Putin: Nord Stream 2 may help reduce prices

Russian President Vladimir Putin said Wednesday that a new pipeline to Germany has been fully filled with natural gas, noting that it could help quickly reduce soaring European energy prices.

The $11 billion Nord Stream 2 pipeline is currently awaiting approval from Germany and the European Union, and officials warned that a decision won't come in the first half of 2022. The first of its two lines was filled with gas in October, and Russia's state-controlled Gazprom natural gas company reported Wednesday that it had completed filling the second one to make it fully ready for operation.

Putin pointed at surging energy prices in Europe, adding that Nord Stream 2 could help quickly stabilize the markets. "This new additional route will certainly help stabilize prices on the European markets," Putin said at a meeting with energy officials. "It would undoubtedly impact prices on the spot market, and consumers in the countries that use the Russian gas will immediately feel it."

The new 1,234-kilometer (765-mile) pipeline, which has an annual capacity of 55 billion cubic meters (1.9 trillion cubic feet), would double the volume of gas pumped by Gazprom directly to Germany, adding to a similar pipeline under the Baltic Sea and circumventing existing links through Poland and Ukraine.

Nord Stream 2 critics in the US, Ukraine and Poland warn that it will increase Russia's leverage over Europe, pit EU member states against each other and deprive Ukraine of transit revenues.

Washington has stressed targeting Nord Stream 2 to counter any new Russian military move against Ukraine. Moscow has denied Western allegations that it was hatching plans to attack Ukraine. It has insisted that Nord Stream 2 is a purely commercial project that will help ensure more reliable long-term supply and help save billions in transit fees paid to Poland and Ukraine. (AP)

Russian President Vladimir Putin attends a meeting via videoconference at the Konstantin Palace presidential residence in Strelna, outside St. Petersburg, Russia, Wednesday, Dec 29, 2021. (AP)

US stocks end 2021 on a weak note, still notch big yearly gain

In this file photo provided by the New York Stock Exchange, Gregory Rowe, (center), talks with a fellow trader on the NYSE trading floor. Stocks capped a quiet day of trading with modest losses Friday, even as Wall Street closed the books on another banner year. (AP)

'It's the third year in a row of incredible gains'

NEW YORK, Jan 2, (AP): Stocks capped a quiet day of trading with modest losses Friday, even as Wall Street closed the books on another banner year.

The S&P 500 finished with a gain of 26.9% for the year, or a total return of 28.7%, including dividends. That's nearly as much as the benchmark index gained in 2019. The Nasdaq composite, powered by Big Tech stocks, climbed 21.4% in 2021. The Dow Jones Industrial Average gained 18.7%, with Home Depot and Microsoft leading the way.

"It's the third year in a row of incredible gains," said J.J. Kinahan, chief strategist with TD Ameritrade. "The market itself was just amazingly strong."

A wave of consumer demand fueled by the reopening of economies pumped up corporate profits more than expected in 2021, which helped keep investors in a buying mood.

Wall Street also got a boost from the Federal Reserve, which kept its key short-term interest rate near zero all year.

Valuations

That helped keep borrowing costs for companies low and stock valuations high. Investors expect the Fed to start pushing rates higher next year.

There was also intense interest in so-called "meme stocks," in which large groups of individual investors bought up shares of beaten-down companies like GameStop and AMC Entertainment, causing institutional investors like hedge funds to lose billions.

The soaring stock market also led to an explosion in initial public offerings, including online broker Robinhood and electric vehicle maker Rivian Automotive.

Along the way, the S&P 500 set 70 all-time highs, its most recent one on Wednesday. In the post-World War II era, that's the most new highs for the index since the 77 it set in 1954.

The market kept setting new highs despite plenty of challenges, including rising inflation, global supply chain disruptions and outbreaks of more contagious variants of the COVID-19 virus.

"Although there are a lot of things that people were nervous about all year and continue to be nervous about as we head to '22, at the end of the day the U.S. (stock) market still seems to be the best game in town," Kinahan said.

Uncertainty

Still, the fast-spreading omicron variant and uncertainty over global supply chain disruptions remain overhangs going into the year. So is the looming end of the Federal Reserve's easy-money policies.

The central bank has signaled plans to speed up its reduction in monthly bond purchases that have helped keep interest rates low. The shift in policy sets the stage for the Fed to begin raising rates as early as the first half of next year.

Trading was very slow Friday, with most of Wall Street on vacation and many fund managers already closed out of their positions for 2021.

The major indexes spent much of the day flipping between small gains and losses. The S&P 500 fell 12.55 points, or 0.3%, to 4,766.18. The Dow slid 59.78 points, or 0.2%, to 36,338.30.

The Nasdaq fell 96.59 points, or 0.6%, to 15,644.97.

The Russell 2000 index of smaller companies slipped 3.48 points, or 0.2%, to 2,245.31.

The index ended the year with a gain of 13.7%.

The monthly purchasing managers' index issued by the national statistics agency and an industry group gained to 50.3 from November's 50.1 on a 100-point scale on which numbers above 50 show activity accelerating.

Major U.S. stock indexes are on pace to end December with solid gains, capping a banner year for the market.

The S&P 500 is headed for a gain of more than 27% for 2021, the best performance since 2019, another standout year.

A wave of consumer demand fueled by the reopening of economies pumped up corporate profits more than expected this year, which helped keep investors in a buying mood.

The Federal Reserve and other central banks also helped, by keeping interest rates low, which makes borrowing money more affordable for companies and consumers.

Plenty of economic challenges persist, including rising inflation, global supply chain disruptions and outbreaks of more contagious variants of the COVID-19 virus.

Investor concerns about the omicron variant, which is spreading fast and quickly becoming the dominant coronavirus variant, have eased in recent weeks after researchers said it appears to cause less severe symptoms.

Investors

Investors got a couple bits of good news. The number of Americans applying for unemployment benefits fell below 200,000, more evidence that the job market remains strong in the aftermath of last year's coronavirus recession. Wall Street will get the December jobs report next week.

Meanwhile, the Chicago Purchasing Manager Index, a gauge of manufacturing and economic activity, came in at 63.1 for December.

That's slightly better than the reading of 62.0 that economists were expecting, according to FactSet.

Paris and London were lower while Hong Kong and Shanghai advanced. Activity was relatively quiet with many investors having closed out their positions for the year.

Markets in Tokyo, Frankfurt and many other cities were closed.

Investors will likely not make any large moves until next week with the start of the New Year, though in China end-of-year window dressing may have pushed prices higher.

In Paris, the CAC 40 lost 0.2% to 7,158.45. Britain's FTSE 100 shed 0.4% to 7,375.91.

The future for the Dow industrials edged less than 0.1% lower while the contract for the S&P 500 also lost less than 0.1%.

Jumped

In Asia, Hong Kong jumped 1.2% in New Year's Eve trading to 23,397.67 and the Shanghai Composite index gained 0.6% to 3,639.78. Sydney lost 0.9% to 7,444.60 as the number of new coronavirus cases in some parts of Australia surged.

India's Sensex rose 0.8%.

A survey released Friday showed Chinese factory activity edged higher in December as supply disruptions eased and export demand weakened.

The yield on the 10-year Treasury note was steady at 1.51%, down from 1.54% on Wednesday.

In other trading, U.S. benchmark crude oil lost 34 cents to $76.65 per barrel in electronic trading on the New York Mercantile Exchange. It picked up 43 cents to $76.99 per barrel on Thursday.

Brent crude oil, the basis for pricing international oils, gave up 29 cents to $79.24 per barrel.

The U.S. dollar rose to 115.09 Japanese yen from 115.08 yen. The euro slipped to $1.1318 from $1.1326.

Move fueling global unease

China government eyes technology self-reliance

BEIJING, Jan 2, (AP): To help make China a self-reliant "technology superpower," the ruling Communist Party is pushing the world's biggest e-commerce company to take on the tricky, expensive business of designing its own processor chips - a business unlike anything Alibaba Group has done before.

Its 3-year-old chip unit, T-Head, unveiled its third processor in October, the Yitian 710 for Alibaba's cloud computing business. Alibaba says for now, it has no plans to sell the chip to outsiders.

Other rookie chip developers including Tencent, a games and social media giant, and smartphone brand Xiaomi are pledging billions of dollars in line with official plans to create computing, clean energy and other technology that can build China's wealth and global influence.

Processor chips play an increasingly critical role in products from smartphones and cars to medical devices and home appliances. Shortages due to the coronavirus pandemic are disrupting global manufacturing and adding to worries about supplies.

Chips are a top priority in the ruling Communist Party's marathon campaign to end China's reliance on technology from the United States, Japan and other suppliers Beijing sees as potential economic and strategic rivals. If it succeeds, business and political leaders warn that might slow down innovation, disrupt global trade and make the world poorer.

"Self-reliance is the foundation for the Chinese nation," President Xi Jinping said in a speech released in March. He called for China to become a "technology superpower" to safeguard "national economic security."

"We must strive to become the world's main center of science and the high ground of innovation," Xi said.

Beijing might be chasing a costly disappointment. Even with huge official investments, businesspeople and analysts say chipmakers and other companies will struggle to compete if they detach from global suppliers of advanced components and technology - a goal no other country is pursuing.

"It's hard to imagine any one country rebuilding all of that and having the best technology," said Peter Hanbury, who follows the industry for Bain & Co.

Beijing's campaign is adding to tension with Washington and Europe, which see China as a strategic competitor and complain it steals technology. They limit access to tools needed to improve its industries.

If the world were to decouple, or split into markets with incompatible standards and products, U.S.- or European-made parts might not work in Chinese computers or cars. Smartphone makers who have a single dominant global operating system and two network standards might need to make unique versions for different markets. That could slow down development.

Washington and Beijing need to "avoid that the world becomes separated," U.N. Secretary-General Antonio Guterres told The Associated Press in September.

China's factories assemble the world's smartphones and tablet computers but need components from the United States, Europe, Japan, Taiwan and South Korea. Chips are China's biggest import, ahead of crude oil, at more than $300 billion last year.

Official urgency over that grew after Huawei Technologies Ltd., China's first global tech brand, lost access to U.S. chips and other technology in 2018 under sanctions imposed by the White House.

That crippled the telecom equipment maker's ambition to be a leader in next-generation smartphones. American officials say Huawei is a security risk and might aid Chinese spying, an accusation the company denies.

Huawei and some Chinese rivals are close to matching Intel Corp., Qualcomm Inc., South Korea's Samsung Electronics and Britain's Arm Ltd. at being able to design "bleeding edge" logic chips for smartphones, according to industry analysts.

But when it comes to making them, foundries such as state-owned SMIC in Shanghai are up to a decade behind industry leaders including TSMC, or Taiwan Semiconductor Manufacturing Corp., which produces chips for Apple Inc. and other global brands.

Even companies such as Alibaba that can design chips likely will need Taiwanese or other foreign foundries to make them. Alibaba's Yitian 710 requires precision no Chinese foundry can achieve. The company declined to say which foreign producer it will use.

"My country still faces a big gap in chip technology," said industry analyst Liu Chuntian of Zero Power Intelligence Group.

China accounts for 23% of global chip production capacity but only 7.6% of sales.

Packing millions of transistors onto a fingernail-size sliver of silicon requires some 1,500 steps, microscopic precision and arcane technologies owned by a handful of U.S., European, Japanese and other suppliers.

They include KLA Corp. in California for super-precise measurement and Japan's TEL for machines to apply coatings a few molecules thick. Many are covered by restrictions on "dual use" technologies that can be used in weapons.

China "lags significantly" in tools, materials and production technology, the Semiconductor Industry Association said in a report this year.

Washington and Europe, citing security worries, block access to the most advanced tools Chinese chipmakers need to match global leaders in precision and efficiency.

Without those, China is falling further behind, said Bain's Hanbury.

"The TSMC horse is sprinting away and the Chinese horse is stopped," he said. "They can't move forward."

Washington stepped up pressure on Huawei last year by barring global foundries from using American technology to produce its chips. U.S. vendors can sell chips to the company, but not for next-generation "5G" smartphones.

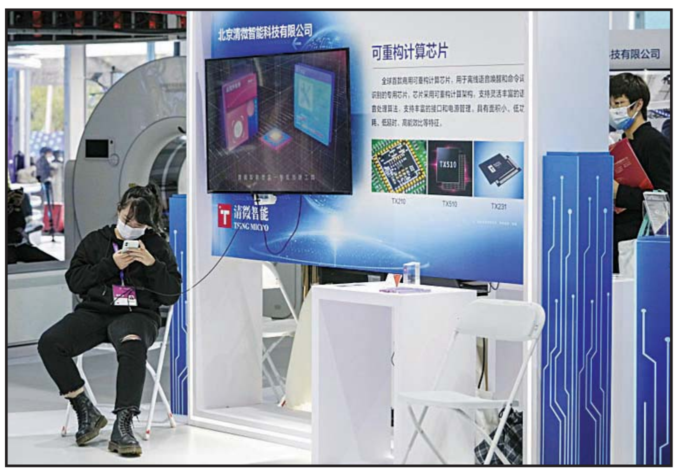
For its part, the European Union said it will review foreign investments after complaints China was eroding Europe's technology lead by purchasing important assets such as German robot maker Kuka.

Alibaba's Yitian 710 is based on architecture from Britain's Arm, highlighting China's enduring need for foreign know-how. Alibaba said it still will work closely with longtime foreign suppliers Intel, Arm, Nvidia Corp. and Advanced Micro Devices, Inc.

T-Head's first chip, the Hanguang 800, was announced in 2019 for artificial intelligence. Its second, the XuanTie 910, is for self-driving cars and other functions.

In November, Tencent Holding, which operates the WeChat messaging service, announced its first three chips for artificial intelligence, cloud computing and video.

Beijing says it will spend $150 billion from 2014 through 2030 to develop its chip industry, but even that is a fraction of what global leaders invest. TSMC plans to spend $100 billion in the next three years on research and manufacturing.



A woman wearing a face mask browses her smartphone at a booth displaying various chips developed by Beijing's Tsing Micro at the China Beijing International High-Tech Expo in Beijing on Sept. 26, 2021. Chips are a top priority in the ruling Communist Party's marathon campaign to end China's reliance on technology from the United States, Japan and other suppliers. (AP)

Airline cites strict virus controls

Cathay Pacific suspends cargo flights for a week

HONG KONG, Jan 2, (AP): Hong Kong's Cathay Pacific Airlines is suspending cargo flights for a week due to stricter quarantine requirements for air crews, potentially adding to strain on global supply chains.

Long-haul flights to Europe, across the Pacific and to Riyadh and Dubai are suspended through Jan. 6, the airline said Thursday. It promised to try to help customers "mitigate the disruption."

Hong Kong is tightening up virus restrictions after confirming its first cases of community transmission of the omicron variant of the coronavirus on Friday, tied to a Cathay Pacific crew member who had returned from the United States on Christmas Day.

The airline's workforce is stretched thin after the quarantine for Cathay Pacific flight crews who return from abroad was extended to one week in a hotel room from three days.

Thursday's announcement gave no details, but The South China Morning Post newspaper said the longer quarantine would leave Cathay without enough pilots for all its flights.

The airline earlier asked staff to volunteer for a "closed-loop system" under which they would work for three-week stints with brief stopovers in Hong Kong, but too few agreed, according to news reports.

Cathay said earlier it would reduce its schedule of passenger flights in the first three months of 2022 due to staff shortages.

The airline came under attack Friday over the first local omicron cases, which sparked fears of a possible outbreak.

The crew member had lunch at a restaurant two days after returning from the U.S., in apparent violation of a three-day self-isolation rule. Two other people eating at the Moon Palace restaurant on Monday were infected: the father of the crew member and a construction worker dining 10 meters (30 feet) away.

City leader Carrie Lam expressed her strong dissatisfaction to both the chairman and the CEO of the city's flagship airline, Health Secretary Sophia Chan said at a news conference.

Cathay Pacific said in a statement that five crew members had tested positive for omicron recently, and some had not followed regulations. It apologized and said they would be disciplined.

Health officials said there is a high risk of further spread, saying it could lead to what would be a fifth major wave of infections in the city.

Hong Kong has recorded 81 omicron cases. The others were among people who had arrived from overseas.