

China's crude oil imports rebound

REUTERS, Beijing

China's crude oil imports rebounded in July from a six-month low as state-backed refiners ramped up output after returning from maintenance, though independent refineries slowed restocking amid probes by Beijing into trading and taxes.

China brought in 41.24 million tonnes of crude oil last month, equivalent to 9.71 million barrels per day (bpd), data from the General Administration of Customs showed on Saturday.

That compares with 40.14 million tonnes in June and 51.29 million tonnes in July 2020.

In the first seven months of the year, China, the world's top crude oil importer, took in 301.83 million tonnes, or 10.39 million bpd, down 5.6 per cent from the corresponding period last year.

"With state-owned refineries completing overhauls, the number of refineries resuming operation is gradually increasing," said analysts at China-based Longzhong consultancy, while adding that overall utilisation rates have not seen a significant jump.

Operating rates at independent refiners in refining hub Shandong, however, showed a clear downturn in the last month, with the average rate hitting the lowest level this year at 63 per cent in late July.

Analysts had expected that Beijing's crackdown on the misuse of import quotas and the impact of higher crude prices could see China's oil import growth sink to the lowest in two decades in 2021.

China in June cut 35 per cent of crude oil import quotas to non-state refiners in a second batch of allowances for 2021, in which several

small refiners did not receive any quotas.

Meanwhile, the central government has been carrying out investigations since April on illicit trading of import quotas, partly to ease a fuel surplus that has hurt state-owned refiners' profits.

Shandong province, where most independent refiners are located, stepped up efforts this week to curb fuel production by ordering its independent refineries to promise not to trade crude oil quotas.

Customs data on Saturday also showed China exported 4.64 million tonnes of refined oil products in July, up 44.5 per cent from a year ago but down 28.0 per cent from June.

Natural gas imports, including piped and liquefied natural gas (LNG) were at 9.34 million tonnes last month, up 27.1 per cent on year, the data showed.



REUTERS/FILE

A crude oil tanker is seen at Qingdao Port, Shandong province, China.

Berkshire Hathaway recovers from Covid woes

REUTERS

Warren Buffett's Berkshire Hathaway Inc on Saturday said many of its businesses are enjoying strong recoveries from the early depths of the coronavirus pandemic, fueling rebounds in profits and revenue.

The company Buffett has run since 1965 also signaled the billionaire's confidence in its future by repurchasing \$6 billion of its own shares in the second quarter, even as its stock price regularly set new highs.

Omaha, Nebraska-based Berkshire's manufacturing, service and retailing businesses suffered last year as economic activity plunged, job losses soared and shoppers stayed home.

But now, Berkshire said businesses such as the BNSF railroad, NetJets luxury planes and its namesake auto dealerships are posting "significant" recoveries despite supply chain disruptions and higher costs, with earnings and revenue sometimes topping pre-pandemic levels.

Another sign of improvement was Berkshire's decision not to repeat a caution from its previous quarterly report that other operating units still faced adverse effects from the pandemic.

Second-quarter operating profit rose 21 per cent to \$6.69 billion, or about \$4,424 per Class A share, from \$5.51 billion, or about \$3,463 per share, a year earlier.

Millions of Brits to face energy price hike

REUTERS, London

Energy prices for millions of Britons are expected to rocket from October after the energy regulator said it would increase its cap on the most widely used tariffs by about 12-13 per cent, due to soaring global gas prices.

A cap on electricity and gas bills came into effect in January 2019 and was aimed at ending what former British Prime Minister Theresa May called "rip-off" prices charged by energy companies.

Ofgem said the rise was driven by a 50 per cent increase in wholesale energy costs over the last six months.

"We can't ask companies to sell energy for less than it costs them to buy it," Jonathan Brearley, chief executive of Ofgem said in a briefing with journalists.

Consumer groups warned the rise will come at the worst possible time in the autumn as the furlough scheme, designed to support jobs throughout the coronavirus pandemic ends, and additional aid to the universal credit benefit is removed.

Ofgem said anyone worried about paying their bills should contact their supplier and said customers may be able to save money by shopping around for a new deal.

"This will be no comfort to those now facing the stark choice between heating and eating," said Simon Francis, co-ordinator of the End Fuel Poverty Coalition.

Ofgem calculates the cap using a formula that includes wholesale gas prices, energy suppliers' network costs and costs of government policies such as renewable power subsidies. The cap is updated twice a year. Since the previous cap update announced in February many British wholesale gas contract prices have doubled.

Gas prices have soared globally this year owing to factors including low stock levels, outages at gas plants and gas fields curbing domestic supply and imports from Norway while a buying spree in Asia has led to fewer international deliveries of liquefied natural gas (LNG).

With wholesale energy prices accounting for about 40 per cent of an average dual-fuel (gas and electricity) bill, Ofgem said there was no option but to make a significant increase to the cap.

The price cap was originally due to end in 2023 but the government said last month it would prepare legislation to allow it to continue beyond this date.

Brearley said he would welcome an extension.



REUTERS/FILE

Electricity pylons are seen in London, Britain.

Amazon orders all US employees to mask up at work

REUTERS

Amazon will require all of its US employees to wear a mask at work regardless of their vaccination status.

The move follows a surge in Covid-19 cases due to the highly contagious Delta variant.

The US public health agency revised its guidelines for mask wearing last month, saying that even fully vaccinated individuals should wear one in certain settings.

In a statement, Amazon said it was following the government guidance and working closely with leading medical healthcare professionals to keep workers

safe.

Amazon has also postponed its return to work guidance for its corporate employees till January next year.

Other companies are taking similar measures to tighten their defenses against Covid-19.

Alphabet's Google has extended its work from home policy through to October.

Facebook requires all of its US employees to get vaccinated to step into offices.

And Twitter has said it will close workspaces it already had reopened.

According to a Reuters tally, coronavirus cases worldwide surpassed 200 million this week.



REUTERS/FILE

Amazon is reportedly working closely with leading medical healthcare professionals.

Investors wary on Washington, balancing debt ceiling

REUTERS, New York

The economic boost from an expected \$1 trillion infrastructure bill working its way through the US Senate has helped push Wall Street stocks near record levels, but some investors are concerned that the next two months in Washington could be rocky.

At issue is not only the bipartisan infrastructure bill, but an expected \$3.5 trillion in proposed spending in a Democrat-led reconciliation bill. There is also a showdown coming over the debt ceiling, which could lead to a federal government shutdown if a deal is not reached to increase the borrowing limit by October.

Few expect the US government will default on its debt and upend the \$22 trillion Treasury market. Still, some analysts say a drawn out debt ceiling fight could increase volatility in a US stock market where valuations have become stretched with prices near record highs. Other worries include a looming unwind of the Federal Reserve's easy money policies and a resurgence of Covid-19 that

threatens to dent growth.

"When I look at Washington I see a lot of risk," said Steve Chiavarone, a portfolio manager and equity strategist at Federated Hermes.

He said he is concerned political posturing around the debt ceiling could escalate ahead of the 2022 Congressional elections, and that the reconciliation bill could boost corporate or individual tax rates, weighing on investor sentiment.

As a result, he is holding cash in anticipation of adding to value or cyclical stocks that may fall during a market sell-off, he said.

Overall, global fund managers increased their cash positions in July from 3.9 to 4.1 per cent of assets while adding to shares of large technology companies, according to Bank of America Merrill Lynch. At the same time, options markets indicate that investors see limited gains in the months ahead, according to Barclays.

Esty Dwek, head of global market strategy at Natixis Investment Managers Solutions, said that she has also been raising cash to reposition for more volatility in the

months ahead.

"We now have less visibility into the second half of the year" given the emergence of the Delta variant of the coronavirus and the potential for higher taxes as part of a broad reconciliation bill, she said.

The rising sense of concern comes as investors anticipate possible further details on plans to pull back emergency-level supports of the economy from the Federal Reserve at the Jackson Hole annual conference of central bankers.



A packet of former US president Abraham Lincoln five-dollar bill currency is inspected at the Bureau of Engraving and Printing in Washington in the USA.

REUTERS/FILE

RBI holds rates but raises inflation forecast

REUTERS, Mumbai

The Reserve Bank of India held rates at record lows on Friday, but it raised its inflation forecast and said it would normalise liquidity conditions in a signal that policymakers could be edging closer to tapering pandemic-induced stimulus.

As widely forecast, the RBI held the repo rate, its key lending rate, at 4 per cent and kept the reverse repo rate, the borrowing rate, unchanged at 3.35 per cent.

All 61 economists polled by Reuters late last month had said they see no change in the repo rate which has been steady at 4 per cent since May last year.

"The need of the hour is not to drop our guard and to remain vigilant against any possibility of a third wave especially in the background of rising infections in certain parts of the country," RBI Governor Shaktikanta Das said in a virtual address accompanying the MPC's decision.

All members voted in favour of the decision to hold rates and a 5-1 majority supported retaining the accommodative monetary policy stance, Das said.

The RBI also announced four variable rate reserve repo (VRRR) auctions of a larger-than-expected quantum, one each fortnight, over August and September to restore normal liquidity operations and raised its 2021/22 inflation forecast to 5.7 per cent from 5.1 per cent before.

"This should not be misread as a reversal of

the accommodative policy stance," Das told reporters, adding that the VRRR window is purely voluntary.

However, ANZ analysts said the higher than expected inflation revision, tightening of stance advocated by one member and the doubling of the size of VRRR auctions suggest the RBI has become less dovish.

"While India's overall monetary policy is and will remain supportive of growth, we should expect gradual progress towards policy normalisation," Dhiraj Nim and Sanjay Mahtur of ANZ wrote in a note.

To counter the economic fallout of the



SHAKTIKANTA DAS
RESERVE BANK OF INDIA GOVERNOR

pandemic, the central bank pumped in massive amounts of liquidity through various measures like open market operations over the last year, leaving the banking system with an average surplus of around 6 trillion rupees (\$80.87 billion).

Some traders saw the VRRR step as the start of RBI's liquidity normalisation and the eventual cash withdrawal phase, sending the benchmark 10-year bond yield up 3 basis points to 6.24 per cent.

"RBI policy is hawkish at the margin. While there is no real change in the policy, bond market participants will take the nuanced change in language seriously," said Sandeep Bagla, CEO at investment management firm TRUST AMC.

RBI has slashed the repo rate by a total of 115 basis points (bps) since March 2020 to soften the blow from the health crisis and tough containment measures. This follows 135 bps worth of rate cuts since the beginning of 2019.

The consensus in the latest Reuters poll expects the RBI to deliver two 25-basis-point rate hikes in the next fiscal year, taking the repo rate to 4.50 per cent by end-March 2023.

"We expect additional liquidity normalisation measures like overnight VRRR, increased quantum of higher tenure VRRR in the months ahead before expecting a reverse repo rate hike in December," said Upasna Bhardwaj, economist at Kotak Mahindra Bank.

Huawei revenue plunges further in 'challenging times'

AFP, Shanghai

Chinese telecoms giant Huawei's second-quarter revenue plunged 38 per cent, according to figures released Friday, with smartphone sales suffering from US sanctions and the offloading of its budget brand Honor.

Huawei is at the centre of an intense US-China trade and tech rivalry after the government of former president Donald Trump voiced concern the company could be used for espionage.

The United States has provided no evidence of spying but has barred Huawei from acquiring technologies crucial to its operations such as microchips and cut it off from using Google's Android operating system.

For the first half of the year, Huawei's overall revenues were 320.4 billion yuan (\$49.6 billion), down 29 per cent year on year, the Shenzhen-based firm said. Its net profit margin was 9.8 per cent, up slightly from the same period last year.

Huawei's consumer products division, which includes smartphones, achieved first-half sales of 135.7 billion yuan, down 47 per cent from a year earlier.

A company spokesperson said the decline was due in part to the loss of Honor, which was sold by Huawei late last year

to help it maintain access to components and survive. Huawei's travails have forced it to quickly pivot into new business lines including enterprise computing, technology for intelligent vehicles, and software.

In an accompanying statement, rotating chairman Eric Xu said "our aim is to survive". "These have been challenging times, and all of our employees have been pushing forward with extraordinary determination and strength," he said.

Huawei is the world's biggest supplier of telecoms network gear and was once a top-three smartphone producer along with Apple and Samsung.

But it has fallen well down the smartphone ranks amid the US pressure, according to industry trackers. Its networking gear has also been removed or delayed in a succession of Western countries on national security concerns.

Revenue for that segment of the business in the first half of 2021 was 136.9 billion, down 14.2 per cent year on year.

A company spokesperson said Huawei had no plans for layoffs or sell-offs. Another headache for the firm is the case of chief financial officer Meng Wanzhou -- daughter of CEO and founder Ren Zhengfei -- who is currently in Canada battling extradition to the United States.