

Writedown fears wipe \$5b off Toshiba's value

REUTERS, Tokyo

A looming writedown at Japanese conglomerate Toshiba Corp has wiped almost \$5 billion off its value in two days and prompted a credit rating downgrade on Wednesday, as the company grapples to plug a potential multi-billion dollar hole.

Toshiba said late on Tuesday that cost overruns at a U.S. nuclear business it bought from Chicago Bridge & Iron last year, CB&I Stone & Webster, meant it could face 'several billion dollars' in charges, acknowledging a bruising overpayment.

It did not comment on whether that would wipe out its asset value and tip the company into negative net worth. Executives said it could take until February to pinpoint the exact impact.

Toshiba shares, however, took an immediate hit on Wednesday, falling 20 percent to hit the Tokyo exchange's daily downward limit. That follows a 12 percent drop on Monday after initial warnings from the group.

Investors fretted that a blow to the group's finances could even weaken its competitiveness in its core semiconductor business - specifically investment in 3D NAND, a new advanced type of flash memory - or result in firesales and dilutive share issues.

For the first time in seven years, the value of the group fell below that of tech rival Sharp.

Rating agency Standard & Poor's downgraded Toshiba, already in junk territory, to B-from B, with a "negative" outlook. S&P said it expected shareholder equity to "drastically shrink" as a result of the writedown, eroding



REUTERS

Workers prepare the New Year's eve numerals above a Toshiba sign in Times Square in Manhattan, New York City on Monday.

the group's resilience, while expected higher working capital would burn more cash.

Toshiba's credit default swaps, which measure the cost of insuring Toshiba's debt, jumped by 40 basis points (bps) to 111/136 bps TOSB5YJPAC=MG, meaning it would cost \$111,000 - \$136,000 per year for five years to insure \$10 million in bonds.

Thomson Reuters data shows the yield on bonds due 2020 JP00526502=RRPS rose 17 bps to 1.76 percent.

"Toshiba's ability to enhance its shareholders' equity is likely to

continue to be difficult for the foreseeable future," S&P said, adding it also saw "persistently tough business conditions".

Credit analysts at SMBC Nikko Securities said in a report that they saw three options as Toshiba deals with the imminent task of enhancing its capital base: making more profits faster, selling assets and increasing capital.

Only the middle option is likely in the short term, however.

Toshiba is still burning cash despite a positive bottom line in the first half of the financial year and cannot raise more capital on

the stock market while it remains on Tokyo's watch list, where it has been since a 2015 accounting scandal.

"I expect Toshiba to start with asset sales, and then to issue preferred shares if asset sales are not enough. They will start with measures other than (the chip business) listing," one source close to the company said.

Toshiba has said it will consider all options to bolster its finances, even "the positioning" of its nuclear business which is centred around Westinghouse, a US firm bought in 2006.

India bans foreign funds of 20,000 charities

AFP, New Delhi

India's government has banned some 20,000 charities from accepting overseas funds because they failed to comply with the rules, a home ministry official said Tuesday.

KS Dhatwalia, a spokesman for the federal home ministry which revoked the licences, told AFP that they had been cancelled "over the period of one and a half years".

"They have not followed FCRA (Foreign Contribution Regulation Act) norms while applying for (licence) renewals," he said.

Without the licenses the NGOs will not be able to receive overseas donations, which could likely impair their day-to-day operations.

Dhatwalia, however, said they can reapply and have their licenses renewed by the ministry.

"Applications can be sent again. And if they are renewed and revalidated, these NGOs can receive foreign funds and start

regular work."

Meanwhile that leaves only 13,000 NGOs with licenses in India where charities, especially foreign-backed ones like Greenpeace, have come under increased scrutiny since Hindu nationalist Prime Minister Narendra Modi came to power in 2014.

A major crackdown began in early 2015 after an intelligence report said groups like Greenpeace were damaging the country's economy by campaigning against key development projects.

The government has cancelled licences of thousands of NGOs since then, citing misuse of overseas donations to harm the country's growth.

Critics have argued that the apparent clampdown was an attempt to stifle voices of dissent.

An Indian charity running schools for low-caste Dalit children said last week it was set to close down after its foreign funds were blocked over alleged threats to national unity.

Dollar stirs from slumber as yield gap yawns

REUTERS, London

The dollar, oil and world stocks all rose on Wednesday following upbeat US data that saw the gap between Treasuries and other benchmark global government bonds hit new highs.

Europe's main stock market, London's FTSE, reopened with a gain of 0.25 percent as it played catch-up after similar run-ups in Germany and France the previous day and by Wall Street and Asia overnight.

The dollar also edged higher after US consumer confidence shot to its highest in more than 15 years in December on hopes that President-elect Donald Trump will nurture further improvements in the world's biggest economy.

Having already jumped 16 percent

against the Japanese currency since the US election, the greenback gained a further 0.15 percent to 117.61 yen. It was up a similar amount against the euro and sterling too at \$1.04 per euro and at \$1.2235 to the pound.

"Everything is broadly dollar supportive," said Societe Generale's head of currency strategy Kit Juckes.

"We have come back from Christmas with some good US data, (US) bond yields are at the top end of their recent range, oil is edging higher and the Dow is flirting with 20,000 points."

Euro zone bond yields fell across the board as concerns about the strength of a rescue plan for Italian banks and normal year-end caution pushed investors to the safety of government debt.

Vietnam's growth slows in 2016 but remains resilient

AFP, Hanoi

Vietnam's economic growth eased off in 2016 but remained resilient in the face of a global trade slowdown and environmental disasters, authorities said Wednesday.

The communist country's GDP picked up in the fourth quarter to clock in at 6.2 percent in annual growth, a dip from last year's 6.68 percent, official data showed.

"Although there has been no breakthrough in GDP growth in 2016, it was still a success as the figure is relatively high and stable," Nguyen Bich Lam, director of the General Statistics Office, told reporters in Hanoi.

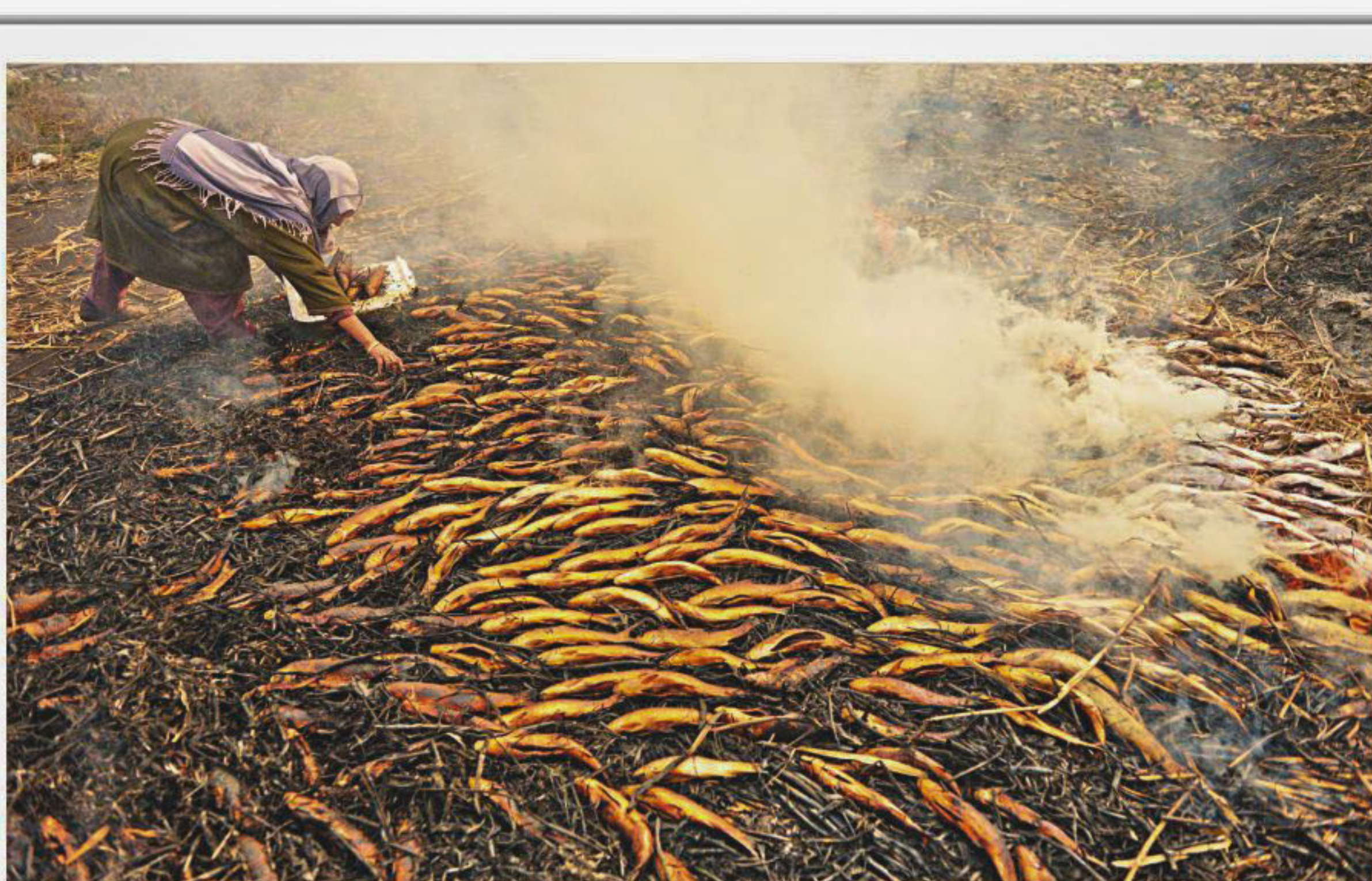
He blamed the tempered growth on fragile global economic conditions, a punishing regional drought and a toxic leak in central Vietnam that devastated the local fishing and tourism industries earlier this year.

However robust manufacturing gains helped the economy expand in the fourth quarter to 6.68 percent, up from 6.4 in September.

Foreign investment also shot up nine percent year-on-year, with Vietnam attracting a record \$15.8 billion dollars in 2016.

The Southeast Asian nation has increasingly become a regional magnet for private investment, especially in its growing manufacturing and consumer sectors.

Analysts have hailed it has a bright spot in the region.



AFP

A Kashmiri woman collects smoked fish over slow-burning grass on the outskirts of Srinagar on Tuesday. The smoked fish, which is known locally as 'Fahre', is prepared by slowly smoking over grass and is one of the traditional foods in the Himalayan state. It is usually consumed as part of the Kashmiri winter cuisine.

Cuba economy in recession for 2016: Castro

AFP, Havana

Venezuela's economic crisis pushed Cuba into recession in 2016 for the first time in years, President Raul Castro said Tuesday.

Cuba's economy contracted by 0.9 percent, compared to the 4.4 percent growth the government reported a year earlier, Castro told the National Assembly.

Venezuela, Cuba's closest ally and economic supporter, is in the grip of a dire economic crisis spurred by low prices for oil -- the country's main export.

Venezuela cut Cuba's oil supplies this year by 40 percent. "Limits on petroleum supplies and financial tensions worsened in the second half of the year, leading to a GDP contraction of 0.9 percent," Castro said.

It was the first time since 1995 that the Americas' only one-party Communist government reported negative growth. In the early 1990s, after the collapse of the former Soviet bloc, Cuba's economy contracted on the order of 15 percent in one year.

Castro said that despite tough economic times, social services continued to remain free, and he forecast growth of about two percent in 2017.

Venezuela is in its third year of recession and has the highest inflation in the world, which the IMF forecast could hit 475 percent this year.

Qualcomm fined \$853m by S Korea anti-trust watchdog

AFP, Seoul

SOUTH Korea's anti-trust watchdog slapped US computer chip giant Qualcomm with a record fine exceeding \$850 million on Wednesday for abusing its dominant market position as a maker of baseband chipsets used in mobile phones.

The announcement came as Qualcomm faces ongoing anti-trust probes in the United States, the European Union and Taiwan.

The Fair Trade Commission (FTC) said Qualcomm and two of its affiliates had violated rules by refusing to offer licenses that are essential for manufacturing chipsets to rival manufacturers and had imposed unfair contracts on smartphone makers.

"The FTC orders Qualcomm to take corrective measures against its power abusing business and imposes 1.03 trillion won (\$853 million) in fines," the watchdog said in a statement that followed a three-year-long investigation.

"The decision is aimed at putting right Qualcomm's unfair business model."

The penalty is the highest-ever fine imposed by the FTC, breaking an earlier record of 668.9 billion won levied on six gas suppliers in 2010, Yonhap news agency reported. The San Diego-based chip maker said it would approach the Seoul High Court to appeal the decision.

"This is an unprecedented and insupportable decision relating to licensing practices that have been in existence in Korea and worldwide for decades," the company said in a statement posted on its official website.



Qualcomm said the FTC had failed to provide any evidence that the firm's practices had harmed competition, adding that the ruling would disrupt established licensing practices in the mobile technology industry including by South Korean companies like Samsung and LG.

According to the FTC, South Korea accounts for about 20 percent of Qualcomm's worldwide sales of chipsets and license royalties.

Last year, China levied a fine of \$975 million on Qualcomm for a breach of the country's anti-monopoly law. The company did not dispute the decision.

Amazon calls 2016 holiday season its best ever

REUTERS

AMAZON.COM Inc said it shipped more than 1 billion items worldwide this holiday season, which the top online retailer called its best ever, and its shares rose 1.6 percent in afternoon trade.

The Amazon Echo home assistant and its smaller version, Echo Dot, topped the best-sellers list, said Jeff Wilke, chief executive of Amazon's worldwide consumer division, in a press release.

"Despite our best efforts and ramped-up production, we still had trouble keeping them in stock," he said.

Sales of voice-controlled Echo devices were nine times more than they were during last year's holiday season, the company said. Amazon did not disclose comparable sales figures from a year earlier.

"It's all relative to other numbers that they've never told us," said analyst Jan Dawson of Jackdaw Research.

Amazon likely sold between 4 million and 5 million devices this

year to date with Alexa, the voice-controlled assistant on the Echo, estimated Morningstar analyst R.J. Hottovy in a research note.

Shoppers can command the Echo to perform a host of tasks, from playing music to turning on Christmas lights.

"While Amazon's device sales are still relatively small growth drivers currently, we believe the proliferation of these devices will drive more ubiquitous use of Amazon services over time," said Baird Equity Research analyst Colin Sebastian in a note, pointing to customers ordering more items by speaking to the Echo.

More than 72 percent of Amazon's customers worldwide shopped through mobile devices, the company added, and Dec. 19 was the busiest shopping day this holiday season.

"Prime customers are spending twice as much as other consumers using Amazon and helping to fuel rapid revenue growth that few retailers with only a fraction of Amazon's revenues are able to generate," Retail Metrics President Ken Perkins wrote



REUTERS/FILE

Amazon employees are pictured outside the Amazon Go brick-and-mortar grocery store in Seattle, US.

in a note last week.

Alexa and Amazon Dash, a one-button ordering service, are making it easier for shoppers to "skip the trip," and will put more pressure on rival retailers as they try to garner in-store and web traffic, Perkins said.

Other best sellers on Amazon included 72-pack Keurig K-Cups, the movie "Finding Dory," Samsung Electronics Co Ltd's Gear VR virtual reality headset and Nintendo Co Ltd's Pokémon Sun and Pokémon Moon role-playing video games, the company said.