

Investors exuberant as Trump signals shift from austerity era

REUTERS

European stocks rose on Thursday following extraordinary gains in Asia and the United States, as exuberance shot through markets and reversed initial dives in reaction to Donald Trump's U.S. presidential victory.

Investors focused on Trump's priorities - including tax cuts and higher infrastructure and defense spending, along with bank deregulation - and set aside for the moment longer-term worries about whether he will slap punitive tariffs on Chinese and Mexican exports, risking a global trade war.

European stocks hit a two-week high, with the pan-European STOXX 600 index up 1.3 percent in early dealings, and "safe haven" government bonds sold off after Trump suggested he would spend billions on infrastructure.

This marked an abrupt change from the sharp recoil on markets on Wednesday after the Republican candidate's triumph.

Investors saw signs that Trump will ditch the budget austerity policies that Western governments have pursued since the 2008 global financial crisis after he takes over in January.

"Trump's speech following the victory was hugely influential in yesterday's sudden U-turn, as he focused more on unity and the need to spend to get the economy growing again. These policies combined with his desire to deregulate and lower taxes are all very market-friendly," said Craig Erlam, senior market analyst at OANDA.

"The stance he takes on trade will likely determine how vulnerable the markets are, but in reality these are very long-term policies and for now, markets are more focused on the prospect of lower taxes, fiscal stimulus and less regulation."

The three major US stock indexes rose on Tuesday and the dollar index against major currencies recovered from a trough



A TV screen showing US President-elect Donald Trump in front of the German share price index, DAX board, at the stock exchange in Frankfurt, Germany on Wednesday.

of 95.885 plumed on Wednesday to around 98.778 on Wednesday morning.

In a remarkable session for Japanese shares, the Nikkei jumped 7 percent at one point after sinking 5 percent on Wednesday.

Gains in Europe, where markets had already started to recover on Wednesday, were more modest. Britain's FTSE was up 0.95 percent, Germany's DAX rose 1.12 percent and France's CAC was up 1.06 percent by 0415 ET.

The moves were led by Wednesday's sharp rises in US Treasury yields. The 30-year Treasury bond yield gained almost 25 basis points in its sharpest rise in more than five years; yields on the 10-year note climbed 21 basis points to breach the 2 percent mark for the first time since January.

High-rated euro zone bond yields - which had sunk early Wednesday - rose

sharply on Thursday, with the region's benchmark German 10-year bonds up 5 basis points to 0.23 percent, the highest level since May.

Trump's victory and opening comments have sharpened a debate about the austerity consensus that has prevailed across most of the developed world since the financial crisis.

If his actions match his rhetoric, it seems likely that Trump's administration will test the theory of whether central banks' cuts in interest rates to ultra-low levels and money printing should be replaced by budget measures to boost the world economy.

"It looks like Trump will aim for a more fiscally accommodative policy at a time when they seems to be a shift in major economies towards fiscal policies," said Investec economist Philip Shaw.

"The big unknown is how the rest of the Republican party to react to this, as there

are many fiscal hawks among them."

Ratings agency S&P Global on Tuesday affirmed the AA+ credit rating of the United States, but noted uncertainty over the future path of government debt would prevent any upgrade.

There were also lingering concerns about Trump's campaign promises to shield American jobs through possible protectionist trade policies.

Among Asia's trade-reliant economies, China and South Korea are particularly exposed to any hostile US measures as they run large trade surpluses with the United States, Credit Suisse said in a research note.

Mexico's peso trimmed losses but was still within reach of a life-time low seen overnight.

"Trump's protectionist policies may prove another big step back in the gradual unwinding of goods globalization that has defined the past 30 years," wrote analysts at Nomura.

They also cited the US role in post-war global security.

"Another important factor is that a Trump presidency would bring with it uncertainty that could undermine the Pax Americana, with all the benefits this has brought to the world in general and, perhaps, Asia in particular since 1945."

For now, investors seemed willing to give the president-elect the benefit of the doubt, as witnessed by a broad advance in bulk commodity prices.

Copper rose to a near 16-month high on expectations that a Trump presidency could unleash a flood of infrastructure spending. Iron ore surged to its highest since January 2015.

Brent crude oil added to overnight gains made on the post-U.S. election surge in global markets, rising 0.22 percent to \$46.46 a barrel.

Safe-haven gold pulled back sharply to \$1,284.59 an ounce after rising to as high as \$1,337.40 on Wednesday.

China pushes Asia-Pacific trade deals as Trump win dashes TPP hopes

REUTERS, Beijing

China will seek support for a Beijing-led Asia-Pacific free trade area at a regional summit in Peru later this month, Chinese officials said on Thursday, after Donald Trump's US election win dashed hopes for a US-led free trade pact.

During his election campaign Trump took a protectionist stance on trade issues and labeled the Trans-Pacific Partnership (TPP) championed by President Barack Obama a "disaster". There is now little chance of it coming up for vote in Washington before his inauguration in January.

Obama had framed TPP, which excluded China, as an effort to write Asia's trade rules before Beijing could, establishing US economic leadership in the region as part of his "pivot to Asia".

Briefing journalists ahead of President Xi Jinping's departure for the Asia-Pacific Economic Cooperation (Apec) summit in Peru from Nov 19-20, China's Vice Foreign Minister Li Baodong warned of the rise of protectionism and said the region needed a free trade agreement as soon as possible.

"Trade and investment protectionism is rearing its head, and Asia-Pacific faces insufficient momentum for internal growth, and difficulties in advancing reforms," Li said.

"China believes we should set a new and very practical working plan, to positively respond to the expectations of industry, and sustain momentum and establish a free trade area in Asia-Pacific at an early date," Li said.

Aside from Peru, Xi will also make state visits to Chile and Ecuador during a week-long trip to Latin America. Peru and Chile are both party to the now endangered TPP.

China has proposed the Free Trade Area of the Asia Pacific (FTAAP) and the Regional Comprehensive Economic Partnership (RCEP), which some observers see as competitors to the TPP.

Li said Xi's attendance showed China's "confidence in promoting the FTAAP process".

"China is always positively advancing work on its own regional free-trade strategy. We, indeed, are continuously and positively advancing RCEP negotiations," China's deputy international trade representative Zhang Xiangchen told the briefing.

RCEP groups the 10 members of the Association of South East Asian Nations plus China, Japan, South Korea, India, Australia and New Zealand, but not the United States.

Beijing had feared the United States would use the TPP to either force it to open markets by signing up or else to isolate it from other regional economies.

Dollar holds up, Mexican peso back from historic lows

AFP, Tokyo

The dollar held on to its gains against the yen and euro Thursday, having rebounded from steep losses early the previous day as Donald Trump scored a shock presidential election win.

The greenback was sent plunging in Asia Wednesday as it became apparent the brash tycoon would replace Barack Obama in the White House, with dealers worried his policies could send the US economy into recession.

However, the unit strengthened and US and European stocks rallied after market-favourite Hillary Clinton conceded defeat and Trump gave a reassuring victory speech to soothe worried investors.

"He'll certainly be friendly to American business and that could very well stimulate their economy," said Grant Williamson, an investment adviser at Hamilton Hindin Greene, a brokerage in Christchurch, New Zealand.

The dollar bought 105.32 yen in Tokyo, down from 105.72 yen in New York but still sharply up from the 101.20 yen mark touched in Asia earlier Wednesday.

The Mexican peso also held up after recovering from Wednesday's record low. The dollar was at 19.80 pesos, having spiked at 20.78 in Asia the previous day.

Still, the peso remains under pressure owing to Trump's anti-immigrant rhetoric earlier in the campaign, which included a pledge to remove undocumented immigrants, build a border wall and tear up a trade deal with Mexico.



Workers wrap packages at a logistics centre in Lianyungang, east China's Jiangsu province, on Tuesday. China's courier services are planning ahead to cope with Singles' Day, an annual e-commerce shopping spree in China that falls on November 11.

Egypt pumps \$2b into banking system from bond issue

AFP, Cairo

Egypt's central bank said Thursday that it had issued \$2 billion in bonds to international creditors to buy up assets and restore liquidity to its troubled financial system.

It did not elaborate on who the lenders were, saying only that the bonds had been taken up by a "consortium of international banks" and would have a maturity of one year.

It said the entirety of recent Egyptian government bond issues had been offered as security for the loan.

"The financing transaction was provided by the banks against the entire amount of newly issued Arab Republic of Egypt dollar-denominated sovereign bonds with maturities of December 2017, November 2024 and November 2028," it said.

The Egyptian economy has been reeling ever since the Arab Spring revolution of 2011. A series of jihadist attacks on foreign tourists have dealt further damage.

In the first couple of years after the 2013 overthrow of Islamist president Mohamed Morsi by then army chief, now President Abdel Fattah el-Sisi, Saudi Arabia and its Gulf Arab allies extended substantial credit to shore up the financial system.

But relations have since frayed amid differences over the civil war in Syria and for the past two months Saudi Arabia has halted promised loan-funded deliveries of fuel.

India's Tata dumps Mistry as TCS chairman

AFP, Mumbai

Indian conglomerate Tata removed Cyrus Mistry as chairman of IT giant Tata Consultancy Services on Thursday, weeks after dumping him as group chief in a move that stunned the country's business world.

Mistry was unceremoniously sacked last month as chairman of Tata Sons, the holding company of India's most famous family conglomerate -- the \$103 billion steel-to-salt Tata Group.

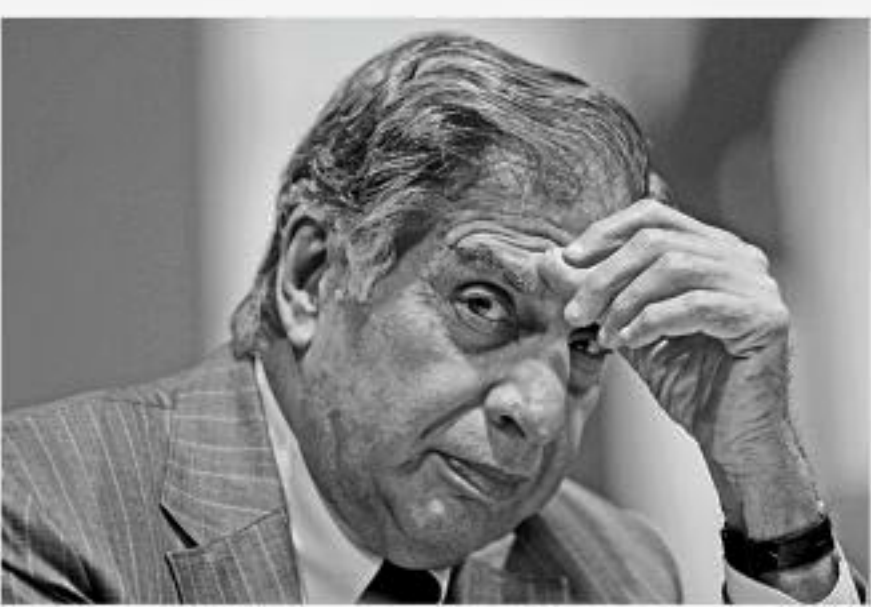
He continues to hold several chairmanships on boards of Tata companies however, including car behemoth Tata Motors, which owns Britain's Jaguar Land Rover, Tata Steel, Tata Power and its luxury hotel unit.

TCS said in a statement to the Bombay Stock Exchange that Tata veteran Ishaat Hussain had replaced Mistry as chairman "with immediate effect".

"Mistry has ceased to be the Chairman of the Board of Directors of the Company and Hussain is the new Chairman of the company," TCS said.

His removal as chairman of TCS, India's biggest IT outsourcing firm, comes as company patriarch Ratan Tata reasserts his authority over the sprawling conglomerate.

Mistry was sacked on October 24 with Tata unhappy at the direction Mistry was taking the company in. The 78-year-old



Tata Group Chairman Ratan Tata attends the annual general meeting of Tata Steel Ltd in Mumbai, India.

Tata, who led the group for more than two decades, has taken interim charge until a successor is found.

The pair have traded barbs since Mistry's ouster, plunging the group into bitter infighting with directors firmly placed in either camp.

Removing Mistry from various boards is not going to be easy however as he is heir to the multi-billion-dollar construction giant the Shapoorji Pallonji Group, which is the largest single shareholder in Tata Sons, owning 18.4 percent.

The Tata Group was founded under British colonial rule in 1868. It operates in more than 100 countries and owns high-profile companies such as Britain's Tetley Tea and Anglo-Dutch steel firm Corus.

Indonesia to sell stakes in ports, airports

AFP, Jakarta

Indonesia plans to sell minority stakes in some airports and ports to private investors, a report said Thursday, as Southeast Asia's top economy seeks extra funding for an infrastructure drive.

Holdings of up to 45 percent will be sold in 10 airports and 20 ports, although the state will retain control of the sites, Transport Minister Budi Karya Sumadi said.

"Airports and ports that generate profits will be given to the private sectors to be managed professionally," Sumadi told Bloomberg News.

Sales would start in 2017, with stakes in one airport on Sumatra island and one on the Indonesian part of Borneo to be offloaded, he added.

Airports in particular are seen as a sound investment in Indonesia as passenger numbers soar on the back of years of strong economic growth.

US mobile growth signals strong 2016 for Deutsche Telekom

AFP, Berlin

German telecoms operator Deutsche Telekom Thursday stood by its prediction of a strong 2016 after a third quarter boosted by its mobile phone business in the US.

The group said it had increased net profit more than 30 percent year-on-year to 1.1 billion euros between July and September on revenues of 18.1 billion euros -- up almost 6.0 percent.

Setting aside one-off restructuring costs that sapped last year's third quarter showed a more measured picture, with net profit remaining stable.

Underlying, or operating, profit grew by 7.2 percent in the third quarter, to 5.5 billion euros.

"These figures show once again that we are on the right track," CEO Tim Hoetges said in a statement.

Deutsche Telekom confirmed its forecast of growth in operating profit to around 21.2 billion euros, an increase of more than 6.0 percent over 2015. "In our view, the whole-year forecast has become conservative"

since it was issued at the end of 2015 in light of expanding sales in the US, DZ bank analyst Karsten Oblinger wrote.

Released at the end of October, results for the group's T-Mobile US division foreshadowed strong performance for the parent company.

After years as a money pit, the American subsidiary has turned into a powerful driver of Telekom's performance, registering two million new subscribers in the third quarter and boosting revenue 17.8 percent year-on-year to \$9.2 billion.



Prime Minister's Affairs Adviser Tawfiq-e-Elahi Chowdhury inaugurates five exhibitions on power, solar energy, real estate and safety and security at International Convention City Bashundhara in Dhaka yesterday. Meherun N Islam, group president and managing director of CEMS Global USA & Asia Pacific, was also present.