

Samsung woes deepen over Galaxy Note 7

AFP, Seoul

SAMSUNG Electronics took another hit Monday over its recalled Galaxy Note 7 smartphone, acknowledging it was "adjusting production" of the device after major distributors stopped offering replacements because of continued safety concerns.

The South Korean electronics giant has struggled in the wake of its September 2 decision to issue a global recall for 2.5 million Note 7s because of complaints that the lithium-ion battery exploded while charging.

Over the past week reports emerged of replacement units also catching fire, prompting US telecommunications firm AT&T and German rival T-Mobile to announce Sunday a halt to recall exchanges pending further investigations.

Their announcement prompted a steep dive in Samsung's share price, which fell more than 4 percent at one point in morning trade. It recovered later to close the day at 1.68 million won (\$1,515)-- down 1.52 percent.

The market was also reacting to a South Korean media report that Samsung had temporarily shut down Note 7 production lines after discussions with consumer safety regulators from South Korea, the United States and China.

"We are in the process of adjusting production volumes," Samsung said in a written response to the report.

The company said the move was "to enhance quality control and to enable thorough investigations following the recent cases of Galaxy Note 7 explosions".

With images of charred phones flooding social media, the unprecedented recall has proved a humiliation for a firm that prides itself as an icon of innovation and quality.

The recall process initially stumbled with some mixed messages, but seemed to be on track until last week when the reports of replacement phones catching fire began to emerge.

AT&T said it would still offer customers the option to exchange Galaxy Note 7s for

another Samsung smartphone or other device of their choice, while T-Mobile said it was halting sales of the Note 7 as well as the exchanges.

"It's all got very serious again," said S.R. Kwon, an analyst at Dongbu Securities.

"They could just pull the Note 7 off the market, but the real concern is that it might not even end there," Kwon said.

"It will damage Samsung's brand image and also affect the sales of other Galaxy smartphones," he added.

AT&T is the South Korean company's third-biggest customer while T-Mobile's parent is number four, according to estimates compiled by Bloomberg.

Bryan Ma, vice president of devices research for IDC, called the latest development "an ongoing nightmare".

"The question is, if they switched the (battery) supplier, why is this problem still happening?" Ma told Bloomberg. "In other words, was it really a supplier issue or is there something else going on?"

The trouble with the Note 7 and the handling of the recall, which analysts say could cost up to \$2.0 billion, has shone a spotlight on Samsung's management at a time when it is navigating a tricky generational power transfer within its founding Lee family.

Industry experts have criticised the Lee dynasty for controlling the vast group through a complex web of cross-shareholdings, even though they directly own only about five percent of total stocks.

And Samsung is also under pressure from one of its shareholders, the activist US hedge fund Elliott Management run by billionaire Paul Singer.

In a detailed proposal unveiled last week, Elliott laid out a strategy for streamlining Samsung, splitting the company in two, dual-listing the resulting operating company on a US exchange and paying shareholders a special dividend of 30 trillion won (\$27 billion).

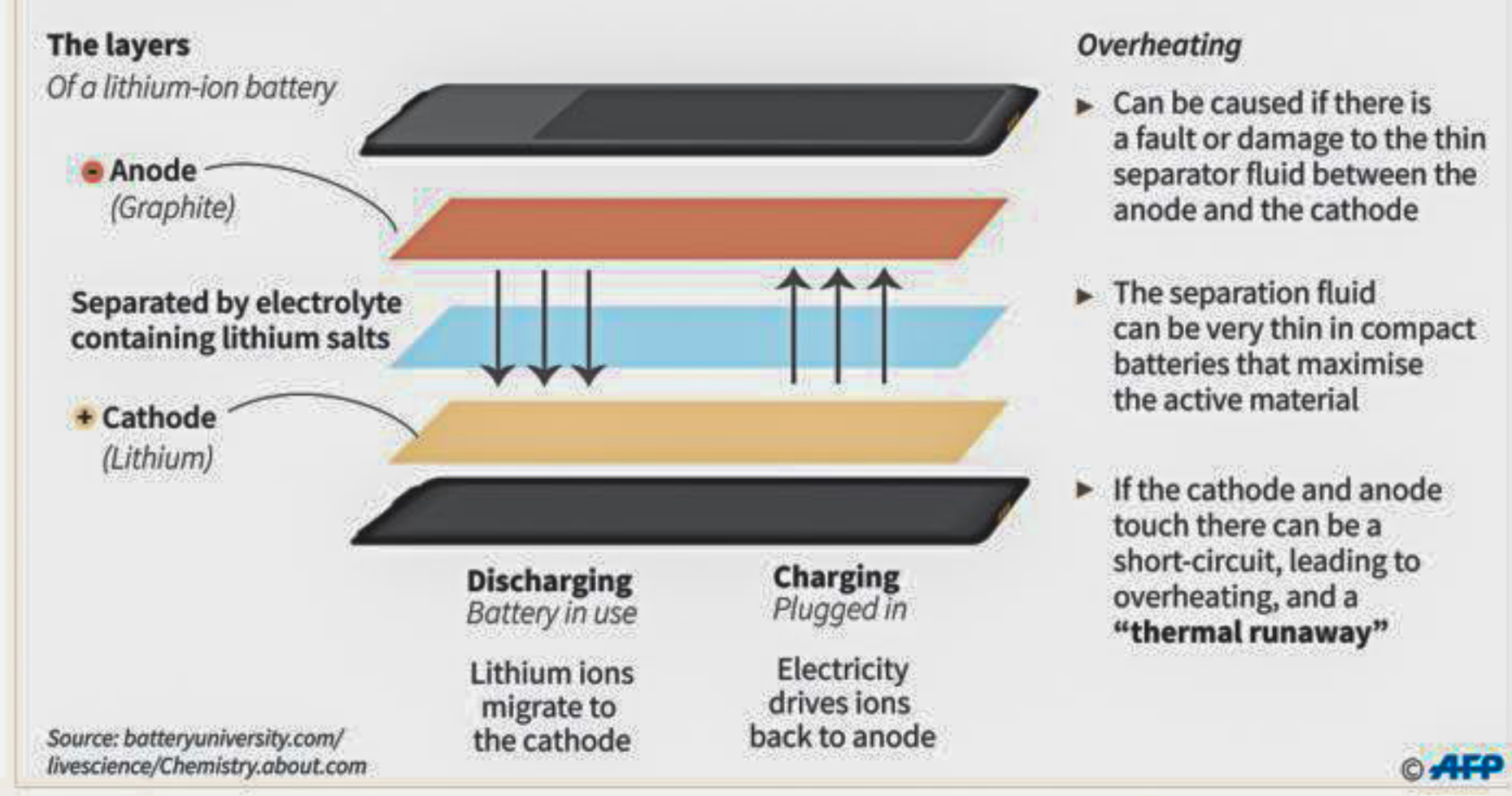
Elliott argued that Samsung, currently a maze of listed and unlisted companies with a notoriously opaque ownership and



A man uses his mobile phone next to advertisements promoting Samsung Electronics' Galaxy Note 7 at the company's headquarters in Seoul yesterday.

What's inside a lithium-ion battery?

Lithium-ion batteries can store a large amount of energy in a small space, but the problem of overheating has been seen before



management structure, had suffered from a long-term undervaluation in the equity market. Despite all its problems, Samsung on Friday issued a stronger-than-expected operating profit forecast for the third quarter, thanks largely to strong sales of memory chips and OLED display panels.

China's Alibaba buys stake in Spielberg firm



Chairman of e-commerce giant Alibaba Jack Ma speaks during the Asia-Pacific Economic Cooperation CEO summit in Manila.

AFP, Beijing

CHINESE internet billionaire Jack Ma has bought a stake in cinema legend Steven Spielberg's company, they said, the latest tie-up between China and Hollywood as they seek to make movies for audiences in the Middle Kingdom and beyond.

Alibaba Pictures, a unit of Ma's sprawling e-commerce conglomerate, has taken a minority shareholding in Spielberg's Amblin Partners, a film creation company that includes DreamWorks studios.

The deal will see the companies co-finance and co-produce movies for Chinese and international audiences, Alibaba said on its corporate website.

It marks "an important milestone" in the Chinese firm's strategy to reach Chinese and global audiences, its chairman Shao Xiaofeng said in a statement.

Alibaba Pictures will also have a seat on the board of Amblin. Financial details of the deal were not disclosed.

At a press conference in Beijing on Sunday, Spielberg -- who shot his 1987 movie "Empire of the Sun" in Shanghai -- said the partnership will allow him to "bring more China to America and bring more America to China", according to the Alibaba statement.

Alibaba chief Jack Ma said that while the US and China "may have cultural differences", the partners will focus on human stories and serve as a bridge between the two countries.

The deal will give Spielberg's company access to Alibaba's online ecosystem and films will be distributed through streaming platforms such as the group's Youtube-like Youku Toudou.

The deal is the latest in a wave of Chinese money flowing to Hollywood, with real estate developer turned media conglomerate Wanda buying Jurassic World creator Legendary Entertainment for \$3.5 billion earlier this year.

Foreign film companies are heavily restricted from entering China's booming market, with an opaque review process and government caps limiting the number of non-Chinese movies that can be shown.

Censors enforce a broad and shifting set of prohibitions that cover sex and violence as well as political or historical content the ruling Communist Party deems unacceptable.

To get around restrictions, Hollywood studios have sought partnerships with local companies.

The potential rewards are substantial, as China's movie market has exploded and PricewaterhouseCoopers projects its box office will rise from \$4.3 billion in 2014 to \$8.9 billion in 2019, outstripping the US.

US studios are keen to capitalise on China's burgeoning market at the same time as Beijing is pushing entertainment as a source of "soft power".

But box office fraud is a widespread problem and films have been exposed pumping up ticket sales to generate marketing buzz.

Saudi says \$60 oil 'not unthinkable' by year-end

AFP, Istanbul

SAUDI Arabia said on Monday it was "not unthinkable" that the price of crude oil could surge to \$60 a barrel by the end of the year but warned against drastic production cuts that might shock markets.

Speaking in the opening keynote speech at the World Energy Congress in Istanbul, Saudi Energy Minister Khalid Al-Falih said that whatever the oil price the kingdom was in good shape to implement its reform vision to transform the structure of its crude-based economy by 2030.

For months pressured by concerns of slack demand amid a global economic slowdown at a time of a glut in supply, US oil rose above \$50 a barrel in New York last week for the first time since June.

This came after Saudi last month agreed to a surprise output cut of oil cartel Opec, the first in eight years.

"We are seeing the convergence of supply and demand," said al-

Falih. "It is not unthinkable we could see \$60 (a barrel) by the year end."

"But my eyes are not on the price but on supply and demand." He added: "Opec should make sure not to crimp too tightly and create a shock to the market."

"We do not want to shock the markets into a process that could be harmful."

The minister admitted that the kingdom had become "a little fat around the belly, a bit complacent" during the era of high oil prices but was now fully committed to its economic reform programme set out by Deputy Crown Prince Mohammad bin Salman.

"The kingdom will be prepared to deal with whatever price emerges," he said.

The minister said he believed that demand for oil would peak but "if it does happen we will be ready for it".

"The (2030) vision will lead to a stronger and more robust Saudi Arabia," he said, noting this includes the planned IPO of a portion of state oil giant Saudi



Saudi Arabia's Energy Minister Khalid al-Falih talks during the 23rd World Energy Congress in Istanbul, Turkey, yesterday.

Aramco, the biggest such offering in history.

World Energy Congress in Istanbul brings together players across the energy sector to discuss a transformation of the sector.

The congress is later Monday to be addressed by Turkish President Recep Tayyip Erdogan and also his Russian and Venezuelan counterparts Vladimir Putin and Nicolas Maduro.

Energy efficiency accelerates despite low oil prices: IEA

AFP, Paris

ENERGY efficiency accelerated last year despite low oil prices, according to a report from the International Energy Agency published Monday, driven in large part by gains in China.

The 1.8 percent efficiency gain last year came as crude oil prices had dropped as far as 60 percent from 2014 highs, yet still beat the 1.5 percent increase in 2014, and was triple the average annual gain in the previous decade.

Low oil prices typically reduce investment in energy efficiency as the returns are smaller, but the IEA found government regulations concerning vehicles and buildings were driving gains.

While good news for climate change efforts, the efficiency gains come at a delicate juncture for the oil market, with global demand growth slowing and supply rising.

Efficiency helped keep energy demand flat last year in the 29 industrialised nations that are members of the IEA, while it increased by just 0.9 percent in China -- the slowest rate in nearly two decades despite 6.9 percent growth.

China led the efficiency pack, racking up a 5.6 percent gain. Given that it is the world's second largest economy, it contributed 0.4 percent to the 1.8 percent global gain.

"China's progress on energy efficiency is now at a scale where it is making a significant mark on global energy markets," said the IEA. The gains from efficiency are as large as

China's rapidly expanding renewable energy sector, and provided the added benefit of reducing air pollution.

While the acceleration in global energy efficiency gains was positive, the IEA noted they would need to shift up from a trajectory of 1.8 to 2.6 percent annual gains to achieve global climate change goals.

However, there is much room for further improvement. The IEA said that efficiency standards still only cover 30 percent of global energy use, although that is up from 11 percent in 2000.

"Globally, two-thirds of the economic potential remains untapped," said the IEA's Executive Director, Fatih Birol, in the introduction to the report.

Pound under pressure

REUTERS, London

BRITAIN'S pound inched lower on Monday as the dollar took back some of Friday's losses against a range of currencies, while the Mexican peso surged after the damaging publication of a video of Donald Trump making vulgar comments about women.

The Bank of England's trade-weighted index, which did not price during sterling's 10-percent off-session crash in Asian time on Friday, hit its lowest since early 2009 as worries about the impact of Britain's exit from the European Union weighed.

"I guess that we have to prepare for further weakness," said Hans Redeker, head of G10 currency strategy at Morgan Stanley in London.

"The course is now certainly going to lower levels and \$1.20 (per pound) should certainly be taken into consideration."

After recovering following soft U.S. jobs numbers that weakened the dollar in U.S. time on Friday, sterling traded 0.3 percent lower than the previous close at \$1.2390. It was also down 0.1 percent at 90.16 pence per euro. That compared with the flash crash lows of respectively \$1.1491 and 94.03 pence per euro.

The Mexican peso, a sufferer since May due to Trump's promises to clamp down on immigration and rethink trade relations, surged as markets trimmed the chances of a victory for the Republican nominee in next month's elections.

The Mexican currency rose about 2 percent to 18.91 to the U.S. dollar at one point in early Asian trade - its highest level in nearly a month - and held on to the bulk of its gains after the second presidential debate between Trump and Democrat Hillary Clinton ended.

It last stood at 19.018, still up around 1.5 percent. The peso is unlikely to break above the trading ranges seen since June, even if more position-squaring takes place, said Wu Mingze, FX trader of global payments for financial services provider INTL FCSStone in Singapore.

"A full-unwinding of the 'Trump Trades' should only bring us to the levels between the 18.00-19.00 consolidation zone," he said.

In a video released on Friday, Trump is heard talking on an open microphone in 2005 about groping females and trying to seduce a married woman.

The controversy pitched Trump into the biggest crisis of his 16-month-old campaign and deepened fissures between him and establishment Republicans.

The Canadian dollar rose around 0.2 percent to C\$1.3268 to the U.S. dollar, edging away from Friday's low of C\$1.3315, its lowest level since mid-March.

"Our base case remains...a Fed rate hike in December followed by another two more hikes next year," said Heng Koon How, senior FX investment strategist for Credit Suisse.

If a slight tightening of U.S. monetary policy is accompanied by potential fiscal stimulus, it could set the stage for the dollar to strengthen next year, he added.