Toshiba brushes off renewed push from CVC

Toshiba Corp. has brushed off a fresh missive from CVC Capital Partners about the global fund's proposal to acquire the Japanese manufacturer, though it stopped short of outright rejecting it.

Toshiba said that a letter from CVC that it received Monday was "not possible to evaluate."

Tokyo-based Toshiba said the letter did not provide necessary details such as CVC's capital structure or post-acquisition management policies and an assurance of compliance with local and foreign laws and regulations. But the Japanese technology and energy giant did not rule out the offer, estimated to be worth 2 trillion yen ($18 billion).

Toshiba earlier said the CVC's initial proposal to take the company private was not viable, though it promised to review it.

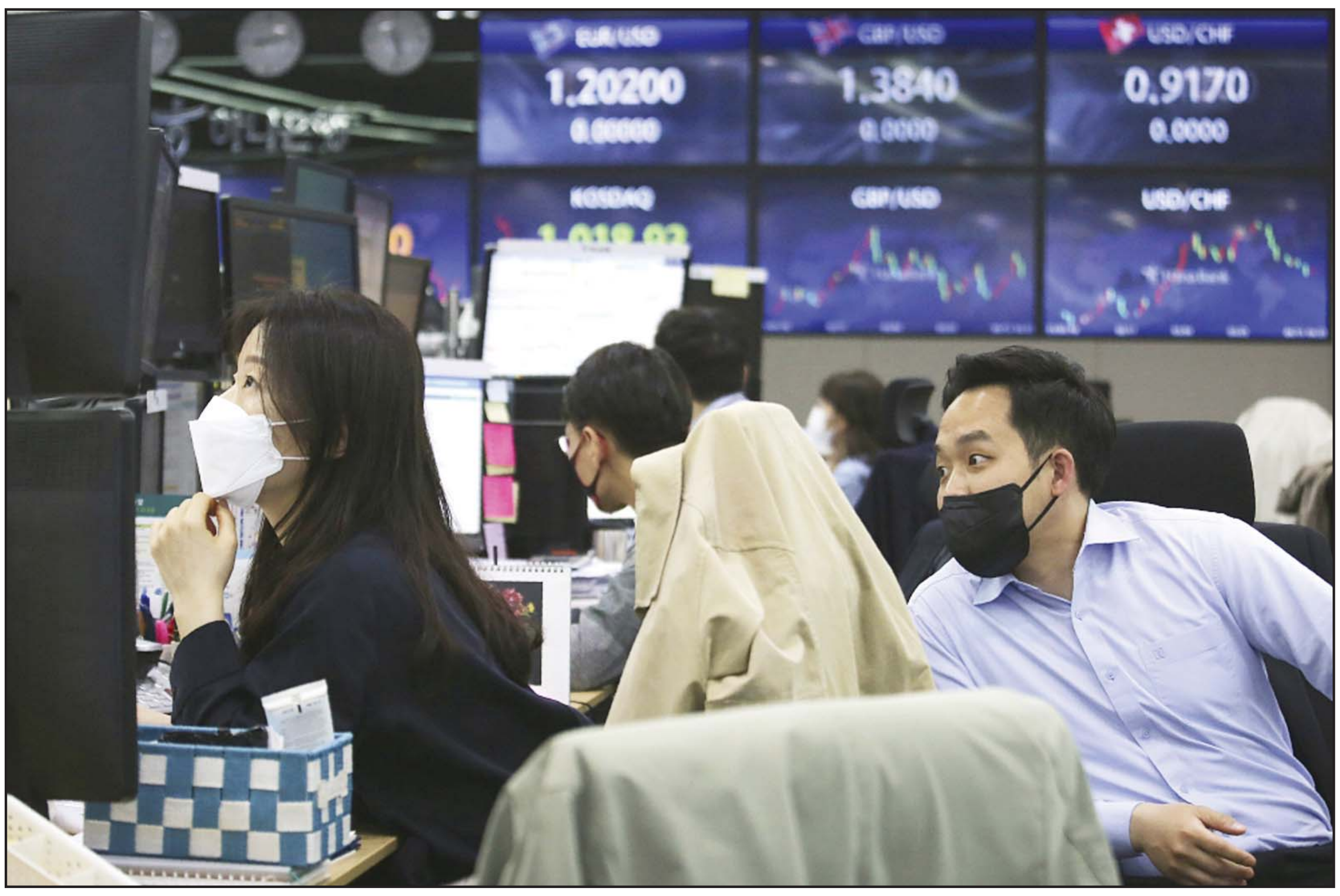
The latest letter "contained no specific and detailed information capable of detailed evaluation: it merely stated that CVC would step aside to await our guidance as to whether a privatization of Toshiba would suit management's and the Board of Directors' strategic objectives," the Toshiba statement said.

The company has been struggling for years, saddled with its problem-laden nuclear power operations. It has sold its lucrative flash memory business to raise cash.

Nobuaki Kurumatani resigned as Toshiba president last week, citing personal reasons he did not detail. He worked at CVC in Japan before taking his post as Toshiba's chief executive in 2018. (AP)

This file photo shows the company logo of Toshiba Corp. displayed in front of its headquarters in Tokyo. Toshiba Corp. has brushed off a new missive from CVC Partners about the global fund's interest in acquiring the Japanese manufacturer. Toshiba said that a letter from CVC was 'not possible to evaluate'. (AP)

Wall Street ends week with broad rally



Currency traders watch monitors at the foreign exchange dealing room of the KEB Hana Bank headquarters in Seoul, South Korea, April 23. Asian stock markets were mixed Friday after Wall Street fell following a report that President Joe Biden will propose raising taxes on wealthy investors. (AP)

S&P 500 recoups most of weekly losses

NEW YORK, April 24, (AP): Stocks closed out a choppy week of trading with a broad rally, though the gains were not enough to keep the S&P 500 from its first weekly loss in the last five.

The benchmark index rose 1.1% Friday, clawing back all of its losses from a day earlier. It posted a 0.1% loss for the week. The gains were shared broadly by nearly every sector in the index. Technology companies accounted for a big slice of the rally, along with banks, communication stocks and companies that rely on consumer spending. The utilities and consumer staples sectors closed slightly lower. Treasury yields inched higher.

Traders focused on company earnings from big names like Intel, American Express and Honeywell. Shares in Kimberly-Clark, the maker of Huggies diapers and other consumer products, fell by the most since last October after the company reported disappointing results.

Corporate earnings have been mostly positive, but investors are weighing economic growth against threats from the pandemic and worries about changes in tax policy.

"Earnings are very good," said Chris Gaffney, president of TIAA Bank World Markets. "That's going to support higher stock prices along with the low interest rate environment we're seeing."

The S&P 500 gained 45.19 points to 4,180.17. The Dow Jones Industrial Average rose 227.59 points, or 0.7%, to 34,043.49. The tech-heavy Nasdaq climbed 198.40 points, or 1.4%, to 14,016.81.

Smaller company stocks outgained the broader market. The Russell 2000 index rose 39.24 points, or 1.8%, to 2,271.86.

Banks made solid gains as bond yields ticked higher, which allows them to charge more lucrative interest on loans. The yield on the 10-year Treasury rose to 1.56% from 1.55% late Thursday.

Wall Street has been in rally mode in recent weeks as the rollout of COVID-19 vaccinations, the massive support from the U.S. government and Federal Reserve, and a string of encouraging economic data fuel expectations for a stronger economy and solid corporate profit growth this year.

About a quarter of S&P 500 companies have reported quarterly results so far this season. Of these, 84% have delivered earnings that topped Wall Street's estimates, according to FactSet. Earnings are also blowing away analysts' forecasts by a wider margin than average, coming in 23.6% above above the estimates, versus the 5-year average of 8.9%, according to FactSet.

Traders bid up shares in several companies Friday that reported quarterly results that beat Wall Street's estimates. Barbie-maker Mattel added 0.8%, Snap gained 7.4% and Boston Beer rose 3%.

Some quarterly report cards failed to impress investors. Intel fell 5.3% after the company said late Thursday that it expects the ongoing chip supply shortage to remain for some time. The shortage of semiconductors has impacted other industries too. Car manufacturers like Ford and General Motors have had to halt production due to the lack of chips.

American Express slid 1.9% after the company reported a 10% drop in revenue from last year as many of its customers stopped using their cards for travel, entertainment and dining. The company has called 2021 a "transition year" and did not give an outlook for the upcoming year due to the uncertainty on when travel and dining would return in the U.S. and globally.

Kimberly-Clark fell 5.9% for the biggest decline in the S&P 500 after reporting disappointing first-quarter financial results.

Next week will be another busy period for earnings, with 181 S&P 500 companies, including Tesla, Starbucks, Microsoft and Amazon.com, set to report results.

Investors are also weighing the implications of President Joe Biden's plans to introduce higher capital gains taxes to help pay for the increased government spending to help the economy recover from the pandemic. Bloomberg News reported the pending proposal Thursday afternoon, citing unidentified sources.

Higher taxes on capital gains would make stocks marginally more expensive in the long term, which might impact the market's overall valuation. Despite millions of Americans having their retirement funds in the stock and bond markets, most stocks are owned by the rich.

Stocks closed lower on Thursday following reports of Biden's proposed tax policy changes, but the news shouldn't have surprised investors, Gaffney said.

"It was a campaign promise," Gaffney said. "The sell-off was overdone and so today we're back up."

Meanwhile, the price of Bitcoin dropped about 2% to $50,675 Friday, according to the tracking site CoinDesk. The cryptocurrency had traded for as much as $63,000 as recently as last week.

Asian stock markets were mixed Friday after Wall Street fell following a report that President Joe Biden will propose raising taxes on the wealthiest investors.

Shanghai, Hong Kong and Seoul rose while Tokyo and Sydney retreated.

Investors are struggling "to navigate through a very muddled global outlook" and earnings reports that have "priced in a slow return to pre-pandemic life," said Edward Moya of Oanda in a report.

The Shanghai Composite Index rose less than 0.1% to 3,466.68 while the Nikkei 225 in Tokyo lost 0.8% to 28,960.35. The Hang Seng in Hong Kong gained 0.9% to 29,014.32.

The Kospi in Seoul advanced 0.2% to 3,183.58 while Sydney's S&P-ASX 200 shed 0.1% to 7,045.60.

India's Sensex opened up less than 0.1% at 48,096.32. New Zealand and Jakarta rose while Singapore and Bangkok retreated.

Jaguar Land Rover suspends production at 2 UK factories

LONDON, April 24, (AP): Jaguar Land Rover said Thursday it's suspending production at two U.K. factories, becoming the latest automaker to fall victim to a global shortage of microchips.

"Like other automotive manufacturers, we are currently experiencing some COVID-19 supply chain disruption, including the global availability of semiconductors," the British luxury car brand said in a statement. The shortage "is having an impact on our production schedules and our ability to meet global demand for some of our vehicles."

Production will be halted for a "limited period" starting Monday at its Halewood factory near Liverpool and at its Castle Bromwich plant near Birmingham in central England, the company said, without being more specific. Manufacturing at another plant in Solihull in central England will continue.

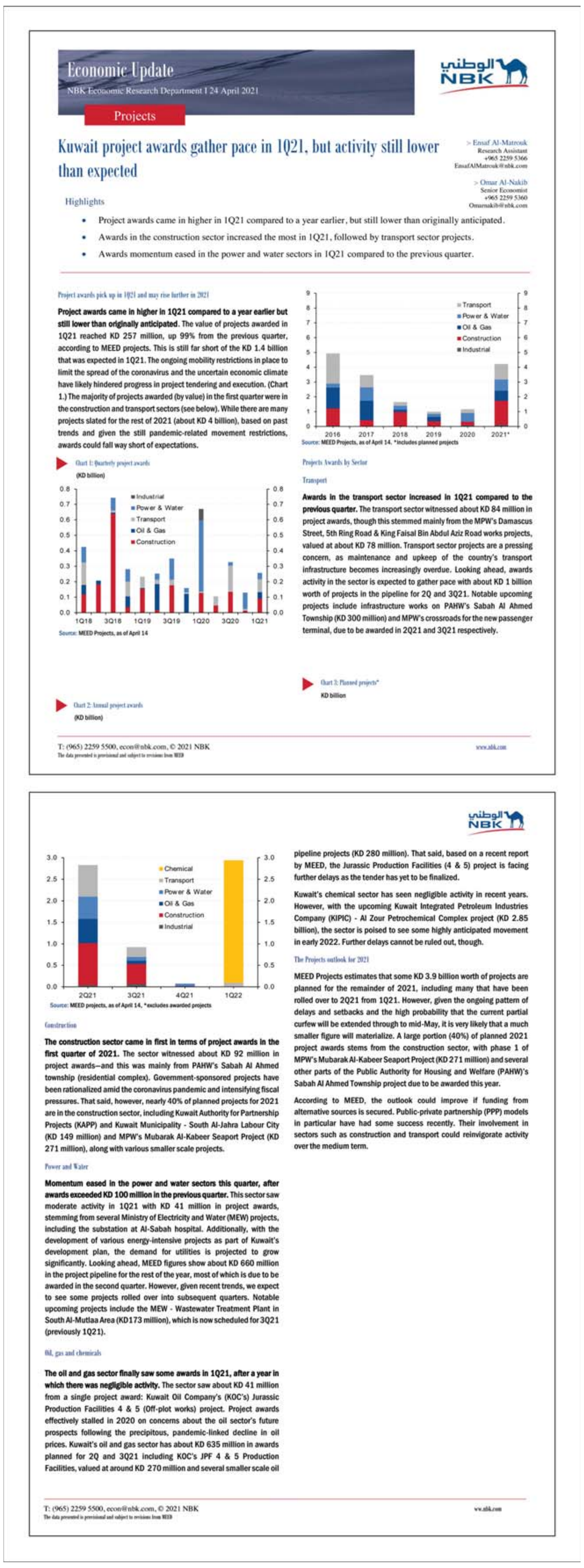
The Halewood factory makes Jaguar's XE, XF and F-type models, and the Castle Bromwich plant produces the Land Rover Discover Sport and Range Rover Evoque.

The announcement is the latest to highlight the challenge the intensifying chip shortage poses to the global auto industry, which is building vehicles that are starting to resemble computers on wheels.

General Motors and Ford said earlier this month they were being forced to cut production at their North American factories because of tightening chip supplies. Other marques like Fiat Chrysler, now Stellantis, Volkswagen, Nissan and Honda have also been hit hard by the semiconductor shortage.

Tightening chip shortages have been rippling through various markets since last summer. As the coronavirus pandemic erupted in early 2020, chip factories started shutting down, particularly in Asia, where much of global semiconductor production is based. By the time they started to reopen, there was big a backlog of orders to fill.

The semiconductor shortfall deepened after a fire last month at a plant owned by Japan's Renesas, which makes chips for Toyota, Nissan and Honda.



Economic Update

NBK Economic Research Department I 24 April 2021

Projects

NBK

Kuwait project awards gather pace in 1Q21, but activity still lower than expected

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Highlights

- Project awards came in higher in 1Q21 compared to a year earlier, but still lower than originally anticipated.
- Awards in the construction sector increased the most in 1Q21, followed by transport sector projects.
- Awards momentum eased in the power and water sectors in 1Q21 compared to the previous quarter.

Project awards pick up in 1Q21 and may rise further in 2021

Project awards came in higher in 1Q21 compared to a year earlier but still lower than originally anticipated. The value of projects awarded in 1Q21 reached KD 257 million, up 99% from the previous quarter, according to MEED projects. This is still far short of the KD 1.4 billion that was expected in 1Q21. The ongoing mobility restrictions in place to limit the spread of the coronavirus and the uncertain economic climate have likely hindered progress in project tendering and execution. (Chart 1.) The majority of projects awarded (by value) in the first quarter were in the construction and transport sectors (see below). While there are many projects slated for the rest of 2021 (about KD 4 billion), based on past trends and given the still pandemic-related movement restrictions, awards could fall way short of expectations.

Source: MEED Projects, as of April 14. *includes planned projects

Chart 1: Quarterly project awards

(KD billion)

Source: MEED Projects, as of April 14

Projects Awards by Sector

Transport

Awards in the transport sector increased in 1Q21 compared to the previous quarter. The transport sector witnessed about KD 84 million in project awards, though this stemmed mainly from the MPW's Damascus Street, 5th Ring Road & King Faisal Bin Abdul Aziz Road works projects, valued at about KD 78 million. Transport sector projects are a pressing concern, as maintenance and upkeep of the country's transport infrastructure becomes increasingly overdue. Looking ahead, awards activity in the sector is expected to gather pace with about KD 1 billion worth of projects in the pipeline for 2Q and 3Q21. Notable upcoming projects include infrastructure works on PAHW's Sabah Al Ahmed Township (KD 300 million) and MPW's crossroads for the new passenger terminal, due to be awarded in 2Q21 and 3Q21 respectively.

Chart 2: Annual project awards

(KD billion)

Chart 3: Planned projects*

KD billion

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The data presented is provisional and subject to revisions from MEED

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Source: MEED projects, as of April 14, *excludes awarded projects

Construction

The construction sector came in first in terms of project awards in the first quarter of 2021. The sector witnessed about KD 92 million in project awards—and this was mainly from PAHW's Sabah Al Ahmed township (residential complex). Government-sponsored projects have been rationalized amid the coronavirus pandemic and intensifying fiscal pressures. That said, however, nearly 40% of planned projects for 2021 are in the construction sector, including Kuwait Authority for Partnership Projects (KAPP) and Kuwait Municipality - South Al-Jahra Labour City (KD 149 million) and MPW's Mubarak Al-Kabeer Seaport Project (KD 271 million), along with various smaller scale projects.

Power and Water

Momentum eased in the power and water sectors this quarter, after awards exceeded KD 100 million in the previous quarter. This sector saw moderate activity in 1Q21 with KD 41 million in project awards, stemming from several Ministry of Electricity and Water (MEW) projects, including the substation at Al-Sabah hospital. Additionally, with the development of various energy-intensive projects as part of Kuwait's development plan, the demand for utilities is projected to grow significantly. Looking ahead, MEED figures show about KD 660 million in the project pipeline for the rest of the year, most of which is due to be awarded in the second quarter. However, given recent trends, we expect to see some projects rolled over into subsequent quarters. Notable upcoming projects include the MEW - Wastewater Treatment Plant in South Al-Mutlaa Area (KD173 million), which is now scheduled for 3Q21 (previously 1Q21).

Oil, gas and chemicals

The oil and gas sector finally saw some awards in 1Q21, after a year in which there was negligible activity. The sector saw about KD 41 million from a single project award: Kuwait Oil Company's (KOC's) Jurassic Production Facilities 4 & 5 (Off-plot works) project. Project awards effectively stalled in 2020 on concerns about the oil sector's future prospects following the precipitous, pandemic-linked decline in oil prices. Kuwait's oil and gas sector has about KD 635 million in awards planned for 2Q and 3Q21 including KOC's JPF 4 & 5 Production Facilities, valued at around KD 270 million and several smaller scale oil pipeline projects (KD 280 million). That said, based on a recent report by MEED, the Jurassic Production Facilities (4 & 5) project is facing further delays as the tender has yet to be finalized.

Kuwait's chemical sector has seen negligible activity in recent years. However, with the upcoming Kuwait Integrated Petroleum Industries Company (KIPIC) - Al Zour Petrochemical Complex project (KD 2.85 billion), the sector is poised to see some highly anticipated movement in early 2022. Further delays cannot be ruled out, though.

The Projects outlook for 2021

MEED Projects estimates that some KD 3.9 billion worth of projects are planned for the remainder of 2021, including many that have been rolled over to 2Q21 from 1Q21. However, given the ongoing pattern of delays and setbacks and the high probability that the current partial curfew will be extended through to mid-May, it is very likely that a much smaller figure will materialize. A large portion (40%) of planned 2021 project awards stems from the construction sector, with phase 1 of MPW's Mubarak Al-Kabeer Seaport Project (KD 271 million) and several other parts of the Public Authority for Housing and Welfare (PAHW)'s Sabah Al Ahmed Township project due to be awarded this year.

According to MEED, the outlook could improve if funding from alternative sources is secured. Public-private partnership (PPP) models in particular have had some success recently. Their involvement in sectors such as construction and transport could reinvigorate activity over the medium term.

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4-hour strike forces 40 flight cancellations

Alitalia worker strike hits Rome airport flights

ROME, April 24, (AP): Hundreds of workers from Italian airline Alitalia protested outside Rome's international airport Friday during a four-hour strike against what they see as plans to destroy the long-struggling carrier.

The Italian government is negotiating with the European Union on what aid it can provide loss-making Alitalia and is running up against stiff demands for "economic discontinuity" as the government creates a trimmed down new company to replace the bankrupt entity.

The EU's conditions include demands to stop using the Alitalia name, give up slots at Milan's Linate airport and sell off the luggage handling and maintenance parts of the business to third parties to concentrate on aviation, according to Italian media reports.

The new company, currently dubbed ITA, that emerges is likely to be radically smaller, both in terms of aircraft and employees.

Fabio Frati of the USB transport union said airline workers will not accept layoffs.

"We have become a symbol this country, a symbol of the sovereignty and independence of this nation," he said.

Alitalia workers have been demonstrating for weeks around Italy, pointing to state aid that national governments provided to other European carriers that have suffered losses due to the coronavirus pandemic. The strike Friday forced the cancellation of 40 flights, according to Alitalia's website.

Alitalia workers demonstrate at the Rome Leonardo da Vinci airport as unions are discussing with the government the future to relaunch the Italian airline carrier Alitalia, April 23, 2022. (AP)

Alitalia has been under receivership since 2017 and kept afloat with more than 5 billion euros in public money. The Italian government this week approved an advance of 50 million euros to cover workers' salaries for April, part of an aid package designed to cover revenue lost during the pandemic.

Premier Mario Draghi has expressed a fondness for Alitalia, saying he has flown with the airline almost exclusively for decades, but said the company must be restructured so it can "fly on its own wings."