Quick Read

Australia shares end higher on last minute buying; NZ down

SYDNEY: Australian shares ended higher on Thursday after trading in a tight range for most of the session, as a burst of late buying after the bell propped up large cap stocks, boosting the index. The S&P/ASX 200 index was little changed in late trade but rose 0.3 percent or 17 points to 5,795.30 at the close of trade. The benchmark had gained nearly 1 percent. "There was some buying in the post market option, mainly the large cap stocks leading the drive… materials and financials spaces added about 0.3 percent," said Kyle Rodda, market analyst at IG Markets. "In the post-market option you get some very large institutional players looking to get some exposure to the ASX… and the market was at a level that they saw as attractive." The financial sub-index which accounts for a big number of the large cap stocks rose 0.2 percent. Australia and New Zealand Banking Group Ltd rose 0.6 percent while Westpac Banking Corp and Commonwealth Bank of Australia also ticked up.

The metals and mining index jumped 0.8 percent, with Rio Tinto Ltd edging higher while Newcrest Mining added 1.8 percent.

Meanwhile, the world's biggest listed miner BHP Group which had slumped as much as 5 percent in early trade to weigh on the index, recovered slightly to close 3.4 percent lower. Rodda also added that sustained buying by large investors may help push the index past the critical 5,800 resistance level in the coming sessions. Gold stocks surged 2.4 percent boosted by a jump in gold prices, with Saracen Mineral Holdings rising 2 percent and AngloGold Ashanti Ltd among top gainers, up 5.6 percent. Growing expectations that the U.S. Federal Reserve will pause its rate tightening cycle this year weighed on the dollar, boosting the attraction of gold as a safe-haven investment.

Energy stocks continued their rally, up about 0.7 percent with Woodside Petroleum Ltd up 0.6 percent and Oil Search Ltd firming 1.5 percent. Healthcare stocks also rose, boosted by gains in stocks of CSL Ltd and Cochlear Ltd. However, investors were cautious as they awaited more detail on the outcome of talks in Beijing between U.S. and Chinese officials aimed at de-escalating a damaging trade war. Subdued by that caution, New Zealand's benchmark S&P/NZX 50 index closed 0.3 percent, or 28.06 points, lower at 8,919.16. Benchmark heavyweight a2 Milk Company Ltd fell 1.1 percent while outdoor equipment retailer Kathmandu Holdings Ltd lost 1.3 percent. **—Agencies**

CBOT soybeans rise into $9.29-3/4 to $9.35 range

SINGAPORE: CBOT soybean March contract may break a resistance at $9.26-3/4 per bushel, and rise into a range of $9.29-3/4 to $9.35. The resistance is identified as the 161.8 percent projection level of an uptrend from $8.92. This trend is a part of a five-wave cycle from the Dec. 27, 2018 low of $8.80-1/2. The contract is riding on the fifth wave of the cycle. This wave is expected to be roughly equal to the first wave labeled 1. Based on this assumption, the current wave could travel to $9.35. On the daily chart, the contract is riding on a wave C, the third wave of a three-wave cycle from the July 16, 2018 low of $8.46. This wave could eventually travel to $9.58, its 123.6 percent projection level, which is pointed by a rising channel as well. The contract is managing to stabilize around $9.22-1/4. Once it stands firm above this level, it could gain more towards $9.35-1/2.

* Wang Tao is a Reuters market analyst for commodities and energy technicals. The views expressed are his own. No information in this analysis should be considered as being business, financial or legal advice. Each reader should consult his or her own professional or other advisers for business, financial or legal advice regarding the products mentioned in the analyses. **—Reuters**

Jaguar Land Rover to make 'substantial' job cuts after China, diesel slump

LONDON: Britain's biggest carmaker Jaguar Land Rover (JLR) is set to announce "substantial" job cuts in the thousands, a source told Reuters, as the company faces double-digit drops in demand in China and a slump in sales for diesel cars in Europe.

The company builds a higher proportion of its cars in Britain than any other major or medium-sized carmaker and has spent millions of pounds preparing for Brexit, in case there are tariffs or customs checks.

JLR swung to a loss of 354 million pounds (US$450 million) between April and September and had already in 2018 cut around 1,000 roles in Britain, shut its Solihull plant for two weeks and announced a three-day week at its Castle Bromwich site. The Tata Motors-owned company has unveiled plans to cut costs and improve cash flows by 2.5 billion pounds including "reducing employment costs and employment levels". Those cuts will be "substantial" and run into the thousands, the source told Reuters.

"The announcement on job losses will be substantial, affecting managerial, research, sales, design," said the source, who spoke on condition of anonymity.

Production-line staff will not be affected "at this stage," said the source. The company declined to comment when contacted by Reuters.

JLR, which became Britain's biggest carmaker in 2016, had been on course to build around 1 million vehicles by the turn of the decade, but output in 2018 looks set to have fallen as sales in the first eleven months dropped 4.4 per cent. Sales in China between July and September fell by 44 per cent, the biggest slump of any market for the central England-based firm, turning the country from its biggest sales market to its smallest. Its chief financial officer said in October that the firm's Changshu plant in China "has basically been closed for most of October in order to allow the inventory of both our vehicles and dealer inventory to start to reduce".

Like fellow automakers, the company could be faced with adding costs and bureaucracy on vehicles and components in fewer than 80 days if lawmakers next week reject a deal by Prime Minister Theresa May. **—Reuters**

China's soft factory-gate inflation raises prospect of more stimulus

BEIJING: China's producer prices in December rose at their slowest pace in more than two years, a worrying sign of deflationary risks that could see Beijing roll out more policy support to help stabilize the economy.

Consumer inflation for the month also eased from a year earlier due to lower non-food prices, data from the National Statistics Bureau (NBS) showed on Thursday, short of market forecasts and well below Beijing's target.

Analysts say the sharper-than-expected pullback in prices raises the possibility of more stimulus measures even though China's central bank just reduced the ratio of cash that banks must hold as reserves in January, the fifth cut in a year.

The slowdown in domestic demand has added to the list of economic worries for China, which is mired in a trade war with the United States, its biggest trading partner. "Slumping PPI inflation suggests corporate earnings will almost surely continue to fall in coming months," analysts at Nomura said in a note. "We expect PPI inflation to soon return to negative territory, reducing inventory stocks and exerting further downward pressure on China's growth."

The producer price index (PPI), a measure of the prices businesses receive for their goods and services, rose 0.9 percent in December from a year earlier – below the lowest forecast in a Reuters poll of 35 economists who had a median estimate of 1.6 percent. The index rose 2.7 percent in November.

The PPI fell a steeper 1 percent from November, its biggest fall since January 2015. November's index weakened 0.2 percent from the previous month.

Slowing inflation leaves policymakers with plenty of room to loosen policy, Capital Economics said in a note. The consumer price index (CPI) rose 1.9 percent in December from a year earlier, down from 2.2 percent in November and below expectations of a 2.1 percent gain. The government's full-year target for consumer price inflation is around 3 percent.

On a month-on-month basis, the CPI was unchanged. Xu Hongcai, deputy chief economist at China Centre for International Economic Exchanges, a Beijing-based think tank, said he expects the central bank to cut reserve requirement ratio (RRR) for banks by another 2 percentage points this year.

While the chances of cutting benchmark interest rates remain low, Betty Wang, senior China economist at ANZ Research, said such radical stimulus measures may even become possible if the weak price trend persists.

"The weakness is a signal worthy of vigilance," she said.

China stocks recouped losses to edge higher as softer inflation readings raised prospects for further stimulus.

COOLING DEMAND AND PRICES: China's factory activity contracted for the first time in more than two years in December, highlighting the challenges facing Beijing as it seeks to end a bruising trade war with Washington and reduce the risk of a sharper economic slowdown in 2019.

Domestic demand for industrial goods and services has eased in recent months as the government's multi-year campaign to curb corporate debt and risky lending practices has crimped capital spending and corporate investment. The uncertainty created by the trade war with the United States is also hanging over China's economy, even though both sides have agreed to a 90-day time-out. There are concerns that the tariff war could still escalate once the truce ends, putting more pressure on Chinese authorities to bolster the economy. Thursday's data show factory-gate prices for raw materials rose 0.8 percent last month from a year earlier, down from a 4.6 percent rise in November. Price rises in the production and processing sector slowed in December from the previous month. **—Reuters**

Palm edges down at noon on bearish data forecasts

KUALA LUMPUR: Malaysian palm oil futures edged lower at the midday break on Thursday, in line to snap two sessions of gains, on expectations of bearish official data on December inventories, production and exports.

The benchmark palm oil contract for March delivery on the Bursa Malaysia Derivatives Exchange fell 0.2 percent to 2,178 ringgit ($531.87) a tonne at noon, coming off a near three-week high it had hit in the previous trading session. Trading volumes stood at 7,656 lots of 25 tonnes each during the first half of trade.

Data from industry regulator the Malaysian Palm Oil Board (MPOB), released after the market paused for the midday break, showed end-stocks rising 6.9 percent from the previous month to 3.21 million tonnes.

The inventory levels are at their highest in at least 19 years, according to Refinitive Eikon data. <MYPOMS-TPO>

Meanwhile, December production fell 2 percent from the previous month to 1.81 million tonnes while exports edged up 0.6 percent from November to 1.38 million tonnes, according to MPOB data. "Exports came in lower than expected and with high imports, stocks are above our estimates, which is considered bearish," said a Kuala Lumpur-based trader. "I think the market will come off during the second trading session."

Another trader had also said that the decline in December's production was lower that expected. A Reuters survey had forecast palm oil's end-December stockpiles to edge up 4.3 percent to 3.14 million tonnes, while production was seen falling 3.6 percent to 1.78 million tonnes. Exports were also forecast to gain 4.7 percent to 1.44 million tonnes. Palm oil may fall to 2,150 ringgit per tonne, as it failed again to break a resistance at 2,198 ringgit, said Wang Tao, a Reuters market analyst for commodities and energy technicals. In other related oils, the Chicago March soybean oil contract was trading flat at 0558 GMT, while the March soybean oil contract on the Dalian Commodity Exchange edged up 0.8 percent.

Meanwhile, the Dalian January palm oil contract rose 1.3 percent. Palm oil prices are impacted by changes in soyoil prices, as they compete for a share in the global vegetable oil market. **—Reuters**

India sugar mills struggling to export surplus as overseas prices fall

MUMBAI: India's sugar exports are likely to be far lower than a 5 million-tonne target set by New Delhi as a strengthening rupee and falling global prices make shipments unattractive despite a government push for overseas sales, industry officials said.

Lower shipments from the world's No. 2 sugar producer could support global prices that fell more than 20 percent in 2018, but fewer exports could also increase Indian stockpiles ahead of the next marketing season and force the government to provide more support to an ailing industry.

India is likely to export 2.5 million to 3.5 million tonnes of sugar in the 2018/19 marketing year that started on Oct. 1, five dealers and three industry officials told Reuters.

"Mills are not ready to sign new contracts as the difference in local and overseas prices widened," said a Mumbai-based dealer with a global trading company that exports the sweetener out of India. "Going by the current trend, it seems India could manage to export 2.5 million tonnes," he said.

Sugar is being sold at around 29,200 rupees ($414) per tonne in India, while exporters are getting less than 19,000 rupees a tonne, dealers said. Also, the rupee has risen 5.5 percent from a record low of 74.48 against the U.S. dollar in October, denting mills' margins from overseas sales.

That will make it hard to meet the 2018/19 target set in September despite government incentives such as transport subsidies and direct cane payments to farmers to encourage cash-strapped mills to ship surplus sugar overseas. Exports could pick up in coming months, though, as mills are struggling to make cane payments to farmers, said Rohit Pawar, president of Indian Sugar Mills Association (ISMA).

"I hope we could export more than 3.5 million tonnes, and for that, millers have to come forward more aggressively and the government should provide bridge funding," Pawar said.

Indian mills have contracted to export 1.4 million tonnes of sugar since the start of the marketing season on Oct.1, shipping around 650,000 tonnes so far, four dealers said.

Earlier banks were not allowing mills in Maharashtra to sell sugar at prices lower than those agreed in loan contracts made using the stockpiles for collateral, said Prakash Naiknavare, managing director of National Federation of Cooperative Sugar Factories Ltd, a sugar processor trade group. But the government has intervened to let sales go forward. To make cane payments to farmers immediately after crushing, mills pledge sugar stocks with banks, which lend based on sugar prices in the local market.

After producing a record 32.5 million tonnes in 2017/18, India is likely to produce 31.5 million tonnes to 32 million tonnes of the sweetener in 2018/19, more than local demand of around 26 million tonnes.

But India has been struggling to export its surplus because of high production costs. New Delhi asked mills to export 2 million tonnes of sugar in 2017/18, but they managed to ship just 620,000 tonnes. "Stocks in India are huge. Exports need to be done," said Pawar of ISMA. The country started 2018/19 with opening stocks of 10.7 million tonnes, and the inventory at the beginning of the next season will be bigger, Pawar said. **—Reuters**

US oil export boom sparks a battle to build Texas ports

TEXAS: Booming U.S. oil exports have set off a scramble to build Gulf Coast ports to handle more than 3 million barrels per day in new supplies expected over the next five years.

Of seven proposed oil-export projects, nowhere is the opportunity greater or the competition more fierce than in Corpus Christi, Texas, where three firms are vying to open the state's first deepwater port.

Commodities trader Trafigura has taken an early lead with a planned offshore facility that has an easier path to regulatory approval and faces fewer objections from environmentalists.

Its chief competitor - a partnership of investor Carlyle Group and the Port of Corpus Christi to build an onshore port - has responded by petitioning regulators to kill Trafigura's project. Port lobbyists have cited past criminal allegations involving the firm in other countries and potentially "catastrophic" environmental impacts.

Rising demand for new ports follows a 2015 decision by the U.S. Congress to lift a 40-year ban on crude exports after advances in drilling techniques sparked a rapid rise in domestic shale production - especially in Texas. The United States had been the world's top oil buyer for decades, and its port infrastructure was built to import rather than export. Now, surging exports threaten to overwhelm existing ports as U.S. production is projected to hit 12 million barrels per day (bpd) this year, up from 9.35 million in 2017.(U.S. crude producers send more shale oil to the world: https://tmsnrt.rs/2H48vJp)

"We've got a wave of oil headed toward the coast," said Jeremiah Ashcroft III, chief executive of Lone Star Ports LLC, the Carlyle-backed company formed to develop its Corpus Christi project. Only one U.S. facility, the Louisiana Offshore Oil Port, can fully load supertankers capable of carrying 2 million barrels. The Corpus Christi port - the closest to the most prolific shale fields in Texas - exports less than 1 million bpd, and its harbor is too shallow to fully load supertankers.

The market ultimately may support more than one new deepwater port, but the first firm to build near Corpus Christi will have the best shot at cutting long-term deals with producers expected to ship an estimated 2.1 million bpd to the region through new pipelines set to open this year. "Right now, there's only enough room for one project," Ashcroft said.

Carlyle plans a US$1 billion port to handle 1.4 million bpd. Trafigura, which has not disclosed its planned investment in the port, would handle much less, at 500,000 bpd. But Trafigura's operation would siphon off revenue from the Port of Corpus Christi and Carlyle's project because Trafigura would serve shippers offshore, before they reach the harbor. Carlyle declined to make an executive available for an interview and referred questions to Lone Star. Trafigura said in a statement that its port would leave room for other projects because it would handle only a portion of the expected new oil flows.

A third competitor, pipeline operator Magellan Midstream Partners LP, plans an export terminal on the Corpus Christi harbor, near Carlyle's proposed site. But Magellan faces a roadblock because port officials last year agreed to work exclusively with Carlyle. Magellan said in a statement that it has not decided whether to build the project.

Companies including Kinder Morgan Inc, JupiterMLP and Tallgrass Energy have also proposed offshore ports along the Gulf Coast.

BRAZIL CHARGES: Carlyle said last October that it could open its facility by late 2020. But that assumes its plan for dredging to accommodate supertankers will not require a full environmental review, which is sought by opponents and could take two years.

As Carlyle and the Port have tried to navigate those obstacles, port lobbyists have petitioned regulators to halt Trafigura's project. In an August letter, the port's law firm called on the U.S. Coast Guard and the Maritime Administration to reject Trafigura's application, citing a "criminal history."

The letter from Baker Wotring LLP pointed to the trader's 2006 guilty plea for selling a U.S. company oil from Iraq that Trafigura falsely claimed had been authorized under a United Nations humanitarian aid program. U.S. companies at the time were barred by government sanctions from buying Iraqi oil except through the program.

After the regulators declined the port's request, its law firm in December raised bribery allegations brought earlier that month by Brazilian prosecutors against two former Trafigura executives. The firm asked regulators to halt Trafigura's work until the allegations were "fully investigated."

Trafigura said in a statement that its management had no knowledge of any improper payments made to employees of Brazil's state-run oil firm Petrobras. Trafigura did not comment on the port law firm citing its guilty plea involving Iraq oil sales.

Last month, five Corpus Christi area lawmakers asked Texas Governor Greg Abbott to veto Trafigura's application on environmental grounds, citing a risk of "catastrophic crude oil spills" and "excessive air emissions."

Federal rules require state governors to sign off on offshore ports. Abbott has made no decision, a spokesman said. Lone Star's Ashcroft said onshore terminals are safer than offshore projects because oil spills are more easily cleaned up in harbors than in open water. Trafigura said it chose to go offshore to ensure supertankers can safely and efficiently load cargoes and that its application will be reviewed by more than 30 government agencies.

BATTLE FATIGUE: Carlyle is essential to building the Port of Corpus Christi's crude export business. Port officials started pursuing federal approval to dredge its harbor 28 years ago, but Congress only recently approved US$59 million, a fraction of what's needed. "We don't have 28 years; we have two," said Sean Strawbridge, chief executive of the Port of Corpus Christi Authority, referring to its timeline for readying the port for new oil flows.

Port officials last year sought to kickstart the dredging by issuing US$217 million in bonds. That money will allow it to start dredging to a 54-foot draft - not deep enough for supertankers.

If Trafigura's port wins approval, it could take business from the Port of Corpus Christi. Port revenues could fall by about 12 percent, estimated investment researcher Morningstar Inc., a loss that could hurt its efforts to finance dredging not covered by the government or Carlyle. In October, Carlyle agreed to pay an undisclosed sum to cover the dredging needed to get achieve a 75-foot draft in the outer harbor to accommodate supertankers.

'ENVIRONMENTAL DISASTER': Environmentalists favor offshore ports over what they consider the harmful impact of dredging harbors. The newly formed Port Aransas Conservancy in south Texas has argued Carlyle's plan would endanger sea turtle nesting areas, dump silt onto nearby islands, and threaten shellfish that reach estuaries through the ship channel. Trafigura has countered environmental concerns about its offshore operation by proposing to tunnel under sand dunes and wetlands to install a pipeline instead of digging a trench through environmentally sensitive areas.

"Sea turtles are always an issue with dredging" because it brings in salt water, said Jayson Hudson, a regulatory supervisor at the U.S. Army Corp of Engineers, which oversees permitting for Carlyle's project. He called Trafigura's horizontal drilling plan a "good option for avoiding permanent impacts." Dredging the harbor, by contrast, would have wide-ranging impacts, said John Donovan, president of the Port Aransas Conservancy. "We're very much against what we consider to be an environmental disaster that the Port's plans for Harbor Island would entail," he said. **—Reuters**