industries inched 1 fil higher to 107 fils and NICBM stood pat at 155 fils. Kuwait National Cinema Co and Independent Petroleum Group were flat at 700 fils and 430 fils respectively.

In the banking sector, Gulf Bank fell 2 fils to 217 fils after pushing 17.4 million shares while Burgan Bank was unchanged at 204 fils. Boubyan Bank rose 3 fils on back of 4.2 million shares and Kuwait International Bank took in 1 fils. Warba Bank gained 11 fils and Ahli United Bank paced 8 fils with brisk trading.

The market was upbeat during the week. The main index closed higher in four of the five sessions gaining 123 points week-on-week. It has scaled 153 points from start of the month and is down 835 points year-to-date.

Bid to allay some of the digital giants' concerns

Australia to amend law making FB, Google pay for news

CANBERRA, Australia, Sept 17, (AP): The author of proposed Australian laws to make Facebook and Google pay for journalism said Thursday his draft legislation will be altered to allay some of the digital giants' concerns, but remain fundamentally unchanged.

Australia's fair trade regulator Rod Sims, chair of the Australian Competition and Consumer Commission, said he would give his final draft of the laws to make Facebook and Google pay Australian media companies for the news content they use by early October.

Facebook has warned it might block Australian news content rather than pay for it.

Google has said the proposed laws would result in "dramatically worse Google Search and YouTube," put free services at risk and could lead to users' data "being handed over to big news businesses."

Sims said he is discussing the draft of his bill with the US social media platforms. It could be introduced into Parliament in late October.

"Google has got concerns about it, some of it is that they just don't like it, others are things that we're happily going to engage with them on," Sims told a webinar hosted by The Australia Institute, an independent think-tank.

"We'll make changes to address some of those issues – not all, but some," Sims said.

Among the concerns is a fear that under the so-called News Media Bargaining Code, news businesses "will be able to somehow control their algorithms," Sims said.

"We'll engage with them and clarify that so that there's no way that the news media businesses can interfere with the algorithms of Google or Facebook," Sims said.

He said he would also clarify that the platforms would not have to disclose more data about users than they already share.

"There's nothing in the code that forces Google or Facebook to share the data from individuals," Sims said. Sims was not prepared to negotiate the "core" of the code, which he described as the "bits of glue that hold the code together, that make it workable."

These included an arbitrator to address the bargaining imbalance between the tech giants and news businesses. If a platform and a news outlet can't reach an agreement on price, an arbitrator would be appointed to make a binding decision.

Another core aspect was a non-discrimination clause to prevent the platforms from prioritizing Australia's state-owned Australian Broadcasting Corp and Special Broadcasting Service, whose news content will remain free. Sims said he did not know whether Facebook would act on its threat and block Australian news, but he suspected that to do so would "weaken" the platform.

Spain and France and have both failed to make Facebook and Google pay for news through copyright law. Sims said he has spoken about Australia's approach through fair trading laws to regulators in the United States and Europe.

"They're all wrestling with the same problem," Sims said.

Japan begins trial of Nissan, ex-executive over Ghosn's pay

TOKYO, Sept 17, (AP): The financial misconduct trial of former Nissan executive Greg Kelly began Tuesday with Kelly saying he committed no crimes and was only trying to keep his star boss Carlos Ghosn from leaving.

The charges being heard at Tokyo District Court center around Kelly's alleged role in failing to report to Japanese authorities the future compensation of Ghosn, who led Nissan Motor Co. for two decades.

Japanese prosecutors outlined allegations of what they said was a complex and clandestine scheme to pay Ghosn more than the amount the company had reported as compensation. Kelly denied the allegations and said everything that was done was intended to keep Ghosn, whom he called an "extraordinary executive," at Nissan.

"This was all in the best interests of Nissan," Kelly said, reading from a statement. "I deny the allegations. I was not involved in a criminal conspiracy," said Kelly, whose trial opened on his 64th birthday.

Ghosn was arrested in late 2018 at the same time as Kelly but jumped bail and fled to Lebanon late last year. Since Lebanon has no extradition treaty with Japan, he may never face trial. But Kelly evinced no rancor over being left to face trial himself.

He recounted how in the late 1990s, when Nissan was losing money, the French automaker Renault bought a stake in Nissan and sent in Ghosn to help turn the ailing Japanese car maker around.

The experts believed Nissan was doomed, Kelly said, but "Mr. Ghosn proved the experts wrong. Under Mr. Ghosn, Nissan became very profitable."

Top management at Nissan fretted they might lose Ghosn, who occasionally complained he could make more money elsewhere even though he was paid more than most Japanese top executives. They researched lawful methods to provide incentives for him to say, consulting with in-house and outside attorneys to try to retain him.

"The evidence will show that I did not break the law," said Kelly, who has a law degree and was hired by Nissan in the U.S. in 1988. Kelly's head defense lawyer Yoichi Kitamura said little apart from: "My client is not guilty."

Later on in the session, another attorney gave more details about the defense's position, stressing that some of the alleged schemes to pay Ghosn were considered and not finalized, or never signed by Ghosn. Kelly was not involved in a couple of the schemes, he argued.

Kelly's wife, Dee, who attended the session, defended her husband outside the courthouse. She said her husband had been going over the evidence for the trial to prepare for the case.

"Greg has done nothing wrong," Dee Kelly said. "I'm very proud of him. He's an honorable man."

Nissan is also facing the same charges in the trial as Kelly but has acknowledged guilt and is not contesting the charges. It is paying a 2.4 billion yen ($22.6 million) fine.

A representative for Nissan told the court the pay schemes did not benefit Nissan and were aimed at Ghosn's personal gain, but instead damaged investor trust and tarnished the company's brand.

The prosecutors said that in 2010 Ghosn returned to Nissan 700 million yen (about$6.6 million) that exceeded the amount Nissan would disclose as his compensation.

Former Nissan Motor Co executive Greg Kelly (left), arrives for the first trial hearing at the Tokyo District Court in Tokyo Tuesday, Sept 15. The financial misconduct trial of Kelly opened Tuesday. Japanese prosecutors outlined allegations of what they said was a complex and clandestine scheme to pay former star executive Carlos Ghosn. (AP)