In this file photo, a Condor aircraft stands at the international airport in Frankfurt, Germany. (AP)

EU court annuls approval of aid for German airline Condor

A top European Union court on Wednesday annulled the EU's approval of 550 million euros ($670 million) in state aid for German airline Condor, backing a challenge by budget carrier Ryanair but suspending the application of the ruling because of the impact of the COVID-19 pandemic.

The decision by the General Court was in many ways similar to rulings last month in which it annulled EU approval of 3.4 billion euros in state aid for the Netherlands' KLM and a potential total of 1.2 billion euros for Portugal's TAP.

In both of those cases, as with Condor, the application of the rulings was suspended pending new EU decisions.

The Luxembourg-based General Court said the EU's executive arm, the European Commission, had to come up with a more complete reasoning.

The approval of loans to vacation carrier Condor to help it get through the collapse of holiday air travel in the pandemic came shortly after the parent company of Polish airline LOT pulled out of a takeover bid for the former subsidiary of collapsed tour operator Thomas Cook.

That resulted in an extension of insolvency proceedings, from which the restructured company emerged late last year. Last month, Condor announced that investor Attestor Capitol would take a majority stake.

The General Court found that it was "incumbent on the Commission to examine with particular care whether the cancellation and rescheduling of Condor flights as a result of the travel restrictions imposed in the context of the pandemic were in fact the decisive cause of the additional costs incurred by Condor as a result of the extension of the insolvency proceedings." (AP)

Business Buzz

Black men lose ground, women rise by 18%

Racial diversity stagnated on corporate boards: study

NEW YORK, June 10, (AP): Many US companies have rushed to appoint Black members to their boards of directors since racial justice protests swept the country last year.

But in the two preceding years, progress on increasing racial diversity on boards stagnated, a new study revealed Tuesday. Black men even lost ground.

The study, conducted by the Alliance of Board Diversity and the consulting firm Deloitte, points to the steep deficit companies face when it comes to fulfilling pledges to diversity in their ranks. An overwhelming 82.5% of directors among Fortune 500 company boards are white, according to the Missing Pieces Report: A Board Diversity Census of Women and Minorities on Fortune 500 Boards.

The study suggests that, until the May 2020 police killing of George Floyd galvanized a national reckoning on systemic racism, attention to racial diversity took something of a backseat to gender equality in boardrooms.

Between July 2020 and May 2021, some 32% of newly appointed board members in the S&P 500 were Black, according to an analysis by ISS Corporate Solutions, which advises companies on improving shareholder value and reducing risk. That was a leap compared to 11% during the previous year.

But the time before then shows a sudden shift in priorities. The Missing Pieces Report found that the number of women serving on Fortune 500 boards rose 4 percentage points to 26.5% between 2018 and June of 2020 - a faster pace of progress than the 2% increase over the preceding two years.

In contrast, the number of racial minorities on Fortune 500 boards rose by just above a percentage point. That was a slower pace than the 2% increase during the previous two years. In a telling finding, the number of Black men on Fortune 500 boards fell by 1.5% between 2018 and June 2020, even as the representation of Black women rose by 18%.

Attention to gender equality did bolster the ranks of minority women on Fortune 500 boards, though their numbers remain small at 6%, according to the census. The number of minority men remained virtually unchanged at just under 12%.

With racial minorities holding so few seats to begin with, the findings underscore the need to pick up the pace of change, said Linda Akutagawa, chair for the Alliance for Board Diversity.

Asian, Hispanic and Black women directors made the biggest percentage increases since 2018. But the raw number of seats each of those groups gained paled in comparison to the 209 seats gained by white women, according to the study. White women held three new seats for every new seat occupied by a woman from a racial minority.

The Board Diversity Census based its findings on a two-year review of public filings through June 30, 2020. During that period, companies responded to pressure to appoint more women to their boards. California passed a law in 2017 requiring publicly traded firms headquartered in the state to have at least two or three women directors by 2021, depending on the size of their boards.

Over the past year, more pressure has arisen for boards to focus on racial diversity. California Gov. Gavin Newsom signed a new law last year giving companies until the end of 2021 to have at least one board member from an underrepresented ethnic community, or who identify as LGBT. In December, Nasdaq filed a proposal with the Securities and Exchange Commission to adopt new listing rules requiring companies to publicly disclose their board diversity statistics.

More than a dozen companies, including Zillow and M.M.LaFleur, signed a pledge in September to add at least one Black director to their boards within a year.

Carey Oven, national managing partner of Deloitte's Center for Board Effectiveness, said that kind of rapid shift shows that progress on diversity is matter of corporate will, rather than a lack of qualified minority candidates.

In this file photo, a United States flag is reflected in the window of the Nasdaq studio, which displays indices and stocks down, in Times Square, New York. (AP)

"It's really a choice for boards to take steps to become more diverse," Oven said.

Asset

In April, 140 racial justice leaders published a letter in the Financial Times demanding that the country's largest asset managers oppose all-white boards at this year's shareholder meetings. But the letter also called for them to oppose boards "with arguably token representation by a single person of color."

"Boards draw a circle around everyone who is not a white male and call themselves diverse," said Eli Kasargod-Staub, executive director of Majority Action, a nonprofit group that sponsored the letter. "That way of framing it often obscures that fact that they only have one person of color on their boards."

In December, Majority Action, along with the Service Employees International Union, released a report showing that 56 of the S&P 500 companies had all-white boards as of November 2020. The asset manager BlackRock voted to approve the entire board at 52 of those companies at their 2020 shareholder meetings, according to the report, which cited research from ISS Analytics and public filings. Vanguard voted to support the entire board at 51 of the companies. Some fund giants have acknowledged they have been slower to push boardrooms to appoint more people of color, compared to their advocacy to add more women. But many say the momentum is turning.

BlackRock said this year that it's raising its expectations for ethnic and gender diversity on corporate boards, and it voted against more than 130 boards in the early part of 2021 because of a lack of it. But it does not have a bright-line rule for how many people of color should be on a board, similar to how it expects U.S. companies to have at least two women on their board.

Vanguard revised its proxy voting guidelines to warn it will vote against some board nominees at companies where lack of diversity is a concern. But a Vanguard spokeswoman said the investing giant believes "there is no one-size-fits-all mandate for board diversity" and will evaluate each board individually.

State Street Global Advisors, the company behind the "Fearless Girl" statue that stared down the iconic charging bull statue near Wall Street, said it will start voting against the chair of the board nominating committee at S&P 500 companies next year if it doesn't have at least one underrepresented minority. This year, it began voting against nominating committee chairs of companies that fail to disclose the racial and ethnic composition of their boards.

"We did see that progress was not being made quickly enough," said Benjamin Colton, State Street's global co-head of asset stewardship. "It was difficult for us to even gauge progress because we did not have that disclosure available."

'We're on the right track'

US jobs report bolsters case for govt spending

By Josh Boak

President Joe Biden portrayed the May jobs report as a jumping off point for more spending on infrastructure and education to keep growth going - essentially an argument for his agenda. But the employment numbers issued Friday also hinted at the possible limits of how much government aid can be pumped into the world's largest economy.

"We're on the right track," Biden said. "Our plan is working. And we're not going to let up now. We're going to continue to move on. I'm extremely optimistic."

The May jobs report showed the complexity of restarting the economy after a pandemic shutdown and the mixed signals that can result when an unprecedented surge of government spending flows through the economy. Biden can congratulate his administration on 559,000 jobs being added and a 5.8% unemployment rate, yet the hiring was lower than what many economists expected after his $1.9 trillion relief package.

Biden's challenge is to convince Americans that his administration's relief efforts to date have done well enough to sustain faster growth, instead of creating inflation and imbalances that could jeopardize public support for his plans to invest at least another $3 trillion in roads, clean energy, children and schools.

The report suggested that not enough people are seeking work, a possible problem for a president who is hoping that his rescue package will put the country back at full employment by 2022. While Biden viewed the jobs figures as a full-speed-ahead argument for his agenda, several economists were urging a degree of caution to see whether more Americans will start looking for jobs after the steep losses caused by the coronavirus pandemic.

Increases

Republicans, for their part, found ways to turn the jobs report into an argument against Biden's plans to finance more government programs through tax increases on the wealthy and corporations. Their concern is that generous unemployment benefits have prevented people from accepting jobs and that the government aid - much of it still forthcoming - will fuel inflation.

Texas Rep. Kevin Brady, the top Republican on the House Ways & Means Committee, said Biden should divert more of the COVID-19 relief money to infrastructure.

"If we want to help families build their lives and rebuild the U.S. economy for the long term, it's time for the emergency spending and the endless government checks to end," Brady told Fox Business. The big red flag in the jobs report was that the labor force participation rate ticked down to 61.6%. Despite the government spending, it's essentially unchanged from where it was last summer and down from 63.3% before the coronavirus struck 14 months ago. The lower participation rate means that a healing economy is not encouraging enough people to find work.

For some economists, it's evidence that Biden's $1.9 trillion relief package was likely excessive. The government spending has so far generated more demand for workers and goods than the economy could produce, possibly vindicating some Republican criticisms.

"We have a general sense of what's going on at this point: We are not able to create the jobs fast enough relative to the demand we're infusing into the economy," said Marc Goldwein, senior vice president for the Committee for a Responsible Federal Budget.

Goldwein and other economists said they believe that Biden's aid package helped the economy, though the same results might have been achieved for less money. There is also the possibility that the relief package's expanded unemployment benefits propped up consumer spending and that forthcoming state and local government aid kept workers on payrolls - all of which could have helped boost the jobs totals.

Harvard University professor Jason Furman, a former chief economist in the Obama White House, said it was surprising that the participation rate fell in a month when vaccinations were advancing, COVID-19 infections were declining, job openings were up and wages were rising.

Because demand for workers is greater than their current supply, the silver lining for Biden is a sharp jump in average hourly earnings. (AP)

In this file photo, Commodity Futures Trading Commission (CFTC) Chairman Gary Gensler testifies on Capitol Hill in Washington. Gensler, now chair of the Securities and Exchange Commission, gave a speech Wednesday, June 9, 2021, where he once again decried 'gamified' investing. Many trading apps use features that encourage customers to make trades more often. That brings in more revenue for the apps but some research also suggests it leads to lower returns for the average investor. (AP)

Bruised but unbowed

Meme stock investors are back for more

By Stan Choe

After feeling the thrill of victory early this year by single handedly causing GameStop's stock to soar - only to get crushed when it quickly crashed back to earth - armies of smaller-pocketed and novice investors are back for more.

These undaunted investors have resuscitated GameStop shares back above $300, up from $40 in February after plunging from a peak of $347. They're also hauling new stocks onto the bandwagon they say is heading for the moon, including the lesser-known health insurance company Clover Health Investments.

This second wave of leaps for meme stocks are just as staggering - the movie theater chain AMC Entertainment soared to $62 last week from $2 early this year - and once again professional Wall Street is calling the gains illogical. Many of these professionals had predicted the phenomenon of regular, small-fry investors piling into a stock en masse and sending it incredibly higher would fizzle out, particularly after they felt the pain of losing some money.

Instead, the frenzy has endured and shows how powerful these investors remain, at least for now. They're armed with social media where they can convince others to champion the same stocks. They also have zero-fee trading apps that allow many to buy stock options, which can offer bigger gains at a smaller upfront cost than buying a share of stock, in exchange for potentially bigger percentage losses.

"They'll do surprising things if given the tools," said Hossein Azari, CEO of cmorq, a company that helps customers get into cryptocurrencies and advocates for a new world of "decentralized finance."

Azari sees it all stemming from people feeling left out as they watched wealthy investors and firms suck up the majority of the economy's gains in recent years. Now they see a way to get some for themselves.

"They are not out there trying to prove anything," he said. "They just want to kind of materialize the American dream for themselves."

Some of the meme-stock buyers believe fervently in the financial futures of the companies they're backing. Others say on social media posts that they're merely looking to cash in on whatever the next hot stock is. Most say that as long as other like-minded investors stick together and hold the stock, they'll protect each other and the stock's price.

Malcolm Ethridge, a financial adviser with CIC Wealth outside Washington, D.C., said a range of his clients want to talk about meme stocks, as well as cryptocurrencies. Ethridge also says it's not only younger investors pushing up meme stocks - he's gotten just as many requests from his clients who are retirees.

"I think in most cases, though, they really just wanted a professional to tell them why it wasn't a good idea to get involved just so that they could stop feeling like they were missing out," he said.

This resurgence for meme stocks is a little different from the earlier supernova. For one, it hasn't dragged down the broader stock market. Back in January, the mania helped knock down the S&P 500 to its worst day in months. That was a result of fears that some hedge funds would have to sell big, unrelated stocks to raise cash to cover losses they were taking after betting that GameStop would fall.

Several of today's meme-stock winners do have chunks of their shares sold "short," where investors have made trades to profit if the price falls, but not to the same degree as in January. At GameStop, roughly one in five of its shares available to trade has been sold short, for example. Earlier this year, more than 100% of them effectively were, with some getting shorted multiple times.

The buying activity this time around also seems less fervent. Trading in call options, which can give a buyer the right to buy 100 shares of stock at a set price at a later date, surged to a two-month high recently. But it's still below the heights set in January.

Fall

Over the last year, trading activity for call options on single stocks has tended to move up and down with how restricted the economy has been by the pandemic, according to Deutsche Bank strategists. When people have been leaving their houses more often, call option trading has tended to fall off, which makes the last few weeks a notable exception.

So, if getting burned by plunging prices for meme stocks once before didn't stop them, and the possibility of doing things other than trading options while sitting on a couch hasn't so far, what could slow the phenomenon?

Regulators and politicians in Washington have been discussing some options, though nothing's come out of it yet.

Gary Gensler, chair of the Securities and Exchange Commission, gave a speech Wednesday where he once again criticized "gamified" investing. Many trading apps use features that encourage customers to make trades more often. That brings in more revenue for the apps but some research also suggests it leads to lower returns for the average investor.

Gensler said he's asked the SEC's staff to gather public input on the topic. He also said he's asked the staff for recommendations on changes to rules that govern the stock market's plumbing and how trading apps route retail investors' orders, to make sure they're getting the best execution.

GameStop separately said late Wednesday that the SEC's staff is conducting an investigation into the trading activity in its stock and those of other companies. GameStop, which received a request for documents on May 26, said it doesn't expect the inquiry to hurt the company.

The SEC and other regulators could look for ways to force trading apps to offer more warnings to customers in hopes of slowing them down, said John Coffee, a professor of law at Columbia University. They could start with making it clearer that trading options can be riskier than buying actual shares of a stock.

Coffee is skeptical GameStop, AMC and others can hold onto their lofty prices, which would need profits to explode higher extremely quickly to look rational according to traditional models used by financial analysts. That means he's worried many retail investors may be setting themselves up for big losses in their zeal to ride the meme-stock wave.

And he acknowledges that even if brokerages do offer more warnings, that may not be enough to stop some traders, as social media posts continue to encourage them to pile into certain stocks, and given human nature. (AP)