EBay, Wal-Mart search for revved-up search engines

REUTERS, *San Francisco*

EBay Inc and Wal-Mart Stores Inc are developing new Web search engines to better compete against Amazon.com Inc in the fast-growing e-commerce market.

As more people shop online, they often end up at the top of a website typing in a product name. If they cannot find what they want quickly, they will likely go to a rival website or venture into a physical store.

"Amazon is on version 8.0 of search," said Scot Wingo, chief executive of ChannelAdvisor, which helps merchants sell more online. "EBay is at 2.0, but they are thinking about how they make this huge leap to 3.0."

The stakes are high because e-commerce is a huge, fast-growing market, putting billions of dollars in sales up for grabs. U.S. retail spending online grew 13 percent to $161.5 billion last year, according to comScore. Physical retail sales are much larger, but the sector is struggling to grow and losing share to online operators.

EBay's search technology, known as Voyager, dates back to the first dot-com boom a decade ago. After the company appointed Mark Carges as chief technology officer in 2008, he tested eBay's search engine by typing in "iPod." A car topped the list of results because the seller noted in the listing title that it came

Nokia's woes might call for Microsoft aid

REUTERS, *London*

Addressing Nokia Oyj employees in January 2011, Chief Executive Stephen Elop - at that point only four months into the job - dramatised the company's predicament by comparing it to standing on a burning platform.

Nearly a year and a half on, and with Nokia's Lumia mobile phone range failing so far to revive sales, its position still looks frail. Its shares have lost 90 percent in five years and its debt is rated junk by two of the three major ratings agencies.

Might Microsoft Corp, Elop's former employer and whose software Lumia is based on, have to step in to help Nokia out, seeing the Finnish company as a valuable point of entry into the cellphone market?

Analysts have attributed Nokia's decline in large part to its late response to Apple Inc, whose iPhone redefined the smartphone market in 2007, and some see a marriage with Microsoft as possibly a last chance to turn the group around.

For Microsoft the relationship is important, because Nokia was its first major break into the smartphone market after a decade of heavy investment. During that period other cellphone makers either chose to use their own software - as did Apple - or favoured Google Inc's Android.

"If Nokia ends up in financial difficulties I believe the helping hand would be there," said Sami Sarkamies, an analyst at Nordea.

Nokia and Microsoft declined to comment.

Microsoft is already paying Nokia $1 billion a year to use its software on Lumia smartphones. And investment bankers familiar with the technology sector said the support could extend well beyond that amount, if Nokia's problems intensify.

"I don't see Microsoft owning Nokia, but it would definitely provide financing to the tune of a couple of billion dollars," said one veteran technology banker.

Any Microsoft support for Nokia would be more likely to take the form of an inter-company loan, or an equity stake, rather than a full takeover, a second banker said.

Even though Microsoft has nearly $60 billion of cash on its balance sheet, the company has traditionally steered clear of the hardware business, because it does not want to compete with the manufacturers that use its software.

Yet other priorities may override that consideration.

At the same time, some bankers said they thought Nokia, which has a market value of 9.3 billion euros, was an unlikely target for other cellphone manufacturers because of its deep integration with Microsoft.

"I don't see it as a target for private equity either. It is still too expensive and too volatile," said a third banker. "You would have to be prepared to catch a falling knife."

With a full takeover of Nokia seeming unlikely, some bankers and analysts were equally sceptical about asset spin offs as a way for the company to raise some much-needed liquidity.

Nokia is in talks to sell its British luxury subsidiary Vertu, which makes some of the world's most expensive mobile phones, a source familiar with the company's strategy told Reuters previously.

Yet Vertu is expected to generate only a few hundred million euros if it is sold to private equity firm Permira. And bankers said Goldman Sachs' mandate to sell the business did not extend to any other Nokia assets.

"Banks are pitching ideas to them like they always do, but I'm not aware of any other mandates to sell Nokia businesses or any wider mandate to advise the company on options," the first source said.

Nokia's other assets that could be of interest to potential buyers include its intellectual property portfolio, which a fourth banker described as "the best in the industry".

Yet Elop told the company's shareholders' meeting on May 3 he was not planning any wider patent sales. He also said he saw the location and mapping business, built on the $8.1 billion acquisition of U.S. firm Navteq, as a core asset the firm would aim to keep, despite some expectations it could be sold.

The fourth banker said Microsoft was likely to urge Nokia not to put its patents on the block in any case, because it would not want them to fall into the hands of Google. The only other asset of any size that Nokia could potentially sell would be its half of Nokia Siemens Networks (NSN).

Yet its parent companies Nokia and Siemens tried to sell NSN last year to private equity, a process that collapsed over price, and there seems no obvious reason why they would be more successful now.

For Elop, there remain painful decisions to secure his legacy as head of what once ranked as one of Europe's biggest technology success stories.

"Elop was not hired as a boss for a burning platform," said John Strand, founder and CEO of Danish consultancy Strand Consult. "He put the platform on fire."

Growth is the question, reforms are the key: EU analysts

AFP, *Paris*

The contours of recession and recovery inside the EU will be drawn with forecasts this week and a quarterly snapshot next week, setting the landscape for an informal summit on growth likely by the end of May.

The new data, together with leading indicators from eurozone businesses, will keep financial markets on edge, the European Central Bank on watch and political controversy about austerity versus growth on the boil.

The austerity-growth dilemma has come to a head, pitching so-called supply-side economics, based on sound budgets and a drive for efficiency, against calls for extra stimulus to counter the drag of cutbacks.

"Austerity is a powerful medicine," said Berenberg Bank economist Holger Schmieding. "If applied intelligently, it lays the basis for more competitiveness and higher growth in the future.

"But too much of a good medicine can weaken the patient," he noted.

European Union officials issue spring forecasts this week, and first-quarter growth data possibly showing recession the following week.

Leading indicators on Friday signalled that eurozone private sector activity continues to contract, just as protests against budgetary reforms and appeals for stimulus increase in countries undergoing radical structural reforms to fight debt.

The "stimulus measures implemented by the European Central Bank have not had a lasting impact on the real economy," said Chris Williamson, chief economist at Markit research firm which published the indicators.

While ensuring that low inflation is the ECB's sole policy objective, its chief Mario Draghi called Thursday for putting "growth back at the centre of the agenda."

But he indicated that a further rate cut or special measures like the massive one trillion euro liquidity injection which temporarily calmed markets are not currently on the cards.

Climate change ahead for seasonal investment flows

REUTERS, *London*

REUTERS

Traders work on the floor of the New York Stock Exchange.

Just this once, might it be wiser to 'buy in May'? Followers of the slightly tired but remarkably prescient old stock market adage "Sell in May and stay away" are justifiably confident that history is on their side.

Then again, rules are there to be broken and there's just a hint of a change in seasonal investment climate this year.

Going against what have become identified as negative seasonal money flows is never terribly attractive for investors and there are no shortage of potential pitfalls looming over the coming northern summer.

Yet asset managers around the world have turned more neutral on global stocks up to six weeks earlier than normal this year and there's a chance the annual pattern has shifted.

"Maybe 'Stand Pat in May' is more apt this year" said Andrew Milligan, head of global strategy at Edinburgh-based Standard Life Investments, which has around 155 billion pounds of assets under management.

The "sell in May" phrase is probably the most famous in investment almanacs. In its more complete form, it says "Sell in May and stay away until St Leger Day" - the latter referring to the British St Leger horse race in Doncaster that traditionally marks the end of the flat racing season in mid September.

And 'lo and behold, a 40-year history of global stock price moves shows a dramatic underperformance on average during the middle third of the year between May and September.

Since 1971, the average January to April gain in the MSCI all-country world index has been 4.5 percent and 2.9 percent in the final four months of the year. But from May to September the gain is a measly 0.1 percent.

What's more the third quarter of the year is the only three-month period in negative territory on average and September is the worst performing month, clocking up an average loss over 40 years of almost one percent.

A variety of factors are used to explain the pattern. The most basic is that if you've made money early in the year - as new money has lifted the bourses - and then booked profits on them as the tax year ends around April, then it typically wasn't worth recommitting that cash during a liquidity-scarce and potentially more volatile summer holiday period.

So, why lean into that sort of time-honoured headwind now? For one thing, there's no shortage of risks to keep you wary this summer - a host of European elections and sovereign debt cliffhangers, mid-year euro bank deleveraging deadlines and the passing of the U.S. Federal Reserve's latest bond buying operation in June to name just a few.

Well, the global stock market selloff happened a month early this year - in stark contrast to the almost slavish seasonal patterns of 2010 and 2011.

After a first quarter surge of almost 13 percent, related to a flood of cheap loans from the European Central Bank to its banks, world stocks peaked on March 27 and shed about 5 percent before stabilising.

The question for many is whether there has been a sufficient selloff already and whether that already takes account of a series of significant political and economic risks ahead.

Milligan at Standard Life said the data he monitors shows portfolios in general have certainly turned more neutral well ahead of May and are now better positioned for both the downside and also equally-significant upside risks too - chief among them policy initiatives on growth in Europe or monetary easing and fiscal twists on both sides of the Atlantic.

Reuters April asset allocation polls show global equity holdings pared back from March and Boston-based fund tracker EPFR shows cumulative weekly flows to developed market equity funds year-to-date are negative already.

There's also an absence of extremes in other market gauges. Implied volatility on Wall Street has already climbed from lows but is not flashing red in either direction. Intra-market an intra-sectoral equity correlations, typically high in times of stress, are also relatively benign and middle of the road.

EDHEC consultants point out relative underpeformance so far this year of typically aggressive hedge funds, a potential sign that few are confident in long or deep trends developing and mindful of both upside and downside risks.

Sudan's economy has not failed: Bashir

AFP, *Khartoum*

Sudan's economy has not failed, President Omar al-Bashir said on Sunday despite losing billions of dollars in oil revenue, and the unknown costs of a border war with South Sudan.

The International Monetary Fund has forecast Sudan's real gross domestic product to decline by 7.3 percent this year after South Sudan separated in July, taking with it about 75 percent of the formerly united Sudan's oil production worth billions of dollars.

Southern oil represented more than a third of Khartoum's revenues and its largest source of hard currency, leaving the government struggling for alternatives since the independence.

"Yes we are facing economic difficulties but we have not failed," Bashir told the government's strategic planning council, which is starting discussions on Sudan's five-year political and economic plan to 2017.

The council is comprised of cabinet ministers, state governors, academics, labour representatives and others.

An international economist has estimated that the country's already depleted oil revenues shrank by a further 20 percent -- more than $700 million -- after its main Heglig oil field was damaged and shut down in fighting with invading Southern troops last month.

"There may be added fiscal costs because of the need to import oil," said the economist who declined to be named and added it is impossible to know the military cost of

Germany says ready to fight for eurozone growth

AFP, *Berlin*

Germany said on Saturday it was prepared to promote growth in the eurozone, a wish dear to Francois Hollande, the front-running candidate in this weekend's French presidential election.

"I am confident our two countries will initiate good solutions for Europe and our common currency," German Foreign Minister Guido Westerwelle told Sunday newspaper the Frankfurter Allgemeine Sonntagszeitung.

After the French election "we will quickly get to work on adding a growth pact to the budget treaty to promote competitivity", Westerwelle said.

Hollande, who has campaigned against austerity calls championed by Germany, has said he intends to renegotiate a budget treaty approved by 25 of the European Union's 27 member states in 2011, to put a greater emphasis on growth.

But Hollande spokesman Pierre Moscovici told Frankfurter Allgemeine Zeitung's Saturday edition that no matter what the French Socialists did not want to provoke a crisis and that the Franco-German friendship remained essential.

"We know that Angela Merkel would prefer to see (incumbent) Nicolas Sarkozy win," said Moscovici, who is a former European affairs minister.

But if Hollande wins "we want to show that nothing will shake the Franco-German friendship", he said.

Earlier however a leader of German Chancellor Merkel's conservative CDU party said Europe's budget pact must remain intact even if Hollande is elected president of France.

"The budget treaty must not be relaxed ... our partners see things this way as well," Christian Democratic Union parliamentary president Volker Kauder told the regional daily Neue Osnabruecker Zeitung.

Hollande's position has led to a marked realignment by many EU leaders who had backed calls for budget discipline as unemployment and growth become hot topics across the continent.

The EU has already been working on plans to encourage growth in countries with high unemployment, like Greece and Spain, with the core question one of how to best promote growth while still reducing excessive debt in Europe.

"When we speak about growth prospects for Greece and Spain, that is not new," Kauder noted.

"The chancellor has always said clearly that she wants to use existing EU funds more widely.

AFP

An elderly Laotian woman is pictured next to her loom in Luang Prabang. The Lao government had targeted a GDP value of 70,200 billion kip ($8.775 billion) this fiscal year, an 8.3 percent rise from the previous year, local media reported.