

G20 promises transparency on rate moves

REUTERS, Ankara

WORLD financial leaders will agree to calibrate and communicate monetary policy carefully to avoid triggering capital flight, but will not call an expected US rate rise a risk to growth, a draft communique showed on Friday.

Many emerging market economies are concerned that when the US Federal Reserve raises borrowing costs, investors will withdraw from other markets and buy dollar assets, weakening other currencies and creating turbulence as capital flees.

Officials from emerging markets wanted the communique from finance ministers and central bank governors of the Group of 20 biggest economies, meeting in Turkey, to say that a US rate rise now would be a risk to growth. But the draft avoids such wording.

"We note that in line with the improving economic outlook, monetary policy tightening is more likely in some advanced economies," the draft communique, seen by Reuters, said.

"We will carefully calibrate and clearly communicate our actions to minimize negative spillovers, mitigate uncertainty and promote transparency," said the draft, which may yet change before it is finally agreed on Saturday.

An earlier version of the text said policy tightening in developed economies "may remain one of the main sources of uncertainty in financial markets".

"In one of the wild formulations it said that this was the biggest threat to the world economy. This was killed immediately and forever," a Russian source said earlier.

The text welcomed strengthening activity in some economies but said that global growth fell short of expectations, although it expressed confidence a recovery would gain speed.



Finance ministers and central bank governors gather for a group photo at the G20 Finance Ministers and Central Bank Governors Meeting in Ankara, Turkey yesterday.

It also indirectly addressed Chinese moves that weakened its yuan currency in August, in a sign these were not seen as a competitive devaluation to prop up Chinese exports. G20 members reiterated their commitment to exchange rate flexibility and would "refrain from competitive devaluations and resist all forms of protectionism," it said.

Reinforcing that message, US Treasury Secretary Jack Lew told Chinese Finance Minister Lou Jiwei that it was important that China let the yuan move up as well as down, and avoid any move to lower its value to gain a competitive edge in global trade, a US official said.

China told the group it was committed to continuing structural reforms and to supporting economic growth, Europe's Economic Commissioner Pierre Moscovici told reporters after the meeting.

Slower growth in China and rising market volatility have boosted the risks to the global economy, the International Monetary Fund warned ahead of the G20 meeting, citing a mix of

potential dangers such as depreciating emerging market currencies and tumbling commodity prices.

But the G20 had been seen as unlikely to come up with any concrete new measures to address the spillover from instability in the world's second-largest economy, or to call directly on Beijing to address structural issues such as rising bad debts.

Luxembourg Finance Minister Pierre Gramegna, whose country holds the rotating presidency of the European Union, shrugged off the prospect of US interest rate hikes.

"We cannot live all the time on easy money ... One has to be realistic that at one point in time the curve of interest rates will have to change," he told Reuters.

Bank of Japan Governor Haruhiko Kuroda said any Fed rate rise would be a positive sign for the global economy, despite the unease in some emerging markets that such moves could cause capital outflows and currency volatility.

"If the US were to raise rates, that would speak to the underlying firmness and growth in the

US economy, and that would actually be a plus for the global economy," he said.

One specific idea being examined at the Ankara meetings is a proposal from a group of financial stability experts to adopt a two-stage approach for introducing Total Loss Absorption Capacity (TLAC) buffers for big banks, a G20 source said.

The buffer is a new layer of debt big banks like Goldman Sachs and Deutsche Bank AG must issue to write down in a crisis and bolster their capital.

The proposal would introduce a buffer of 16 percent of a bank's risk-weighted assets from 2019 and 20 percent from 2022, the source said.

The United States had pushed for 20 percent, while some in Europe had been arguing for 16 percent on the grounds that their banks were still recapitalising after the financial crisis.

The draft pencilled in that a deal should be ready for the endorsement of G20 leaders at their summit in southern Turkey in November, but some countries were concerned there would not

be enough time to reach a final agreement by then.

There was no clear pronouncement on China's desire to have the yuan included in the International Monetary Fund's Special Drawing Rights basket of currencies, but the draft said G20 finance chiefs expected progress in November, when the IMF has a board meeting on the issue.

"China has moved in the direction in currency and monetary policy ... that is necessary if they want to achieve the goal of getting China into the IMF currency basket," German Finance Minister Wolfgang Schäuble told reporters, welcoming Beijing's near 2 percent yuan devaluation last month.

China is keen for the symbolic boost it would get from the yuan's inclusion.

Bundesbank chief Jens Weidmann said he is open to discussion on including the yuan in the IMF basket, and said China's recent market upheavals should not pose a lasting danger to the global economy.

"The currency basket should in principle reflect relative global economic strengths," he told Reuters, but added China must fulfil the conditions for inclusion.

One delegate said it was possible that the likely failure of the US Congress to approve an IMF quota reform that would give China and other emerging markets more say could work in Beijing's favour on the SDR issue.

The reasoning goes that benefiting the leading emerging economy, China, could help offset the perennial failure to boost emerging market quotas.

However, IMF members will also be examining whether China's heavy intervention in the yuan market was befitting of a freely convertible reserve currency, the delegate said.

One option being floated was the idea of giving China a more limited share of the SDR basket at first until its convertibility and market orientation improved.

S&P rates Iraq for first time

AFP, New York

American financial service company Standard & Poor's issued war-torn Iraq a credit rating for the first time Thursday, with the country's conflict with Islamic State militants and low oil prices giving it a junk score.

Iraq has been plagued by war and violence since the 2003 US invasion that toppled Saddam Hussein. Currently violent jihadists have taken over large parts of the country, something Standard & Poor's took into account when it handed out its B- rating.

The country "Iraq faces security and institutional risks that are among the highest of all rated sovereigns -- stemming primarily from its war with ISIS," the agency said in a press release using another acronym for IS.

S&P said in the statement that the country faces sectarian division between Shiites, Sunnis and Kurds and has "significant fiscal and external pressures."

Those pressures stem partly from a global decline in oil prices, which have lost more than half their value since last year due to a glut of oil on the market.

S&P qualified its warnings by noting that Iraq "benefits from massive oil reserves and high oil exports."

Sri Lanka in \$ 1.1b currency swap with India

AFP, Colombo

Sri Lanka's central bank received \$1.1 billion from neighbouring India Thursday as part of a currency swap agreement, in order to shore up its foreign reserves and ease pressure on the local currency.

The US dollars were injected from the Reserve Bank of India (RBI), the Central Bank of Sri Lanka said in a statement.

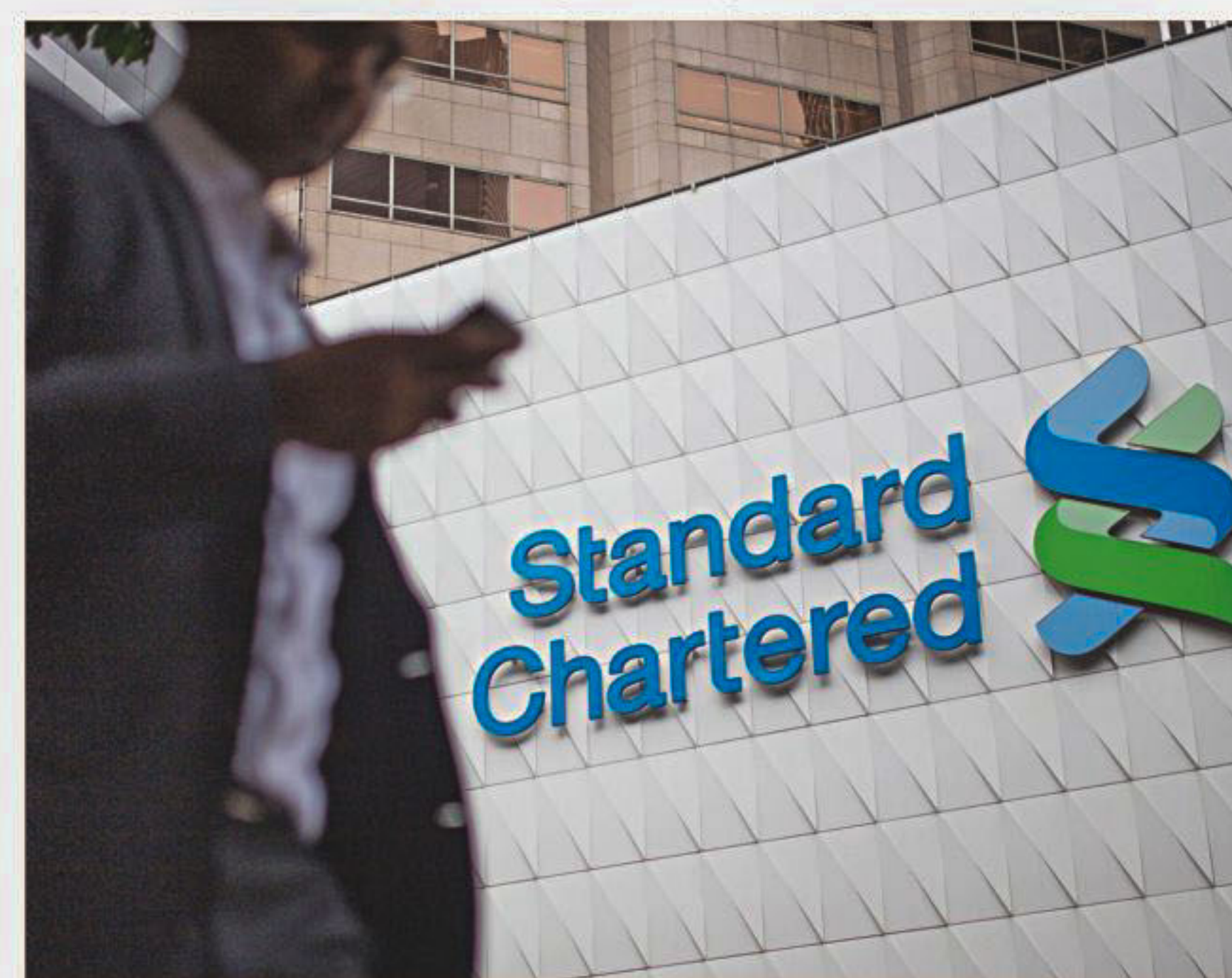
It said the latest injection was in addition to \$400 million received in April under another RBI currency swap facility available to members of the South Asian Association for Regional Cooperation bloc.

"With the enhanced level of official reserves, the Central Bank of Sri Lanka expects that the exchange rate would stabilise in line with sound macroeconomic fundamentals and movements of other currencies of major trading partners," it said.

The Sri Lankan rupee has depreciated 2.3 percent against the dollar so far this year and the country's official reserves fell to \$6.88 billion by the end of July, from a peak of \$9.18 billion in August 2014.

This week, the central bank noted that historically low interest rates were encouraging more imports of consumer goods and cars.

StanChart plans to cut 250 managing directors



A pedestrian walks past a sign board of Standard Chartered Bank in China.

BLOOMBERG

Standard Chartered Plc is considering cutting about a quarter of its senior banking positions as part of a plan by Chief Executive Officer Bill Winters to reverse a two-year profit slide at the emerging markets-focused lender, people with knowledge with the matter said.

The British lender, which makes most of its earnings in Asia, plans to cut as many as 250 of about 1,000 managing directors, two of the people said, asking not to be identified as the information is private. About 50 of those positions will be in the bank's Middle East and North Africa operations, one of the people said.

Winters, 53, a former co-CEO of JPMorgan Chase & Co.'s investment bank, has been seeking ways to restore investor confidence after replacing Peter Sands in June. The bank said last month that it's on track to cut costs by more than \$400 million this year as part of plans laid out

by Sands to save about \$1.8 billion through 2017. It has cut about 4,000 jobs so far this year, about 5 percent of total headcount, Finance Director Andy Halford said.

Simon Kutner, a spokesman for Standard Chartered in London, declined to comment.

The shares have dropped about 26 percent this year, trailing HSBC Holdings Plc, which is down 19 percent. Under Sands, the bank lost more than a third of its market value over the past two years.

Standard Chartered operates in 71 countries and has some 90,000 employees, according to its website. While its headquarters are in London, the bank makes about 90 percent of its revenue and profit from Asia, Africa and the Middle East.

The bank may start eliminating jobs as early as this month, while some people will be offered new roles within the company, according to one person.

Winters has said he'll present a strategic update later this year.

US jobless rate lowest since 2008

AFP, Washington

The US unemployment rate fell to 5.1 percent in August, the lowest since early 2008, as the economy motored steadily ahead despite a global slowdown, the Labor Department said Friday.

A modest 173,000 new jobs were created last month, below what was forecast, and there were some signs that the US jobs machine was still only in second gear -- wage growth remained slow, and labor force participation was still very low.

But analysts said that August data is usually sharply higher in later revisions, and that the average level of the past three months, 221,000 jobs added, showed an economy still expanding healthily despite the brake that turmoil in China is putting on the rest of the world.

"The weakness in August employment should not be over-interpreted," said Nariman Behravesh, chief economist at economic consultancy IHS.

"The August data on jobs are often distorted by seasonal factors," he said.

The jobless rate was at the lowest level since April 2008, when the country was plunging into recession.

The sharp one-month fall from 5.3 percent in July was helped by the Labor Department revising the job creation numbers for June and July up by a total of 44,000 positions.

Government hiring picked up in the month, to 33,000 new positions.

Smartwatches, intelligent homes shine at Berlin mega gadget show

AFP, Berlin

SMARTWATCHES, intelligent homes and drones that follow users wherever they go are on show at Berlin's mega consumer electronics fair, which opened its doors to the public on Friday.

Here are some of this year's eye-catching trends and innovations at the six-day showcase:

Smartwatches go round
Samsung, Huawei and Motorola pick spherical faces for their latest smartwatch offers, giving them a distinctly different look to arch-rival Apple Watch, which has a rectangular face.

Keeping track of emails, water versus caffeine intake or how many steps taken in a day, are among the myriad functions offered by the intelligent wristwatches.

The Android smartwatch makers are hoping that their models will claw back some market share from Apple, which shipped about four million smartwatches globally in the second quarter, market researcher Strategy Analytics estimated in July.

Samsung had shipped just 400,000 units in the same period.

Homes that run themselves
If there is a word to describe electronics and appliances launched this year, it would be "smart".

Household must-haves from refrigerators to washing machines to coffee makers can all be hooked up to the Internet and controlled through an app on a smartphone.

Italy's Cuciniale is showcasing a cooker that takes orders from a smartphone, and can cook a steak to perfection -- be it rare, medium rare or well done. And pasta will of course be al dente, the company says.

Love plants but can't remember to water them? French company Parrot has a sensor that waters automatically.

Samsung Electronics has mean-



The logo of the IFA electronics trade fair is seen in front of one of the fair's main entrances in Berlin.

while unveiled not only a line of smart appliances but also a series of gadgets called "Smart Things", including plugs and a hub that coordinates or goes with intelligent white goods.

Its vision is for the homeowner to programme daily routines that the house can run on its own.

Alternatively, certain tasks can be controlled remotely through the smartphone -- for instance, opening the door from a distance when grandmother comes to visit, as usual, half an hour too early.

3D sound
You are sitting on your sofa when you hear the ratata of a chopper cutting through the skies, a butterfly flutter next to your ear or the stomping of feet vibrating through a packed stadium -- 3D sound adapted for cinemas is now coming to your home.

Audio systems specialists Onkyo is launching speakers that send sound bouncing off the ceilings, producing the effect that it is coming at the listener from above.

3D Sound Labs has meanwhile created headphones that "take into account a person's head shape, ears and shoulders, and ... gives the

impression to the brain that the sound is surrounding you -- from the back, front, right, left, top and bottom," said the start-up's founder Renaud Segurier.

'Follow me' drones
For skiers who want photos of themselves in action on the slopes, camera drone maker DJI says it has the answer.

Among several new features for its "Phantom" series is a function that keeps the drone hovering over its user wherever he or she goes.

And, if the drone loses signal and strays off the beaten track, there is another new feature called home lock which would take the little buzzing unmanned aerial machine back home.

Back-to-camera basics
The pioneer of instant photos Polaroid returns to its roots with a digital camera that prints snapshots instantly -- on special paper without requiring ink.

The so-called ZINK paper contains colour crystals that are invisible until a photo is taken, working much like old-school Polaroids.

However, the camera also has the advantages of a memory-card which stores up to 32 GB of images.