

India's efforts to tame money market volatility

REUTERS, Mumbai

The Reserve Bank of India (RBI) has finally made progress in taming the country's volatile money markets, displaying two traits it has been rarely associated with in the past: flexibility and a willingness to correct course mid-way. The overnight cash rate, a key indicator of liquidity, has recovered from a summer of wild swings that threatened RBI Governor Raghuram Rajan's key goal of reforming India's money market.

The swift response shown by a central bank under new management impressed bankers.

Appointed a little over a year ago, Rajan, a former chief economist at the International Monetary Fund, is credited with making the RBI more amenable to change.

"The new RBI management has been very proactive in responding to markets, be it money markets or forex markets," said Pramod Patil, an assistant vice-president of fixed income and foreign exchange trading at United Overseas Bank in Mumbai.

Money markets are crucial in India because banks rely on overnight funding to finance longer-term borrowing - a reliance that has often made the market volatile.

After Rajan pledged in August to look into the causes of the volatility that gripped the overnight cash rate the previous month, the bank quickly made the



A security guard stands in the lobby of the Reserve Bank of India headquarters in India.

changes that bankers wanted, including injecting short-term cash more frequently.

That instantly calmed the market, sending a message that, under Rajan, the RBI was no longer staid and unresponsive but had instead become more attuned to market needs.

RBI officials declined to comment on the central bank's nimble action, but fired by success they appear set to make further reforms.

Among the RBI's plans is the introduction of longer-term repos - potentially as long as 180 days, according to one official - and to build a yield curve that allows banks to borrow in several maturities. The longest-term repo regularly offered is currently 14 days.

Other initiatives include the development of a private repo market, where lenders would be allowed to lend to each other, as in

the United States and other more developed markets.

By reducing banks' reliance on overnight funding and shifting to a longer-term policy tool, the RBI hopes to force banks to plan their short-term cash needs better.

To accomplish that, a year ago the RBI had started injecting funds via term repos - or cash-for-loans transactions - to smoothen volatility.

Banks welcomed the steps, but panned the implementation, saying the RBI was not injecting funds often enough and not unveiling repos of shorter terms than 7 days.

Rajan's term repo initiative had appeared to unravel in July, when the overnight cash rate suffered volatility, with bankers and RBI officials privately blaming each other for the wild swings.

Rajan stunned bankers

in early August by acknowledging that the RBI's measures appeared to be failing and, days later, by announcing that overnight repos would be injected at weekly auctions.

This readiness to correct stood in contrast to the six years the RBI had taken before admitting the bond futures it implemented in 2003 had flopped, and another five years to admit it had got it wrong a second time.

Two months on, with the overnight cash rate stable at around the repo rate of 8 percent, bankers are growing confident that those measures have worked.

The ends of the next two quarters will be critical tests of whether Rajan has succeeded in taming the money markets. The big test will come at the end of March when the fiscal year ends and banks tend to hold on to cash.

Google asks US Supreme Court to decide Oracle copyright fight

REUTERS, San Francisco

Google Inc has asked the US Supreme Court to wade into contentious litigation against Oracle Corp, arguing that the high court must act to protect innovation in high tech.

Google's request, filed on Monday, seeks to overturn an appeals court ruling that found Oracle could copy-right parts of the Java programming language, which Google used to design its Android smartphone operating system.

Representatives for Oracle and Google could not immediately comment on Wednesday. Google's Android is the world's best-selling smartphone platform. Oracle sued Google in 2010, claiming that Google had improperly incorporated parts of Java into Android. Oracle is seeking roughly \$1 billion on its copyright claims.

The case examined whether computer language that connects programs - known as application programming interfaces, or APIs - can be copyrighted. At trial, Oracle said Google's Android trampled on its rights to the structure of 37 Java APIs.

A San Francisco federal judge had decided that Oracle could not claim copyright protection on parts of Java, but earlier this year the US Court of Appeals for the Federal Circuit in Washington disagreed.

In its filing this week, Google said the company would never be able to innovate had the Federal Circuit's reasoning been in place when the company was formed.



Mark Zuckerberg, founder and CEO of Facebook, addresses a gathering during the Internet.org Summit in New Delhi, India yesterday. Facebook, which closed its acquisition of mobile messaging service WhatsApp on Monday, has no near-term plan to make money from the service, Zuckerberg said. The chief of the social networking site, who is visiting India to participate in an event to boost Internet usage, did not give details.

Global jobs market hits soft spot

AFP, Paris

Improvement in the jobs market appears to have stalled in recent months, according to data released on Thursday, amid rising concern of a slowdown in the global economy.

While the unemployment rate in the 34 advanced nations in the OECD dipped by 0.1 points to 7.3 percent in August, there has not been significant improvement since the beginning of the year.

The OECD unemployment rate was 7.7 percent in the final quarter of last year.

The International Monetary Fund warned of stagnation in advanced economies on Tuesday when it trimmed its growth forecast for the whole world by 0.1 percentage point to 3.3 percent.

After a drop from 6.7 percent to 6.3 percent in April, the US jobless rate has improved only to 6.1 percent in August, according to OECD harmonised data for international comparison.

The situation is similar for the

eurozone, where the jobless rate has been stuck at 11.5 percent for several months after coming down slightly from 11.9 percent in the beginning of the year.

Japan scored a 0.3-point drop in August to 3.5 percent, but this brings it back to the level of the first quarter after rising for several months.

Korea has been on a similar trend, with its jobless rate edging up 0.1 points to 3.5 percent in August.

While there is a lag in the delay from Britain, the non-eurozone country appears to be posting steady reductions in the unemployment rate. At 6.2 percent in June, the jobless rate was down considerably from the 7.1 percent in the final quarter of last year.

The overall eurozone rate masks the diverging fortunes of its members.

While steady at 10.5 percent in France in August, the jobless rate is up from 10.2 percent in the final quarter of last year.

It has held roughly steady in Germany and Italy in recent months, but there have been improvements in Spain, Austria and the Netherlands.

Banks need overhaul, but risk to recovery: IMF

REUTERS, Washington

A much-needed pruning of banks across the world could stifle lending and dampen economic recovery, the International Monetary Fund said on Wednesday.

To boost profits, banks need to raise prices in certain business lines, pull out of others altogether, and put their money where it yielded more, the Fund said.

"The transition to new business models could ... potentially (create) a headwind against the recovery," the IMF said in its biannual Global Financial Stability Report.

After the devastating 2007-09 financial crisis, regulators across the world have forced banks to raise more shareholder equity as a buffer against losses, and to pull out of the riskiest investments and loans.

But the industry had been slow in finding new ways to make money, and the return on equity of banks representing 80 percent of the assets of the largest institutions now was lower than what was required by shareholders, the IMF estimated.

An overhaul would not be easy, however, the IMF said, and it pleaded for ailing banks to be shut down.

Fiat Chrysler could sell \$830m of stock after US listing

REUTERS, Milan

Fiat Chrysler Automobiles (FCA) could sell up to \$830 million worth of shares to boost its finances and increase trading in the stock after it lists on Wall Street next week, according to Reuters' calculations.

Fiat completed the full buyout of its US unit Chrysler this year and is now incorporating all of its businesses under Dutch-registered FCA. A US listing of the world's seventh-biggest auto group is scheduled for Monday.

Chief Executive Sergio Marchionne has said he could "get the machine rolling" by selling to US investors the shares Fiat owns in itself, or so-called treasury stock.

It could also sell shares to offset those that were bought back - and then canceled - from investors who decided not to participate in the Italian carmaker's merger into FCA.

FCA may face some challenges in creating enough liquidity for its shares in the US market, which will be complicated by its stock also being listed in Milan. However, Marchionne has repeatedly said Chrysler's high-profile name in the United States should help attract interest.

Fiat said on Thursday it was left with around 53.9 million shares from investors who decided to sell out and not be part of the company's merger into FCA. The carmaker will not offer those shares on the market and will pay the cash exit price of 7.727 euros (\$9.845) for each of those shares.

Under Italian law, those remaining shares have then to be canceled, but could be reissued, Marchionne has said. "We will sell the equivalent of those shares on Wall Street," Marchionne said at the Paris auto show last week.

How to be Emirati in a sea of foreign influence

AFP, Dubai

Think of the United Arab Emirates in the Gulf and what springs to mind? Billowing white robes against desert dunes, camel racing and falconry or futuristic buildings needling skywards?

Probably all of the above, and therein lies the crux of UAE citizens, who comprise just one in 10 of their own country's population.

Emiratis are trying to preserve their tribal customs, including the Bedouin lifestyle, against a tsunami of alien influences from a foreign labour force that has transformed their lives.

As a small minority in a sea of foreigners - 11 percent of a population of 8.5 million - they wear traditional clothing and observe local customs as a statement of their identity.

Men don the white ankle-length kandura, and women loose black abaya cloaks, setting themselves apart from non-nationals lured by the beacon of economic prosperity.

"We'd be wiped out if we were unprepared for cultural confrontation with certain people," said Abdulaziz al-Musallam, director of heritage at the Department of Culture and Heritage in Sharjah, one of the seven emirates.

"This massive presence of non-Emiratis pushes us to stick to our identity."

Despite joining the US-led coalition battling jihadists in Syria and Iraq - and with a woman F-16 fighter pilot reportedly leading the country's contingent - the UAE remains a conservative Muslim nation.

But much of the federation is relatively open socially, with foreign women in western dress mingling with Emirati women in head-to-toe abayas in the malls of the glitzy city state Dubai.

Torn between the temptation to open up and the risk to their identity, Emiratis are actively seeking to conserve a culture they hope to pass on to coming generations.

an Emirati, tribal affiliation is a social anchor, along with customs like camel racing in which the best animals can cost millions of dollars.

"Our society is tribal in nature," said the writer and intellectual Said Hamdan. "There are desert tribes, coastal tribes and mountain tribes."



Emirati men gather in a traditional cafe erected at the International Hunting and Equestrian exhibition in Abu Dhabi on September 14.

belonging to a tribe, and the heritage of each tribe."

The UAE was formed in 1971 as a federation of six emirates - Abu Dhabi, Ajman, Dubai, Fujairah, Sharjah and Umm al-Quwain. The seventh, Ras al-Khaimah, joined a year later.

Its oil wealth and flourishing economy has long attracted foreign workers.

Musallam believes a solid cultural front - rooted in tribal customs - is essential in countering the influences of large foreign communities, an apparent reference to Asians and Westerners.

"Dress, lifestyle at home and popular arts linked to camels and falconry are essential pillars of the national identity that we want to safeguard," he said.

Emiratis lead quite separate lives from the expatriate population, who have their own schools and enjoy freedom of worship - but cannot obtain citizenship even after decades in residence.

And as for marriage, Emirati men are expected to marry one of their own - although some have taken foreigners as second wives, stirring lively local debate.

Despite rapid modernisation, as transformed city landscapes bristling with skyscrapers attest, elderly Emiratis prefer the old way of life, receiving and entertaining guests in their majlis or meeting room.

In the majlis of their own homes, men are served cardamom-flavoured

Arabic coffee and dates as they discuss the issues of the day, while the country's rulers also open their majlis to citizens seeking favours or wanting to register complaints.

When Emiratis do venture out, they are instantly distinguishable by their wafting perfumes, traditional clothing and obvious signs of wealth.

Protocol expert Ghassan Hajjaj said UAE nationals are known for their love of heady fragrances based on oud, amber, musk and rose, products that were historically part of the region's caravan trade.

Major manufacturers produce special perfumes for the Gulf Arab states, and traditional kanduras and headgear can carry top western designer labels.

In addition to promoting identity through outward appearance, the government wants to ensure young Emiratis qualify to join the labour force, to reduce the dependence on foreigners.

"The Emiratis' challenge, Musallam said, is to preserve their identity in a society transforming under the twin effect of immigration and new technologies - illustrated by plans to send an unmanned probe to Mars by 2021.

"Should we change to adapt to modernity when building a state, or preserve our culture?" he asked. "For the past 40 years, we have remained the same."

Apple, Google brands worth \$100b each: study

AFP, Paris

The US Apple and Google brands which have become household names around the globe are worth more than \$100 billion each, and top a ranking of the world's biggest brands, consultancy Interbrand said on Thursday. In number one place, computer brand Apple has risen 21 percent in value this year to worth an estimated \$118.9 billion (93.0 billion euros).

In second place, the brand value of Internet search engine Google has increased by 15 percent to \$107.43 billion.

"The fact that Apple and Google have

exceeded \$100 billion is proof of the power of brands," said Bertrand Chovet, associate director of Interbrand Paris.

It marks the first time since brand ranking began in 1974 that two brands have been worth that much, marketing firm Interbrand said in a statement.

The 2014 list includes the arrival of a Chinese brand, telecommunications giant Huawei in 94th place.

"Huawei, the world's third largest maker of smartphones, has become one of the brand leaders in information technology and communication on a global scale," Interbrand said.



A new Fiat Chrysler Automobiles sign is unveiled at Chrysler Group World Headquarters in Auburn Hills, Michigan.