former Volkswagen CEO charged with fraud in Germany

German prosecutors have charged former Volkswagen CEO Martin Winterkorn and four others with fraud and other offenses in connection with the company's massive, multi-year effort to cheat on diesel emissions testing.

Prosecutors said Monday that Winterkorn knew about the deceptive practice since at least May 2014, and failed to put a stop to it. That contradicts Winterkorn's claim that he didn't learn of the problem until shortly before US investigators announced it in September 2015. Winterkorn resigned as CEO days later.

The prosecutors said in a statement that the defendants - all of them top Volkswagen managers – were part of an ongoing deception that started in 2006.

The company has admitted installing software that could tell when the cars were on test stands for emissions certification. When the cars went on to everyday driving, the emission controls were turned off, improving performance but emitting far more than the US legal limit of nitrogen oxides, a class of pollutant that is harmful to health.

In all, some 11 million cars worldwide were equipped with the illegal software, in a case that damaged the reputation of diesel technology and accelerated the shift to electric cars in Europe.

The prosecutors added that defendants carried out a software update costing 23 million euros in 2014 in an attempt to cover up the true reason for the elevated pollution emissions during regular driving.

Winterkorn and the others face from six months to 10 years imprisonment if convicted on charges of aggravated fraud involving serious losses. (AP)

In this file photo, Martin Winterkorn, former CEO of the German car manufacturer 'Volkswagen', arrives for a questioning at an investigation committee of the German federal parliament in Berlin, Germany. (AP)

Market Movements 15-04-2019

			Change	Closing pts
AUSTRALIA	-	All Ordinaries	+0.90	6,347.90
JAPAN	-	Nikkei	+298.55	22,169.11
GERMANY	-	DAX	+20.35	12,020.28
FRANCE	-	CAC 40	+6.03	5,508.73
EUROPE	-	Euro Stoxx 50	+2.63	3,450.46
S. KOREA	-	KRX 100	+14.47	4,653.78
INDIA	-	Sensex	+138.73	38,905.84
PAKISTAN	-	KSE 100	+166.21	37,504.08

			Change	Closing pts
PHILIPPINES	-	All Shares	-46.00	4,817.15

Business

British businesses stash cash as Brexit gloom deepens – Deloitte

UK found to be hottest investment destination despite Brexit

LONDON, April 15, (AP): Brexit may be causing all sorts of uncertainty in Britain but it doesn't seem to be putting off foreign investors.

In a survey on corporate deal-making published Monday, consulting and accounting firm EY says Britain is the top investment destination in the world for the first time in the report's 10-year history - overtaking the United States, which has held the top spot since 2014.

The pound's fall since the June 2016 vote to leave the European Union has made British assets cheaper, but Steve Krouskos, a global vice chair at EY, notes Britain also remains an "open environment for foreign investors" even in the midst of the Brexit chaos. That culture, he said, is reinforced by the English language, a skilled workforce, and a strong technology base.

Those long-standing strengths have helped Britain recover as a place to do business since the shock of the June 2016 referendum, which saw the country narrowly vote to leave the EU. With so much uncertainty surrounding the future of the British economy, the country slumped down EY's rankings. In the October 2016 survey, Britain was as low as seventh.

There have been a number of high-profile investments in Britain over the past year, including Comcast's purchase of satellite broadcaster Sky for around 30 billion pounds (currently $39 billion) and Coca-Cola's takeover of Costa Coffee for near 4 billion pounds ($5.2 billion).

Krouskos said he hasn't encountered executives who want Britain to crash out of the EU without a deal and that the remainder are "split down the middle" between those who want the country to leave the bloc smoothly with a deal and those who want Brexit stopped.

Britain's exit from the EU, originally scheduled for March 29, has been delayed until Oct. 31, though it could happen sooner should British lawmakers back the withdrawal agreement that Prime Minister Theresa May negotiated with the EU. Following three defeats in Parliaments, May opted to ask for an extension rather than crash out of the bloc, a scenario that many politicians and business leaders say could lead to a deep recession as tariffs are slapped on British exports and other restrictions are imposed on trade.

Extension

EY found that global interest in mergers and acquisitions is at a 10-year high as managers try to adapt to technological change, with 59% of companies planning a deal in the next year, up from 52% a year ago.

The improvement appears at odds with a slowdown in the global economy. Last week, the International Monetary Fund cut its global growth forecast for this year to 3.3% from 3.5%, largely because of trade tensions, particularly between China and the U.S. Krouskos said the mood among executives is better than the growth forecasts suggest.

In a separate report, a growing number of large British-based businesses are prioritising cashflow, fearing a downturn, as their view of the long-term economic impact of Brexit has darkened to its most negative so far, accountancy firm Deloitte said on Monday.

Some 81 percent of chief financial officers surveyed expect Brexit to lead to a long-term deterioration in Britain's business environment, the highest since the question was first asked at the time of June 2016's referendum on leaving the European Union.

This was up from 78 percent at the end of last year in the quarterly survey of 89 companies, including 15 in the FTSE 100 and 33 in the FTSE 250 share index, plus smaller firms and subsidiaries of major foreign companies.

Deloitte carried out the survey between March 26 and April 7, just after it became certain Britain would not leave on the long-planned date of March 29, and before British Prime Minister Theresa May secured a delay of up to six months. "Large businesses are clearly looking to protect themselves against risk by raising cash levels and bullet-proofing balance sheets," David Sproul, Deloitte's chief executive for northwest Europe, said.

Official data last month showed British business investment fell every quarter of 2018, the longest decline since the 2008/09 financial crisis.

Speaking on the sidelines of the International Monetary Fund's spring meeting in Washington last week, Bank of England Governor Mark Carney said a chaotic Brexit remained one of the top three risks to the world economy.

Trade tensions between the United States and China and a slowing euro zone economy have also fuelled fears of a global downturn.

Most large businesses now expect the BoE to keep interest rates on hold over the coming year.

The Deloitte survey showed the proportion of CFOs expecting one or more interest rate rises in the next 12 months dropped to 40 percent from 58 percent at the end of 2018.

Expo 2020 Dubai to add $33 bln to UAE economy by 2031: study

EY estimates event to support an average of 49,700 jobs a year

DUBAI, April 15, (RTRS): Expo 2020 Dubai, a global trade exhibition, is expected to add 122.6 billion dirhams ($33.4 billion) to the United Arab Emirates' economy between 2013 and 2031, according to an economic study conducted by consultancy EY. The event could help Dubai's sluggish economy, which grew 1.94 percent in 2018, the weakest pace since a 2009 property crash that triggered a debt crisis.

The study, which was commissioned by the Dubai government in late 2017, and its findings published on Monday, projected that the effect of Expo 2020 from October 2020 to April 2021 would be equivalent to 1.5 percent of UAE annual gross domestic product.

"Expo 2020 is expected to attract 25 million visits and 190 country participants", the report said.

EY estimated the event will support an average of 49,700 jobs a year.

After the event, from May 2021 to December 2031, should contribute 62.2 billion dirhams ($16.94 billion) to GDP and support an average of 53,800 jobs per year, the study said.

However, analysts question whether Expo 2020 will provide sustainable economic growth, especially considering the current slowdown.

"Our bigger concern about the Expo is whether the long-run benefits materialise in full. These hinge on further companies moving to the Dubai 2020 site," said William Jackson, senior emerging markets economist at London's Capital Economics.

"If this doesn't materialise, Dubai could be left with over-capacity ... This is something that may be particularly notable in the hotels sector, where projected visitor arrivals seem very high. Over-capacity would make it harder to firms to repay debts incurred to fund the construction of the Expo site."

Dubai's stock index fell more than a quarter of its value in 2018, the worst performance in the Middle East last year amid a renewed downturn in property prices.

S&P Global Ratings said in February last year that after falling 5 to 10 percent in 2017, real estate prices could decline by 10 to 15 percent in Dubai over the next two years.

Recession ahead

Turkey's economy to contract in 2019

ANKARA, April 15, (RTRS): Turkey's economy is expected to contract in 2019 after a decade of strong growth, and economists are predicting a longer recession ahead after a recent bout of volatility in the lira, a Reuters poll showed on Friday.

The Turkish economy contracted 3 percent in the fourth quarter of last year after a currency crisis devalued the lira by nearly 30 percent against the dollar. It drove inflation to a 15-year high, severely limited companies' ability to service foreign debt and multiplied bad loans in the banking sector.

The economy will contract 0.3 percent this year, the median of a Reuters poll of 43 economists showed – well below the government's sharply lowered forecasts of 2.3 percent growth. There was a wide range of estimates, from growth of 2.3 percent and a contraction of 5.0 percent.

Turkey's economy last contracted in 2009, by 4.7 percent. From 2010 to 2017 its compound growth rate was 6.6 percent thanks to a construction boom driven by cheap capital following the global financial crisis.

The economy is expected to contract 3.4 percent and 1.2 percent in the first two quarters of 2019, respectively, before returning to growth of about 2.1 percent in the third, according to the poll's median.

The first quarter GDP reading is expected to be published on May 31.

The poll also showed that growth is expected to stand at 2.7 percent in 2020. The International Monetary Fund this week forecast a 2.5 percent contraction in Turkey this year, and 2.5 percent growth in 2020.

Forecast in Friday's poll were generally revised down from a similar poll conducted three months ago, displaying a further deterioration in sentiment towards Turkey.

"We expect the economy to return to positive growth zone in the second half of the year," Muammer Komurcuoglu, economist at Is Investment, said of his "soft landing" scenario. "Yet, this recovery is fragile and depends on political and geopolitical developments."

Concerns

Last year's currency crisis was driven by concerns over the central bank's independence and deteriorating ties between Ankara and Washington.

Confidence remains shaky as the two NATO allies remain at odds over policies in Syria and over Turkey's push to purchase a Russian missile defence system.

Finance Minister Berat Albayrak announced a reform package on Wednesday that mainly aims to recapitalise state banks squeezed by large companies restructuring debt.

Analysts have said that investor confidence could be restored if such reforms were implemented under the supervision of the IMF, a move Turkey has strongly rejected.

Yet when asked whether Turkey would seek funding from the IMF or another outside institution, six poll respondents said no. Nor is Turkey expected to hold early elections ahead of 2023, when presidential and parliamentary elections are scheduled, according to five respondents.

Among Albayrak's reforms were plans to lower inflation, which hit a 15-year high of above 25 percent in October. It stood around 20 percent in March.

The poll showed that annual inflation is expected to decline to 17.5 percent by the end of the second quarter and drop to 15.5 percent by year-end, in line with government forecasts. It is expected to drop to 11.8 percent by end-2020 and 9.1 percent by end-2021.

The poll also showed the current account deficit – which ballooned last year but has since receded as the economy slowed – is expected to stand at 2.4 percent of the GDP this year, lower than a government forecast and down from 6 percent in the previous year.

The central bank hiked its policy rate to 24 percent in September and has left it unchanged since, though some investors worry about a premature easing of monetary policy.

President Tayyip Erdogan, a self-described "enemy" of interest rates, has in the past called on the central bank to lower its rates. Central bank Governor Murat Cetinkaya has said its tight monetary stance will be maintained until inflation shows a "convincing improvement."

In a separate poll last week, economists predicted the central bank will gradually lower its key rate to 19.25 percent by year end, and to delay any cuts until around July, and to ease levels aggressively than previously thought.

Hurt by trading

Goldman Q1 profits fall 21% from yr ago

NEW YORK, April 15, (AP): Goldman Sachs said its first quarter earnings fell by 21% from a year earlier, hurt by a slowdown in trading.

The investment bank earned a profit of $2.25 billion, or $5.71 a share, down from a profit of $2.83 billion, or $6.95 a share, in the same period a year earlier. The results did beat analysts' expectations, however. The average estimate of six analysts surveyed by Zacks Investment Research was for earnings of $4.74 per share.

Goldman's profits were primarily hurt by their trading desks. Once a place of record profitability for the bank, Goldman's trading desks have struggled under lighter trading combined with periods of extreme volatility that are hard to navigate.

Net revenues in Goldman's fixed income, currency and commodities division was $1.84 billion, down 11% from a year ago. Stock trading was even worse, reporting net revenues of $1.77 billion, down 24%.

David Solomon, Goldman's chairman and chief executive officer, described the quarter as a "muted start to the year," in a written statement.

Other parts of Goldman's businesses struggled as well. The bank reported a 12% decline in net revenues in its investment management businesses, and a 14% decline in net revenues in its investing and lending business.

Goldman has undertaken significant efforts in recent years to diversify the company into new forms of banking and financial services. The bank has a growing consumer banking franchise known as Marcus, which offers high-interest online savings accounts and CDs as well as debt consolidation personal loans.

Goldman also recently jumped into the credit card business, becoming the issuing bank for Apple's new credit card.

The bank still does not break out Marcus, or its consumer bank franchise, as a line item on its results. However the bank did see a significant jump in interest income in the quarter, reporting net interest income of $1.22 billion, up 33% from a year earlier.

Goldman's return on tangible equity, a measurement that describes how well a bank is performing with underlying assets, was 11.7%. Banks like Goldman and its competitor Morgan Stanley aim for a return on equity above 10%.

Firm-wide Goldman said it had net revenues of $8.81 billion, down 13% from last year, below analysts' estimates, according to Zachs.

Worried a recession is coming

US online lenders reduce risk

NEW YORK, April 15, (RTRS): US online lenders such as LendingClub Corp, Kabbage Inc and Avant LLC are scrutinizing loan quality, securing long-term financing and cutting costs, as executives prepare for what they fear could be the sector's first economic downturn.

A recession could bring escalating credit losses, liquidity crunch and higher funding costs, testing business models in a relatively nascent industry.

Peer-to-peer and other digital lenders sprouted up largely after the Great Recession of 2008. Unlike banks, which tend to have lower-cost and more stable deposits, online lenders rely on market funding that can be harder to come by in times of stress.

Their underwriting methods also often include analysis of non-traditional data, such as education level of borrowers. While platforms see that as a strength, it has yet to be tested in times of crisis.

"This is very top of mind for us," LendingClub Chief Executive Officer Scott Sanborn said in an interview, referring to the possibility of a recession. "It's not a question of 'if,' it's 'when,' and it's not five years away."

Sanborn and executives at some half a dozen other online lenders who spoke to Reuters said worsening economic indicators and forecasts have made them more cautious.

Their worries are the latest sign that fears a US downturn is nigh are growing. Economists polled by Reuters in March saw a 25 percent chance of US recession over the next 12 months. More recently, some executives said, a Federal Reserve decision to halt interest rate hikes reinforced those fears.

"We were seeing economists bringing up some warning signs, and we were following the Fed signals and that they were becoming more dovish," said Bhanu Arora, the head of consumer lending at the Chicago-based lender Avant. "We wanted to be prepared and ready."

To position itself better for recession, Avant came up with a plan late last year that includes tightening credit requirements for segments it identified as higher risk, Arora said.

To be sure, the executives said they are not yet seeing glaring signs of trouble in their loan books.

A downturn is also far from certain. On Friday, JPMorgan Chase & Co, the country's largest bank by assets, eased fears of a recession after it posted better-than-expected quarterly profits driven by what it described as solid US economic growth.

If a downturn hits, however, it would separate the stronger online lenders from the weaker ones.

"All these different platforms say they can underwrite in unique ways," said Robert Wildhack, an analyst at Autonomous Research. "This will be the first chance we have to see who is right and who might have been taking shortcuts."

In February, LendingClub, one of the pioneers of peer-to-peer lending, offered growth projections for 2019 that fell short of Wall Street expectations, partly a sign of growing caution. LendingClub does not provide loans directly to consumers but earns fees by connecting borrowers and investors on its online marketplace. Sanborn said the company has gotten more stringent about credit standards for borrowers on its platform and is attracting investors with broader risk appetites in case the more cautious participants pull back.

It is also outsourcing more of its back-office operations and relocating some staff to Utah from San Francisco to reduce expenses, he said.

SoFI, an online lender that refinances student loans and then securitizes them, has been focusing on making its portfolio more profitable, even if that may mean lower origination volumes, CEO Anthony Noto told reporters in late-February.

Some companies are building more room on their balance sheets and trying to secure funding farther into the future.

Small business lender BlueVine Capital Inc, for example, is seeking credit facilities with extended durations. Given a choice to pay 10 basis points less or get a line of credit that lasts an additional year, BlueVine would choose the latter, said Eyal Lifshitz, the company's chief executive.

"We are making sure we are locking in capital for longer periods of time, and from providers that we trust and we know are going to be around," Lifshitz said.

BlueVine offers invoice factoring, where companies exchange future cash flows for current financing, as well as lines of credit that last up to a year. It is postponing the launch of longer-term products because of economic concerns, Lifshitz said.

Atlanta-based Kabbage, which lends to small businesses, recently completed a $700 million asset-backed securitization. The company said it raised the funding to meet growing borrower demand, but also partly as preparation in case of worsening economic conditions.

"We have been waiting for the next recession to happen for the past five years," said Kathryn Petralia, co-founder and president. "More people feel confident that it's imminent."

Autos and textiles facing biggest risk

Unlikely casualty of hard 'Brexit': Turkey's exports

ISTANBUL/BRUSSELS, April 15, (RTRS): The threat of a hard British exit from the European Union looms large over a country that has a big stake in the process but no official say: Turkey.

Already mired in recession, Turkey stands to lose access to its second-largest export market for years to come if Brexit goes wrong, with its autos, textiles and appliances facing the biggest risk.

Britain and the EU agreed last week to delay Brexit until Oct 31. But if Britain ultimately leaves without trade arrangements – a so-called "hard" or no-deal Brexit – most of Turkey's $3.7 billion trade surplus with the UK would be wiped out, according to a United Nations report.

Among non-EU countries, Turkey would feel the most pain with $2.4 billion in lost exports a year, followed by South Korea and Pakistan, the report said.

Exports are considered vital to Turkey's recovery from recession after last year's lira crisis knocked some 30 percent off the value of the currency. If Britain leaves the bloc without a replacement trade deal, Turkey, covered by the EU's customs union, would lose open access to the UK market.

Turkey and Britain would then need to impose customs duties that could only be reversed by a replacement deal, leaving a lasting mark on bilateral trade, which reached $18.6 billion last year.

"If we have a no-deal Brexit, Turkey and the UK can only seal their trade deal after the EU and the UK have done theirs. And that would take years," Kati Piri, the European Parliament's point person for ties with Turkey, told Reuters.

The EU and British legislators have toiled to avoid the most-damaging, abrupt split. But the latest postponement of Brexit essentially means all options – including the hard exit – are still open.

In 2017, Ankara and London formed a working group on trade deals and, according to industry officials, talks continued this year. Nearly a year ago, both countries expressed optimism that a free trade deal will be reached, though it was unclear how it would address a hard Brexit.

Turkey has been covered by the EU's customs union for more than 20 years, providing duty- and barrier-free access to each others' markets.

But Turkey has pushed to update the agreement, given its "asymmetrical" structure, which does not grant Turkey a seat at the table when the EU negotiates with outside countries.

EU diplomats have acknowledged it is "outdated," including around dispute-resolution mechanisms. But talks have been frozen since Turkish President Recep Tayyip Erdogan's sweeping crackdown on critics after an attempted 2016 coup.