US job growth decelerates in July

Reuters, *Washington*

U.S. employment growth slowed considerably in July amid a resurgence in new COVID-19 infections, offering the clearest evidence yet that the economy's recovery from the recession caused by the pandemic was faltering.

The Labour Department's closely watched employment report on Friday piles pressure on the White House and Congress to reach an agreement on another aid package. Talks have been dragging over differences on major issues including the size of a government benefit for tens of millions of unemployed workers.

A $600 weekly unemployment benefit supplement expired last Friday, while thousands of businesses have burned through loans offered by the government to help with wages.

"The jobs recovery is on very shaky ground and without seat belts for the unemployed provided by additional fiscal stimulus the economy could be in for a very bumpy ride," said Chris Rupkey, chief economist at MUFG in New York.

"There cannot be sustainable economic growth if the country has to carry on with the crushing weight of massive unemployment." Nonfarm payrolls increased by 1.763 million jobs last month after a record rise of 4.791 million in June. That left payrolls 12.9 million below their pre-pandemic level. Employment peaked at 152.5 million in February.

Economists polled by Reuters had forecast 1.6 million jobs were added in July. Many say July was probably the last month of employment gains related to the rehiring of workers after the reopening of businesses.

The slowing labour market is more bad news for President Donald Trump, who is lagging in opinion polls behind former Vice President Joe Biden, the presumptive Democratic Party nominee for the Nov. 3 election.

The economy, which entered into recession in February, suffered its biggest blow since the Great Depression in the second quarter, with gross domestic product dropping at its steepest pace in at least 73 years.

Infections of the respiratory illness soared across the country last month, forcing authorities in some of the worst-affected areas in the West and South to either shut down businesses again or pause reopenings, sending workers back home. Demand for goods and services has suffered.

Last month's slowdown in job growth occurred across all sectors, with the exception of government. The leisure and hospitality industry hired 592,000 workers, accounting for about a third of nonfarm payrolls. The bulk of the jobs were at restaurants and bars. Retail employment rose by 258,000 jobs, with almost half of the gain in clothing and accessories stores.

Professional and business services added 170,000 jobs, concentrated in the temporary help services. Government employment increased by 301,000 in July, artificially boosted by hefty gains in state and local government education.

The model that the government uses to strip out seasonal fluctuations from the data normally anticipates education workers to drop off payrolls in July. This, however, happened earlier because of the pandemic, leading to a big gain in July.

U.S. stocks opened lower while the dollar rose against a basket of currencies. U.S. Treasury prices were trading largely higher.

The unemployment rate fell to 10.2% from 11.1% in June, but it has been biased downward by people misclassifying themselves as being "employed but absent from work." The Labour Department's Bureau of Labour Statistics, which compiles the report, estimated that the jobless rate would have been 11.2% without this error.

The BLS, however, cautioned that the 1 percentage point estimate "represents the upper bound of our estimate of misclassification and probably overstates the size of the misclassification error." At least 31.3 million people were receiving unemployment checks in mid-July.

The slowdown in hiring challenges the U.S. stock market's expectation of a V-shaped recovery. The S&P 500 index is up nearly 50% from its March trough. As COVID-19 cases spiral, and Republicans and Democrats bicker over another stimulus package, economists see a W-shaped recovery.

Economists estimate the Paycheck Protection Program that gave businesses loans that can be partially forgiven if used for employee pay saved around 1.3 million jobs at its peak. The extra $600 weekly unemployment checks made up 20% of personal income and helped to boost consumer spending in May and June.

REUTERS/FILE

Hundreds of people line up outside a Kentucky Career Centre, hoping to find assistance with their unemployment claim in Frankfort, Kentucky, US.

Energy costs to fall for millions of Britons from Oct

Reuters, *London*

Energy prices are set to fall for millions of British households from October after the energy regulator said it would lower its cap on the most widely used tariffs by about 7.5%.

A cap on electricity and gas bills came into effect in January 2019 and was aimed at ending what former British Prime Minister Theresa May called "rip-off" prices by energy firms.

The reduction, to the lowest level since the cap began, was due to a fall in wholesale gas prices since February as lockdowns on business and homes hit demand, Ofgem said.

"The COVID-19 crisis has depressed energy demand although wholesale gas prices have started to recover since hitting 20-year lows in the spring," the regulator said in a statement.

The cap for average annual consumption on the most common tariffs, used by around 11 million households, will fall by 84 pounds ($110) to 1,042 pounds, while for some 4 million homes on pre-payment energy meters it will fall by 95 pounds to 1,070 pounds a year, Ofgem added on Friday.

Ofgem calculates the cap using a formula that includes wholesale gas prices, energy suppliers network costs and costs of government policies, such as renewable power subsidies.

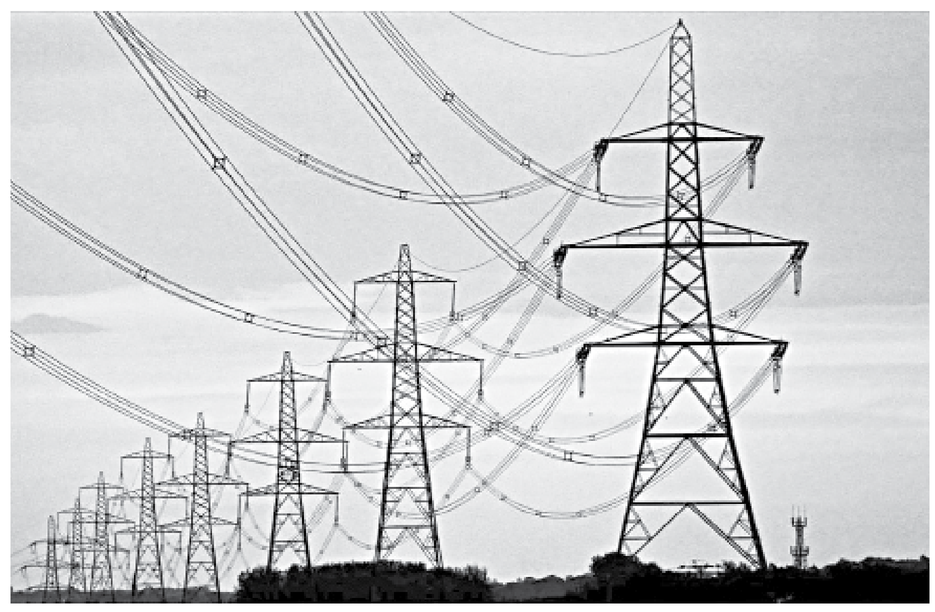
p/ However, Ofgem warned that with wholesale prices beginning to rise the cap is likely to be increased at the next review, which comes into effect in April.

Under legislation the cap could be lifted from 2020 and no later than 2023.

Ofgem on Friday recommended it should remain in place next year, with an ultimate decision to be taken by the government by the end of October.

"Our assessments shows this is not the right time to remove the cap," Jonathan Brearley, Ofgem's chief executive, told reporters on a call.

He said the regulator would like to see a more competitive market, better customer engagement and more technology such as smart meters deployed before the cap is removed. Despite the cap, Ofgem said those seeking cheaper energy prices may still find better deals by shopping around.



REUTERS/FILE

The sun rises behind electricity pylons near Chester, northern England.

China hopes US will cooperate to create favourable conditions for trade deal

Reuters, *Beijing*

China urges the United States to strengthen cooperation so as to create favourable conditions for the implementation of the phase one trade deal, said its top diplomat Yang Jiechi on Friday.

Yang, in an essay published on China's foreign ministry website, also urged the United States to stop "bullying" Chinese firms and to create a fair, open, non-discriminatory environment for them, in an apparent reference to an impending U.S. ban on transactions with the Chinese owners of messaging app WeChat and video-sharing app TikTok.

Relations between the world's two largest economies have deteriorated since the phase one trade deal was signed in January, with the U.S. criticising Beijing harshly over its actions in the coronavirus pandemic, Hong Kong and the northwestern Chinese region of Xinjiang.

Yang argued that cooperation between China and the United States would be beneficial to both countries and to the world, whereas confrontation would be "a sure disaster".

Yang reiterated China's call for all sectors from both countries to engage in dialogue, adding that the door for communication "has always been fully open".

He also urged the military in both countries to engage more and make good use of confidence-building mechanisms. "Military ties should become the stabilising factor for bilateral relations," wrote Yang.

UK, Japan aim to strike outline trade deal this month

Reuters, *London*

Britain and Japan have reached substantial agreement in most areas for a bilateral post-Brexit trade deal and will try to clinch a preliminary deal by the end of this month, top officials from both countries said on Friday.

"We agreed to accelerate talks with an aim of reaching an outline agreement by the end of August," Japanese Foreign Minister Toshimitsu Motegi, who is in London for the talks, told reporters in an online briefing.

British trade minister Liz Truss said negotiations, which began in June, had been positive and productive.

"We have reached consensus on the major elements of a deal, including ambitious provisions in areas like digital, data and financial services that go significantly beyond the EU-Japan deal," she said in a statement.

Britain, which formally left the European Union in January but has a no-change transition arrangement until Dec. 31, is seeking a deal that builds on the 2019 EU-Japan agreement. Japan is a major investor in British industry, particularly consumer electronics and car manufacturing.

The total value of bilateral trade in 2019 was 31.6 billion pounds ($41 billion) according to British data, a figure London hopes to increase by about 15 billion pounds a year in the long run.

Japanese Foreign Minister Toshimitsu Motegi

Dollar gains after two-year slump

Reuters, *New York*

The dollar bounced off two-year lows and a gauge of global equity markets stopped marching toward a record high on Friday, as slightly better-than-expected data on U.S. job growth in July also snapped big rallies in gold and the euro.

A U.S. Labor Department report showed employment growth slowed considerably from June amid a surge in COVID-19 cases. Though the job numbers topped expectations, the report highlighted the need for the White House and Congress to reach an agreement on a new stimulus bill.

Gold slid 2 per cent to snap its record surge this week above $2,000, the euro fell from highs against the dollar last seen in May 2018 and U.S. Treasury yields rose, halting a downward move that had the benchmark 10-year note poised to fall below 0.5 per cent.

The sell-off was due to profit-taking after the record peaks this week in gold and the tech-driven Nasdaq, as the value of the dollar ebbed, said Axel Merk, president and chief investment officer of Merk Investments LLC in San Francisco.

"We've had such a dramatic move. It's been dollar-centric, call it a profit-taking reversal. I don't think there is a change in environment," said Merk, adding: "I can tell you what's causing this. It's Friday." European equities eked out modest gains, with the pan-regional FTSEurofirst 300 index adding 0.27 per cent. But the euro's sharpest sell-off since April helped Germany's export-heavy DAX index to close up 0.66 per cent.

Stocks on Wall Street at first meandered, with the S&P 500 and Nasdaq trying to turn positive, without luck.

The Dow Jones Industrial Average fell 0.13 per cent, the S&P 500 lost 0.23 per cent and the Nasdaq Composite dropped 1.15 per cent.

MSCI's benchmark for global equity markets fell 0.55 per cent to 562.04.

The dollar index rose 0.662 per cent, with the euro down 0.8 per cent to $1.178. The Japanese yen weakened 0.37 per cent versus the greenback at 105.93 per dollar.

Financial markets remain focused on the potential passage of another stimulus bill in Congress, but the White House and Democrats appear far apart after nearly two weeks of talks that have failed to produce substantial progress.

Democrats in Congress said on Friday they offered to reduce a proposed coronavirus aid package by a trillion dollars if Republicans would add a trillion to their counter-offer, but the idea was flatly rejected by the White House.

Also weighing on markets was U.S. President Donald Trump's sweeping ban, unveiled late Thursday, on U.S. transactions with the Chinese owners of messaging app WeChat and video-sharing app TikTok.

In response, China said the companies complied with U.S. laws and warned Washington would have to "bear the consequences" of its action.

Chinese stocks led losers in Asia and the yuan slumped after Trump issued executive orders to purge "untrusted" Chinese apps from U.S. digital networks.

Hong Kong's Hang Seng fell 1.6 per cent. Tencent, Asia's second-biggest company by market capitalization, dropped as much as 10.1 per cent and closed down 5.0 per cent.

Mainland China's CSI 300 Index fell 1.15 per cent despite strong export data, while Japan's Nikkei slipped 0.4 per cent.

The latest Bank of America fund flow statistics also confirmed the undercurrent of caution in global markets, with investors flocking to cash, gold and investment-grade bonds and switching out of equities.

Gold hit a record high of $2,072.5 an ounce overnight in Asia, before succumbing to profit-taking.

Spot gold prices fell -1.47 per cent to $2,032.96 an ounce.

U.S. gold futures settled down 2 per cent at $2,028.

Silver dropped 1.7 per cent to $28.452 per ounce following its rise to a seven-year high of $29.838.

Oil prices fell more than 1 per cent, pulling back from a week of gains.

Brent crude futures slid 69 cents to settle at $44.40 a barrel, while U.S. crude futures settled down 73 cents at $41.22 a barrel.

Huawei to stop making flagship chipsets as US pressure bites

Reuters, *Shanghai*

Huawei Technologies Co will stop making its flagship Kirin chipsets next month, financial magazine Caixin said on Saturday, as the impact of US pressure on the Chinese tech giant grows.

US pressure on Huawei's suppliers has made it impossible for the company's HiSilicon chip division to keep making the chipsets, key components for mobile phone, Richard Yu, CEO of Huawei's Consumer Business Unit was quoted as saying at the launch of the company's new Mate 40 handset.

With U.S.-China relations at their worst in decades, Washington is pressing governments around to world to squeeze Huawei out, arguing it would hand over data to the Chinese government for spying. Huawei denies it spies for China.

The United States is also seeking the extradition from Canada of Huawei's chief financial officer, Meng Wanzhou, on charges of bank fraud.

In May the U.S. Commerce Department issued orders that required suppliers of software and manufacturing equipment to refrain from doing business with Huawei without first obtaining a license.

"From Sept. 15 onward, our flagship Kirin processors cannot be produced," Yu said, according to Caixin. "Our AI-powered chips also cannot be processed. This is a huge loss for us." Huawei's HiSilicon division relies on software from U.S. companies such as Cadence Design Systems Inc or Synopsys Inc to design its chips and it outsources the production to Taiwan Semiconductor Manufacturing Co (TSMC) , which uses equipment from U.S. companies.

Huawei declined comment on the Caixin report. TSMC, Cadence and Synopsys did not immediately respond to email requests for comment.

HiSilicon produces a wide range of chips including its line of Kirin processors, which power only Huawei smartphones and are the only Chinese processors that can rival those from Qualcomm in quality.

"Huawei began exploring the chip sector over 10 years ago, starting from hugely lagging behind, to slightly lagging behind, to catching up, and then to a leader," Yu was quoted as saying. "We invested massive resources for R&D, and went through a difficult process."

German 10-year bond yields keep below one-week highs ahead of US data

Reuters, *Milan*

German 10-year bond yields held below one-week highs on Friday and Italian 10-year yields floated around the psychologically important 1 per cent level ahead of U.S. jobs data that is expected to set the tone of the session.

Risk-appetite was subdued on Friday after U.S, president Donald Trump ratcheted up tensions with China by banning transactions with popular apps WeChat and TikTok. Meanwhile rising coronavirus cases across the world are triggering fears of a second wave of lockdowns.

A U.S. financial stimulus plan which might support economic recovery expectations in the United States and globally made little progress.

"The markets will be paying close attention to the noises from Capitol Hill. Apparently, negotiations towards another stimulus package made progress lately, but more needs to be done before a deal can be agreed," DZ Bank strategist Andy Cossor told clients.

Safe-haven German bond yields were unchanged at -0.53 per cent in early Friday trade, holding below one-week highs at -0.49 per cent hit on Thursday.

Italian 10-year bond yields were up 1 basis point to 1.00 per cent, near their lowest since early March..

Southern European government bonds have rallied as European assets have become more appealing to investors after the approval by the European Union of a 750 billion euro recovery fund, while ECB measures continue to be in place.

Italy's liabilities towards other euro zone central banks fell in July, from record highs in June, the Target2 reading -monitored as a sign of financial stress and imbalances - showed on Friday.