

Yahoo, Ford among biggest premarket movers

REUTERS, New York

Yahoo Inc is one of the biggest movers in premarket trading on Monday, up 2.8 percent at \$40.69 as the Nasdaq's most active name in anticipation of Alibaba Group Holding Ltd's initial public offering.

Alibaba is seeking to raise more than \$21 billion in its IPO, which could take place in as little as two weeks and would represent the largest ever technology debut in the United States. Yahoo is a favorite way for investors to play Alibaba, the massive Chinese e-commerce company, given Yahoo's stake in the company.

Separately, Ford Motor Co is down 2.2 percent to \$16.76 after Morgan Stanley downgraded the stock to "underweight" from "overweight." The stock has come under pressure of late, with the premarket move indicating its fourth straight daily decline.

Morgan Stanley's call comes amid broader bearish views on the U.S. auto industry, which it cut to "cautious" from "in-line," saying that easy credit and leasing was pulling forward demand from the future. It is cutting its price target on Ford to \$16 from \$17 and is lowering its target on General Motors to \$29 from \$33.

Futures are on track for a modestly lower open on Monday, with investors finding few reasons to extend a long-running rally that has taken indexes to repeated records amid overseas concerns and few domestic catalysts.

British unions see no recovery for living standards

AFP, Liverpool

British trade unions bosses said declining living standards will be the battleground for next year's general election after lashing out against the government's austerity measures at their annual conference this week.

The nation's unions chief Frances O'Grady warned that Europe-wide austerity measures, implemented in the wake of the global financial crisis, were counterproductive, hit living standards and damaged economic growth in the long run.

"Living standards will be centre stage for the election," said O'Grady, eight months before Britons head to the polls in May 2015.

"People are saying to the government: you keep talking about economic recovery but we are not feeling it?"

The Trades Union Congress (TUC), the umbrella group for unions representing 6.2 million workers, began its annual meeting on Sunday in Liverpool, northwest England, with attacks on the policies of the Conservative-Liberal Democrat coalition government.

The organisation is using this year's meeting to urge an end to the squeeze on public sector spending and pay that has been imposed since the coalition won power from Labour in 2010.

The TUC also called on the government to lift the minimum wage to £10 (\$16, 12.5 euros) per hour. It is due to rise to £6.50 next month.

Trade unions have threatened disruptive public sector strikes in Britain in the run-up to Britain's election.

The economy is staging a strong recovery so far this year, growing by



Right, Frances O'Grady, general secretary of the Trades Union Congress, smiles after delivering her keynote speech at their annual conference, in Liverpool, northern England yesterday. O'Grady warned that Europe-wide austerity measures, implemented in the wake of the global financial crisis, were counterproductive, hit living standards and damaged economic growth in the long run.

0.8 percent in both the first and second quarter of this year, in stark contrast with the stagnating eurozone.

At the same time however, recent data showed that average weekly wages excluding bonuses grew by just 0.6 percent in the three months to June.

That was significantly below inflation during the period, meaning that the purchasing power of wages actually fell in real terms.

"People feel that this government doesn't really understand what it is like to have year after year of real pay cuts, where prices are still rising," O'Grady told AFP in an

interview. "Working people across Europe are seeing their living standards under attack," she said, adding: "Many people see the European political class as being out of touch with their concerns."

"And increasingly, people understand it is bad economics too. If people don't have money in their pockets, how are they going to spend in local shops and businesses and ensure that the recovery such as it is sustainable."

Dave Prentis, leader of Unison, Britain's biggest public sector trade union, revealed on Sunday that it has balloted its membership over

industrial action during the week of October 13.

He added that the union's 1.4 million members had had enough of harsh public sector pay cuts and pay freezes amid rebounding economic growth.

"We talk about growth in the economy, but it's based on poverty pay and zero hours contracts," he told journalists, referring to contracts that keep employees available with no guarantee of work.

"We cannot sit back and allow people who supply our essential services -- mainly women -- to be treated as they are now."

IMF chief sees world growth at 'just over three' percent

AFP, Paris

The head of the International Monetary Fund Monday hinted that the global lender could downgrade its forecast for world economic growth this year when it releases new figures next month.

"We are in the process of updating our forecasts. World growth should be just above three percent this year, between 3.0 and 3.5 percent," Christine Lagarde told French business daily Les Echos.

The IMF had previously forecast global growth at 3.4 percent for this year and will release new projections on October 7.

Lagarde said world growth was "too weak, fragile and uneven" and there were "several geopolitical risks" stemming from the crises in Ukraine and the Middle East.

The IMF chief urged France to "continue the path of budgetary consolidation" and appeared to warn French authorities not to use the current low level of inflation as an excuse to put off its efforts at deficit reduction.

"Even if inflation is weaker than usual, it cannot be used as a screen to put off the necessary efforts on spending," Lagarde emphasised.

Last week, in an exclusive interview with AFP, French Finance Minister Michel Sapin hinted France might not meet its budgetary targets due to a low level of inflation.

"We can't have the same targets with an inflation that is becoming very low," Sapin told AFP, in response to a question on whether the target of cutting 21 billion euros (\$28 billion) in public spending next year could be jeopardised.

France has promised to get its public deficit down to the European Union ceiling of three percent of gross domestic product next year but this looks increasingly difficult given stagnant growth in the eurozone's second largest economy.

France's government has predicted a deficit of "around four percent" of gross domestic product this year, an upwards revision from the 3.8 percent forecast previously.

President Francois Hollande's plan to get the French economy moving again, known as the Responsibility Pact, sees some 50 billion euros in spending cuts up until 2017.

On the other side of the ledger, Hollande plans to offer businesses 40 billion euros in tax cuts in return for creating 500,000 jobs before 2017.

Lagarde said that the impact of this plan on the economy is "contained" given that the cuts in public spending are largely compensated by tax breaks.

WeChat helps Apple rack up bonus points in China

REUTERS, Beijing

Apple Inc has a lot for which to thank people like Deng.

A Beijing-based quality analyst, she gave only her surname as she's embarrassed by how much money she spends playing mobile games on WeChat, a hugely popular messaging app developed by Chinese internet giant Tencent Holdings Ltd.

"The most expensive time was when I spent 68 yuan (\$11.08) on a leopard on Tiantiankupaopao," said Deng, an avid iPhone user, referring to Tencent's hit game - called Timi Run Everyday in English - where characters run through obstacle courses. Having a leopard as a pet gives the characters extra power, helping players beat their friends.

Deng and tens of millions like her have made China Apple's third-largest market for software sales, and a huge chunk of that comes through WeChat. Known locally as Weixin, WeChat had 438 million monthly active users globally, mostly in China, at the end of June, and has rapidly evolved from a messaging tool into a digital Swiss Army knife, allowing users to send messages, play games, book taxis and shop online.

The app has proved a winning formula in getting people in China, a market notorious for not paying for software, to connect their bank accounts with their phones and pay for virtual goods like extra lives and power-ups in mobile games.

Apple takes a 30 percent cut on all sales. "We're seeing some substantial strength there," Apple CEO Tim Cook said of China in a July earnings call. "The thing that's actually growing the most is the iTunes, Software and Services category, which has the App Store in it. That area is almost doubling year over year."

Apple's Greater China revenues, which include Hong Kong and Taiwan, soared 28 percent in April-June from a year earlier to \$5.9 billion, and globally, iTunes, Software and Services sales were the company's second-fastest growing product category, up 12 percent year-on-year to \$4.5 billion.

Tencent was the top game publisher for Apple's iOS operating system in China by revenue for both June and July, according to App Annie, a company that measures app usage. Apple is this week expected to launch its new iPhone - with a gamer-friendly larger screen.

Apple makes all software sales on the iPhone go through its App Store. Typically, the Cupertino, California-based company will take its 30 percent of the sales, while the rest goes to an app's developer or publisher.

WeChat, which itself hosts apps and games made by other developers, is no different. The cash from any products sold on the app are split between Apple, Tencent and the developer.

"By far the biggest factor driving App Store revenue in China is WeChat," said Ben Thompson, who writes about technology at stratechery.com. "WeChat has driven app download and usage, which drives people to want to buy stuff, which drives them to connect their payment information. It's been a very virtuous cycle."

Growth has also been helped by increased smartphone sales since China Mobile, the country's largest carrier, began offering the iPhone in January.

A big part of WeChat's success has been with casual games - highly addictive hits like Candy Crush Saga and Temple Run that are often free to download but let users pay for in-game upgrades. WeChat has its own stable of games, and also publishes Candy Crush in China.

Sugar prices to drag on profit growth for Primark owner AB Foods

REUTERS, London

Falling sugar prices are set to hold back earnings growth at Associated British Foods in the next two years, offsetting continued strong performance at the group's Primark discount fashion chain.

On Monday AB Foods maintained its guidance for its financial year to Sept. 13, forecasting adjusted earnings per share ahead of the 98.9 pence made in 2012-13.

It said the adverse effect of lower sugar prices and a previously flagged hit of 50 million pounds (\$80.9 million) on the translation of overseas results arising from the strengthening of sterling would be offset by strong operating profit from Primark and its grocery business, as well as an improvement at its ingredients operation.

Shares in AB Foods, 55 percent owned by the Weston family, have soared 59 percent over the past year, mainly on the back of Primark's success.

However, they fell up to 5 percent on Monday after the group cautioned that the world sugar price continues to be unsustainably low at an average of 17 cents per pound, well below the global average cost of production.

European sugar prices have also been driven down by competition among producers positioning for growth in new markets ahead of the removal of quotas in 2017.

"We saw a big decline in full-year 2013-14 (sugar revenue and profit); we're going to see a further decline in full-year 2014-15," AB Foods Finance Director John Bason told Reuters.

The sugar division made adjusted operating profit of 435 million pounds in 2012-13. Analysts at Jefferies forecast the figure more than halving to about 200 million pounds for 2013-14 and a decline to about 140 million pounds in 2014-15. They have a "hold" rating on the stock.



Associated British Foods opened 28 new Primark stores this year.

The group said that Primark's full-year sales are expected to be 17 percent higher than the previous year at constant currency rates and 16 percent ahead at actual exchange rates.

That growth has been driven by a net increase in retail selling space of 1.2 million square feet, an estimated 4.5 percent rise in sales at stores open at least a year and higher sales densities in new stores. The full-year operating profit margin is forecast to be slightly higher than the previous year.

By contrast, Marks & Spencer, Britain's biggest clothing retailer by annual sales, has posted 12 straight quarters of declining sales in its general merchandise division.

Primark now trades from 278 stores in nine European countries and said it is on track with

previously announced plans to enter the United States market towards the end of 2015.

"The way things are going, M&S is soon going to be overtaken by Primark, with Primark set to make over 600 million pounds operating profit on sales of 5 billion pounds in the year about to finish," independent retail analyst Nick Bubb said.

AB Foods forecast "good growth" in full-year operating profit at its grocery division, which includes Kingsmill bread and Twinings tea, and that revenue from the ingredients business would be ahead of last year on a constant-currency basis.

Shares in AB Foods were down 128 pence at 27.82 pounds at 0906 GMT, valuing the business at about 22 billion pounds.



Tesla Motors Inc Chief Executive Elon Musk poses with a Tesla Model S electric car in Tokyo yesterday. Musk said he would not be surprised if there was a significant deal with Toyota Motor Corp in the next two to three years, though there were no definitive plans.

GM promises hands-free Cadillac by 2016

BBC NEWS

General Motors has announced that by 2016, some of its Cadillacs will incorporate self-driving functions.

Vehicle-to-vehicle communication and a cruise function will be fitted in different top-of-the-range GM models.

It will be the first time that automated technology is made available at higher speeds.

The 2017 Cadillac CTS sedan, which will go on sale in 2016, will have the necessary transmitters and receivers fitted as standard.

The equipment will let it know the location and speed of other vehicles, as long as they are also fitted with the technology.

A different model, as yet undisclosed, will offer a "Super Cruise" function, which keeps the vehicle in the centre of the lane, maintains speeds on the motorway and controls braking.

That could mean keeping to the speed limit, but would also allow the car to take control in stop-go traffic jams.

"If the mood strikes you on the high-speed road from Barstow, California to Las Vegas, you can

take a break from the wheel and pedals and let the car do the work," said GM's chief executive, Mary Barra.

Automated driving is expected to ease congestion and reduce accidents, though drivers will still be expected to pay full attention to the road, rather than shifting their focus to reading the paper or applying make-up.

GM said it was also working on a system to monitor drivers to ensure they are paying adequate attention.

"I'm convinced customers will embrace [vehicle-to-vehicle] and

automated driving technologies for one simple reason: they are the answer to everyday problems that people want solved," said Barra.

Other companies are expected to make similar announcements about automated driving technology throughout the week at the Intelligent Transportation Society World Congress in Detroit, where GM made its plans public.

Mercedes-Benz already offers a system that allows cruising at low speeds. Google is working to develop fully automated self-driving cars.