Stocks and oil ride high on Biden transition and vaccine hopes

REUTERS, *London/Hong Kong*

Stocks, oil and risk currencies gained on Tuesday as the formal go-ahead for US President-elect Joe Biden to begin his transition burnished a November already boosted by Covid-19 vaccines.

European markets tracked gains in Asian and US equities, with the broad-based STOXX 600 index opening 0.8 per cent higher and Brent crude climbing to its highest level since March at $46.38 a barrel. Safe haven assets such as gold fell.

After weeks of legal challenges to the election results, US General Services Administration chief Emily Murphy wrote to Biden on Monday informing him the formal hand-over process could begin.

President Donald Trump tweeted that he had told his team "do what needs to be done with regard to initial protocols", an indication he was moving toward a transition.

"Markets have been constrained by very high levels of uncertainty on the US political front and around vaccines for weeks, so with those two going away investors are considering the prospect of a return to normality in 2021," said Emmanuel Cau, head of European equity strategy at Barclays.

Reports that Biden plans to nominate former Federal Reserve Chair Janet Yellen to become the next Treasury Secretary further boosted US stocks on expectations she would pursue more conventional policies than the outgoing Steven Mnuchin.

Futures for the S&P 500 rose 1.2 per cent in early European trading hours and putting the 49-country MSCI world stocks index on course to set a new record high later.

Japan's Nikkei jumped 2.5 per cent to its highest level since May 1991 overnight, with energy, real estate and financial shares leading the advance.

Asia-Pacific shares outside Japan had ticked up 0.4 per cent. Australia's S&P/ASX 200 was 1.26 per cent stronger, touching its highest level in almost nine months, with energy stocks leading the pack there.

Seoul's Kospi was 0.6 per cent higher as was Hong Kong's Hang Seng which rose 0.4 per cent. China blue-chips were an outlier however, edging down 0.6 per cent, as investors booked profits following recent strong gains.

Some analysts say a Biden presidency, which could mean more negotiation room for Washington and Beijing, would not make a big difference for China's equities market, as they expected little change in broad US policy toward China.

The progress made on COVID-19 vaccines, which had underpinned Wall Street overnight, helped keep risk appetite elevated as it boosted optimism about a quicker revival for the global economy.

AstraZeneca and Oxford University had said on Monday that their COVID-19 vaccine, which is cheaper to make, easier to distribute and faster to scale-up than its rivals, could be as much as 90 per cent effective.

The New Zealand dollar was among the currency gainers, rising as much as 0.9 per cent to a two-year high of $0.6985 as its central bank said house prices, which have been storming higher this year, could be included in its inflation basket.

The euro was gaining towards $1.19 again and the dollar index, which tracks the greenback against a basket of six major rivals, nudged down to 92.235.

Also spurred on by the vaccine hopes, oil reached levels not seen since before the coronavirus began to spread rapidly in March and decimated demand.

Brent crude futures rose 45 cents, or 1 per cent, to $46.51 a barrel to add to a more than 20 per cent surge this month, while US West Texas Intermediate crude added 46 cents, or 1.1 per cent, to $43.52.

"Progress on developing and distributing a vaccine de-risks the path back to normal for oil markets," said Stephen Innes, chief global markets strategist at financial services firm Axi.

In the bond markets, the yield on the benchmark 10-year notes rose slightly to 0.87 per cent as did those on most European government bonds. Germany's 10-year yield was up 1 basis point to -0.57 per cent in early trade.

Gold continued to lose its shine too, falling to $1,826.3 an ounce having now dropped 10 per cent this month.

REUTERS

US President-elect Joe Biden and Vice President-elect Kamala Harris participate in a virtual meeting with the United States Conference of Mayors at the Queen in Wilmington, Delaware, on November 23.

Toyota halts operations at Indian plant again as union strike continues

REUTERS, *Bengaluru*

Toyota Motor Corp again halted operations at its car plant in southern India from Monday, as the majority of members of its workers' union continued a sit-in strike, the automaker said.

Both the Toyota Kirloskar Motor (TKM) factories in the industrial hub of Bidadi, Karnataka, had declared a "lock out" on Nov. 10 after the union went on strike, saying that their demand to withdraw the suspension of a worker was not met.

The local state government's labour department had prohibited the strike by the workmen, as well as the "legal lock out" declared by the management from Nov. 19 and directed operations to resume, a spokesperson for the automaker's India unit said on Tuesday.

Even after the lock out was lifted by TKM, only a few team members have reported to work, the company said.

"For plant operations to run smoothly and effectively, a minimum workforce of 90 per cent in each shift is required. In view of the current situation, it is not viable to carry on with manufacturing activity."

The disruption follows several months of a slump in sales, and comes at a time when vehicle deliveries to dealers are picking up in anticipation of strong demand during the November festive period in India.

The country's top car maker Maruti Suzuki India Ltd last month said sales between October and December were expected to be good due to demand for personal transport and big-ticket purchases during the festive season.

Bitcoin hits $19,000 for first time in three years, all-time high in sight

REUTERS, *London*

Bitcoin hit $19,000 on Tuesday for the first time in nearly three years, homing in on its all-time high of just under $20,000.

The world's most popular cryptocurrency was last up 3.2 per cent at $18,958. Bitcoin has gained nearly 40 per cent in November alone and is up around 160 per cent this year.

Fuelling its gains have been demand for risk-on assets amid unprecedented fiscal and monetary stimulus, hunger for assets perceived as resistant to inflation, and expectations that cryptocurrencies would win mainstream acceptance.

BOJ's Kuroda says no immediate need to overhaul policy framework

REUTERS, *Tokyo*

Bank of Japan Governor Haruhiko Kuroda said on Tuesday he saw no immediate need to overhaul the central bank's monetary policy framework, as the hit to the economy from COVID-19 keeps inflation distant from its 2 per cent inflation target.

But he said the BOJ would not rule out future debate of a review, as other major central banks such as the US Federal Reserve look deeper into why inflation remains subdued despite years of aggressive monetary easing.

"There is no need now to review our policy framework. But there could be debate at an appropriate timing in the future," Kuroda said in a semi-annual testimony to parliament.

Kuroda also stuck to the BOJ's view that Japan's economy is on track for a moderate recovery, even as a recent resurgence in coronavirus infections cloud the outlook.

In its current quarterly forecasts issued last month, the BOJ expects Japan's economy to contract 5.5 per cent in the fiscal year ending in March 2021 but expand 3.6 per cent in the following year.

"I don't think we need to overhaul our projections" due to the global resurgence in COVID-19 infections, Kuroda said.

"Our view is that Japan isn't heading toward deflation, though we're watching developments in service consumption and capital expenditure carefully," he added.

Under a policy dubbed yield curve control, the BOJ sets its short-term rate target at -0.1 per cent and that for long-term rates around zero. It also buys huge amounts of government bonds and risky assets, though inflation remains distant from its 2 per cent goal.

Smelling blood, Huawei's Chinese mobile rivals look to capitalise on its US woes

REUTERS, *Shenzhen, China*

Chinese handset rivals of Huawei Technologies including Xiaomi, Oppo and Vivo are making aggressive moves to seize market share from their giant rival, after stepped-up US sanctions hobbled Huawei's supply chains, industry insiders say.

Last week Huawei said it had sold its budget brand smartphone unit Honor for an undisclosed sum in a bid to safeguard the latter's supply chain from US action, which has made it difficult to source essential components.

All the same, Huawei's Chinese rivals smell blood in the mid- to high-end phone market. In August a Huawei executive said the company will not be able to produce its flagship processors that power its high-end smartphones.

"What we can see now, whether from Xiaomi, Oppo or Vivo, is that they're raising their forecasts for next year," said Derek Wang, an executive in charge of production at handset maker Realme, which shares a supply chain with Oppo.

"They believe the sanctions against Huawei will more or less hurt it in the international market, and they may want to take a share of the market from Huawei."

Founded in 2018, Realme is on course to double its smartphone shipments to 50 million this year, Wang said. It has built a base with low price-offerings in Southeast Asia and India, and is looking to target Europe and China next year with a push into the high-end market, regardless of Huawei's situation, Wang said.

In August, the US Commerce Department further choked Huawei's access to US technology essential to its handset business, on the grounds that Huawei poses a security threat - a charge Huawei denies.[L4N2FK1NT]

Huawei briefly overtook Samsung as the world's biggest handset maker in the first half of this year, before shipments fell 23 per cent to 51.7 million units in the third quarter, according to research firm Canalys.

Huawei still commanded 41.2 per cent of the market in the third quarter, followed by Vivo with 18.4 per cent, Oppo with 16.8 per cent and Xiaomi with 12.6 per cent, Canalys said. Apple has a lower share in China with 6.2 per cent, but is attracting strong demand for its 5G iPhone 12, Canalys said.

Industry watchers have confirmed a ramping up of orders from vendors. Xiaomi has been most bullish, placing enough orders for up to 100 million phones between the fourth quarter of 2020 and first quarter of 2021, up 50 per cent on projections before the August restrictions, consultancy Isaiah Research says.

Oppo and Vivo's production forecasts had also risen by around 8 per cent each since August, with orders for up to 90 million and 70 million handsets respectively, Isaiah Research's data showed.

Conversely, Huawei orders fell 55 per cent to 42 million handsets in that time.

All four companies declined to comment on the numbers.

Xiaomi is also attempting to court Huawei's distributors in Southeast Asia and Europe in the hopes of gaining exclusive deals, and is actively targeting Huawei's high-end market share in China, said a source at Xiaomi familiar with the matter.

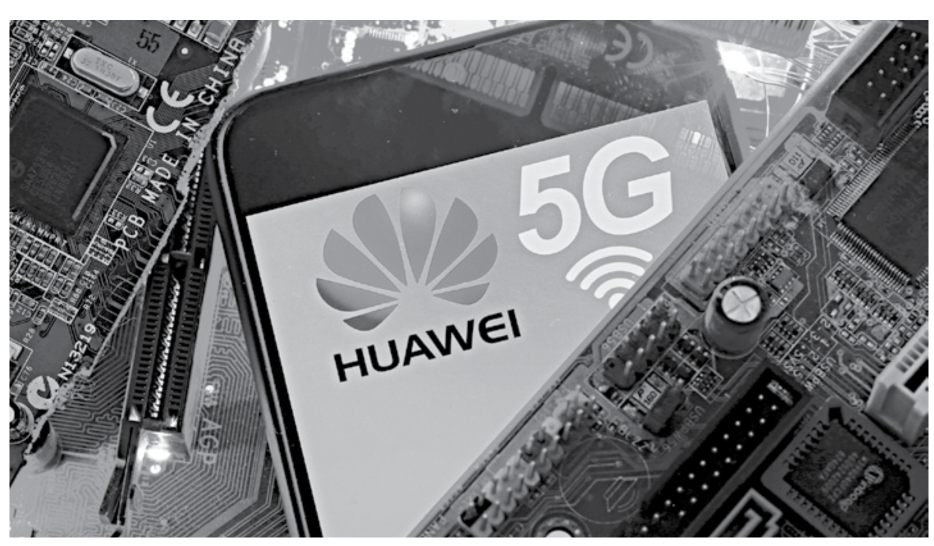
Five industry sources on the supply chain side confirmed they had a surge in orders from the three companies.

Some analysts believe the companies might be too optimistic about their targets, but Realme's Wang said stockpiling of components have also been driven by disruption to production caused by COVID-19 lockdowns earlier in the year and because Huawei's move to boost its inventories impacted rivals' supply chains.

The rush to secure supplies has reverberated across the electronics chain, said Paul Weedman, a supply chain project manager. "Prices have been rocketing recently," he said, noting that it has become much harder to source LCD screens even for tablets.

Analysts said Huawei's sale of Honor may partly fend off competitors' intrusion into the budget-end of the market, provided that Honor is able to resume sourcing US technology.

"We still expect clear year-on-year growth from Huawei and Honor's smartphone rivals in 2021, but likely at a lower ratio than their earliest expectation." said Flora Tang, an analyst with research firm Counterpoint.



A smartphone with the Huawei and 5G network logo is seen on a PC motherboard in this illustration picture.

REUTERS/FILE

Carbon pricing rises as world's weapon of choice in climate fight

REUTERS, *London/Brussels*

Can you put a price on pollution? Some of the world's biggest economies are doing just that as they wrestle with how to make good on grand pledges to tame planet-warming emissions.

Matters are coming to a head.

China, Japan and South Korea have all followed the European Union in pledging to cut emissions to "net zero" in recent weeks, where they release only as much as they remove from the air. US President-elect Joe Biden made the same promise in his election campaign.

Next year they are set to lay out the first practical measures to meet these targets, as part of commitments under the Paris climate accord, and putting a price on carbon will be front and centre, experts told Reuters.

"Each country will have to come up with its own path to reaching net zero, but the expectation is carbon pricing is going to be a very important part," said Wendy Hughes, Carbon Markets and Innovation Manager at the World Bank.

The principle is simple: a carbon price establishes how much companies need to pay for their emissions. The higher the price, the greater the incentive to pollute less and invest in low-carbon technology.

Governments can force these payments through a carbon tax - a levy companies must pay when they pollute - or through an emissions-trading system (ETS).

An ETS sets a maximum cap on the amount of emissions that a sector, or group of sectors, can produce. It creates "carbon permits" for those emissions, which companies can buy for each tonne of CO_2 they emit.

Many countries, from Europe and South Korea, to China and Kazakhstan have already launched schemes, of various scope.

More than fifth of global emissions are covered by 46 national carbon-pricing schemes operating today or in the planning stage, as well as 32 regional systems within countries, according to the World Bank.

The biggest of those - the EU carbon market - is preparing for a major overhaul.

Since the European system was launched in 2005, emissions from participating power plants and factories have dropped by 35 per cent – a sharper drop than seen in sectors not covered by the scheme.

"The ETS has proven its efficiency," said Frans Timmermans, head of EU climate policy. "The ETS shows how carbon pricing is a strong driver for immediate change in energy consumption."

In the power sector, the scheme helped make coal plants uneconomic, compared with less-polluting gas plants or renewables.

But the trick for these markets is to get the carbon price right. If it's too low, there's little incentive for companies to rein in emissions; too high, and risk knee-capping industry.

The EU, seeking steeper emissions reductions to meet its new 2030 climate targets, will propose to expand and reform its ETS from next year.

The changes would involve including more sectors, such as shipping, and curbing the free permits given to EU industry to help it compete with overseas companies that don't pay carbon costs.

The carbon price – currently at around 27 euros price per tonne of CO_2 - needs to hit levels that push industry toward investing in emissions-cutting technologies like hydrogen, analysts say.

"The carbon price has to reach high enough to enable the European Union to reach net zero by 2050," said Mark Lewis, Chief Sustainability Strategist at BNP Paribas.

"On this basis, I think around 90 euros a tonne is a reasonable expectation by 2030," he said.

Other major economies are catching on. China, now the world's top greenhouse gas emitter, plans to launch its own national ETS, possibly as early as next year. That system would become the world's largest, and is expected to cover several billion tonnes of CO_2 from power plants each year.

Experts say China's preparations for launching its ETS have sped up since President Xi Jinping's announcement in September that China would become carbon neutral by 2060.

"There is a sense of urgency that hasn't been seen for quite a long time," said Beijing-based lawyer Shawn He, who assists companies with carbon compliance. The EU has worked with the country on developing carbon-pricing policies for more than a decade, both on the pilot regional markets China is now running and on a national scheme.

Jos Delbeke, a former senior EU climate policymaker who led the development of the bloc's trading scheme, said his advice to China had been to build a system that could gradually be reformed over time and could withstand economic shocks.

The EU learned that lesson after the 2008 financial crisis, when factors including a lack of flexible rules meant the market could not respond to a recession-induced drop in emissions, and became plagued by an oversupply of cheap permits.

The price of carbon permits didn't recover until 2018, when the EU said it would introduce a "market-stability reserve" from 2019 which removed excess permits from the system.

China's pilot schemes have already looked at using a similar reserve system, according to Huw Slater, senior carbon consultant with consultancy firm ICF in Beijing.

"It is a little early at the national stage to know whether they will do a similar thing, but it is quite possible."

Establishing a single, global price on carbon remains a distant prospect, however.

"The idea of a global carbon price was built on the assumption there would be dozens of linked trading systems. That hasn't happened," said David Hone, chief climate adviser at oil major Shell, which uses an internal carbon price to help meet its own sustainability goals.

Internal carbon prices also help to protect investments from any future carbon-pricing policies.

Talks at the U.N. have failed for two years to agree a common set of rules for international carbon markets.

The lack of global coordination has led the EU to start drafting a carbon border-tax policy - a levy on imports into Europe of polluting goods like steel and cement. The aim is to protect European industry from cheaper imports from regions with lax climate policies.

REUTERS/FILE

Fridays for Future activists hold placards as they protest calling for a "Global Day of Climate Action" in Kyiv, Ukraine.