US supplies give China muscle in global LNG trade

REUTERS, ZSingapore/London

Chinese firms are set to become a major trading force in the global liquefied natural gas market in coming years, thanks to liberalisations at home and recently signed long term contracts for record amounts of LNG from US suppliers.

Setting their sights beyond the domestic market, state-run Sinopec Corp, Sinochem Group, privately-controlled ENN Natural Gas Co and China Gas are building up trading teams from Beijing, Singapore to London.

China's push into the international LNG market comes two decades after it made a similar big splash in oil trading, and will put its firms in competition with established players like Shell, TotalEnergies and Vitol.

Last year, China's imports soared by 18 per cent to a record 79 million tonnes, overtaking Japan as the world's largest LNG buyer

Fortunately, the pie is growing. By 2027, analysts forecast spot trade in LNG will be $20 billion, more than double its 2020 value.

Last year, China's imports soared by 18 per cent to a record 79 million tonnes, overtaking Japan as the world's largest LNG buyer. China's economic recovery from the Covid-19 pandemic was one factor, but the other was a pipeline reform that allowed more firms to become importers.

Felix Booth, Head of LNG at Vortexa, drew parallels with the way in which Japan's largest LNG importer, JERA, evolved from "a large end-user to a powerful integrated portfolio player"

Hawkers are seen selling pants, shirts, t-shirts, shoes, bedsheets and women garments on vans on the busiest road in Khulna. The photo was taken from the Dak Bungalow intersection in the city yesterday.

PHOTO: HABIBUR RAHMAN

US investors expect more volatility

REUTERS, New York

Geopolitical worries have added another layer of volatility to an already-jumpy market as investors priced in the possibility of escalating conflict between Russia and Ukraine, though some doubted the issue would weigh on US asset prices over the longer term.

Reports of rising tensions between the two countries slammed stocks on Friday and lifted prices for Treasuries, the dollar and other safe-haven assets. Investors were already rattled by a hawkish turn from the Federal Reserve.

"The market is reacting because an actual invasion has not yet been priced in," said Michael Farr of Farr, Miller and Washington LLC. "The severity of an invasion, if one occurs, will correlate to the severity of the market's reaction."

Russia has massed enough troops near Ukraine to launch a major invasion, Washington said on Friday. It urged all US citizens to leave Ukraine within 48 hours.

White House national security adviser Jake Sullivan said it remained unclear whether Russian President Vladimir Putin had definitively given the order to invade. Sullivan said he expected US President Joe Biden to press for a phone call soon with his counterpart.

Despite market gyrations, some investors were skeptical whether a more serious conflict would drag broader markets over the longer term.

"The reaction the market is likely to have is selling until it becomes more evident what an invasion looks like and then what kind of response US and European allies have to it," said Mark Luschini, chief investment strategist at Janney Montgomery Scott. "We're not suggesting making any changes predicated on the news cycle around the topic."

The benchmark S&P 500 index closed down nearly 1.9 per cent while the tech-heavy Nasdaq was off around 2.8 per cent. The moves followed weakness on Thursday sparked by expectations that the Fed will aggressively fight surging inflation. The Cboe Volatility Index, Wall Street's fear gauge, was up for a second straight session, hitting its highest since the end of January.

Ryan Detrick, chief market strategist at LPL Financial, said the impact of major geopolitical events on US stocks has been limited.

"For instance, after JFK was assassinated in November 1963 stocks went on one of their best six-month runs ever," he said. "The truth is a solid economy can make up for a lot of sins."

Jay Hatfield, chief investment officer at Infrastructure Capital Management, said the S&P 500 would probably find support at around 4,200, more than 200 points below Friday's closing level.

An intensifying conflict could add "more credence to our view that the Fed will be more dovish than the market currently believes as the war would make the outlook even more uncertain," he said.

But the Fed could stay aggressive if oil prices keep surging. Crude has already soared to seven-year highs on Ukraine jitters.

"By pushing energy prices even higher, a Russian invasion would likely exacerbate inflation and redouble pressure on the Fed to raise interest rates," said Bill Adams, Chief Economist for Comerica Bank, in a Friday note.

India, Australia close to trade pact

REUTERS, New Delhi

Indian and Australian negotiators are close to clinching a limited trade pact or so-called "early harvest agreement", India's commerce and industry minister Piyush Goyal said on Friday after talks withhis Australian counterpart.

The negotiations should be complete within 30 days, Goyal told a joint news briefing with Australian Trade Minister Dan Tehan.

Goyal said the deal would cover a wide range of sectors and open opportunities for manufacturing, education and jobs in both countries. Trade negotiations received a push after the United States, Australia, Japan and India pledged to set up a so-called Quad group in response to China's economic and military expansion.

On Friday, foreign ministers of the four countries pledged to deepen cooperation, particularly on Covid-19, cyber threats and counter-terrorism, at a meeting in the Australian city of Melbourne.

"Quad has added to the strength of the relationship" of India and Australia, Tehan said, noting that Canberra had already signed trade pacts with the United States and Japan.

Australia and India launched negotiations for a Comprehensive Economic Cooperation Agreement back in 2011, and in 2020 Indian Prime Minister Narendra Modi and his Australian counterpart decided to speed up the negotiations for a trade deal while agreeing to resolve some bilateral issues.

Regarding fears among domestic industry and farmers about a bilateral trade pact with Australia, Goyal said both sides have been fair and understood the "sensitivities of each other," and the deal would be a "win-win".

Australia wants a phased reduction in tariffs for its wines, while India is seeking greater market access for its textiles, footwear, leather, and pharmaceuticals and easier entry for its professionals, industry officials said.

Russia raises key rate

AFP, Moscow

Russia's central bank once again raised its interest rate on Friday as authorities struggle to rein in rapidly growing inflation and soaring food prices.

Inflation has been rising steeply for months, with food prices skyrocketing, in a blow for the many Russians with low incomes and little savings. At a meeting on Friday, the Bank of Russia increased its key rate by 100 basis points to 9.50 per cent.

"Inflation is developing appreciably above the Bank of Russia's October forecast," the bank said in a statement.

Inflation in Russia was at 8.8 per cent, the bank said, adding that it aimed to bring it down to four per cent.

Central banks around the world took measures to prop up economies when the pandemic emerged in 2020, but policymakers plan or have started to tighten their loose monetary policies as inflation has soared.

Russia's central bank chief, Elvira Nabiullina, has called the country's record-breaking inflation a "real disaster" for the country and has urged the government to take action.

World's damaged supply chains brace for painful recovery

REUTERS

Signs are growing that a global supply chain crisis which has confounded central bank inflation forecasts, stunted economic recoveries and compressed corporate margins could finally start to unwind towards the end of this year.

But trade channels have become so clogged up it could be well into next year before the worst-hit industries see business remotely as usual - even assuming that a new turn in the pandemic doesn't create fresh havoc.

"We're hoping in the back half of this year, we start to see a gradual recession of the shortages, of the bottlenecks, of just the overall dislocation that is in the supply chain right now," food group Kellogg CEO Steve Cahillane told Reuters.

But he added: "I wouldn't think that until 2024, there'll be any kind of return to a normal environment because it has been so dramatically dislocated." The global trade system had never contended with anything quite like the coronavirus.

Starting in 2020, companies reacted to the economic downturn by cancelling production plans for the next year, only to be blindsided by an upswing in demand prompted by rapid vaccine rollouts and fiscal support for rich-world household spending.

At the same time, virus containment measures and infection clusters triggered labour shortages and factory shutdowns just as consumer spending was shifting from services to goods.

European Central Bank Chief Economist Philip Lane likened the fall-out to the aftermath of World War Two, when demand exploded and firms had to quickly retool from production of military to civilian goods.

Export-led economies like Germany have seen recovery choked by supply bottlenecks to their factories, while surging shipping costs have combined with higher fuel prices to push US inflation to a four-decade high.

Now, as the milder Omicron variant prompts authorities to loosen restrictions, there are tentative signals that supply snags may be unwinding.

Last week's Institute for Supply Management (ISM) survey showed signs of improvements in US labour and supplier delivery performance for a third month, and purchasing manager testimonies in Europe also suggested easing pressures.

"Although supply chain constraints continued to stymie growth, there were signs that these were past their peak, a factor contributing to a slight easing in purchase price inflation," IHS Markit said of the UK read-out.

While this has raised central bankers' hopes of a more tangible reduction in inflationary pressures towards year-end, they also know that messages from the real economy remain mixed.

Soren Skou, head of shipping giant Maersk, said this week he was working on the assumption that more people would return to work at ports, more newly-built ships would come on line and that consumers would start to favour services again. "At some point during this year, we will see a more normal situation," Skou predicted.

While German shipper Hapag Lloyd also saw delivery bottlenecks and freight prices easing in the second quarter, the big unknown for the sector is just how long the return to more reliable delivery schedules will take.

Supply chain analyst Sea-Intelligence said the current logjam had no precedent but past experience suggested it would take 8-9 months for port and hinterland networks to recover.

Volvo, Mercedes boost profits

AFP, Stockholm

High-end automakers Volvo Cars and Mercedes said Friday that the global supply chain bottlenecks caused them to sell fewer cars, but that their profitability rose as they were able sell vehicles at higher prices.

Chinese-owned Volvo Cars said the global shortage of semiconductors -- an essential tech component in modern cars -- caused sales and profits to fall in the last quarter of the year.

Retail sales fell by 20 per cent to 168,000 units in the fourth quarter of the year.

But revenue fell at a smaller rate, six percent, as "strong demand had a positive effect on prices and the sale of more expensive cars" while interest in electrified cars continued to grow globally.

Revenue fell to 80 billion kronor ($8.6 billion, 7.5 billion euros) from the same quarter in 2020 while net profit sank by 60 per cent to 2.3 billion kronor. Owned by Geely, the Sweden-based carmaker said the semiconductor shortage worsened in the second half of 2021.

Tarique Afzal, managing director of AB Bank, and Hosne Ara Begum, chairman of Momo Inn Hotel and Resort, exchange signed documents of the agreement at the hotel in Bogura recently. The bank's debit and credit cardholders will enjoy discount on room rent, healthcare, food and Dhaka-Bogura-Dhaka travel by helicopter under the deal. Abdur Rahman, deputy managing director of the bank, and Jewel Khan, additional managing director of the hotel, were present.

PHOTO: AB BANK

India's Reliance plans to turn syngas into blue hydrogen

REUTERS, New Delhi

India's Reliance Industries Ltd plans to produce blue hydrogen at a "competitive cost" of about $1.2-$1.5 per kg as it repurposes its $4-billion gasification assets, the conglomerate said in a presentation.

Owned by billionaire Mukesh Ambani, Reliance has in the past year unveiled plans to reduce its dependence on its mainstay oil-to-chemicals business and invested in clean energy projects to burnish its green credentials.

Reliance will initially use syngas, produced by petcoke gasifies, to make blue hydrogen for it Jamnagar complex in western Gujarat state, until green hydrogen's cost comes down, it said in the presentation released late on Friday.

Hydrogen produced from natural gas and which eliminates emissions by capturing and storing the emitted carbon is called blue hydrogen. Green Hydrogen is extracted from water using electrolysis powered by renewable energy.

Saudi Arabia and UAE could ease oil market volatility: IEA

REUTERS, London

Saudi Arabia and the United Arab Emirates (UAE) could help to calm oil markets if they pumped more crude, the International Energy Agency (IEA) said on Friday, but prices rose after the watchdog highlighted deepening risks of volatility.

Brent crude oil futures bounced back to near seven-year highs and hit a session peak of $92.75 a barrel after the Paris-based agency reported tight global supply and spare production capacity.

"These risks, which have broad economic implications, could be reduced if producers in the Middle East with spare capacity were to compensate for those running out," the Paris-based agency said in its monthly oil report.

The UAE and Saudi Arabia are the two oil producers with the sparest production capacity.

"Oil prices are rallying once more as the IEA raised forecasts for demand this year and confirmed that OPEC+ missed its output targets again in January and by an even wider margin," said Craig Erlam, senior market analyst at OANDA. The IEA said if OPEC+ - the Organization of the Petroleum Exporting Countries members and allies like Russia - unwind their current output cuts completely, they could add 4.3 million barrels per day (bpd) back into the market.

However, the IEA said that would slash effective spare capacity to 2.5 million bpd by the end of the year, held up almost entirely by Saudi Arabia and, to a lesser extent, the UAE.

For now, while OPEC+ is raising output each month, it is not hitting its monthly target of 400,000 extra barrels per day. The IEA said in January the gap between output and the target widened to 900,000 bpd.