Global stocks hover as weak European data, trade anxiety offsets US jobs boost

LONDON: Global stocks were little changed on Monday as broadly positive US jobs data quelled some fears about an economic slowdown, but nervousness over U.S.-China trade talks persisted and more weak European economic data trickled in.

European shares dipped as a fall in German industrial orders data underscored concerns about a looming recession in Europe's largest economy. The pan-European STOXX 600 was down 0.13per cent by 0800 GMT. Stocks globally took a battering last week, falling to their lowest level in over a month on fears of a U.S. economic slowdown. But positive U.S. jobs data helped spark a turnaround.

"I think the fact that the U.S. jobs report was broadly positive really put the brakes on the fear factor that was circulating last week - that the U.S. has been hit hard by the trade war," said David Madden, market analyst at CMC Markets in London. Asian stocks rallied in the slipstream of gains on Wall Street, with MSCI's broadest index of Asia-Pacific Shares outside Japan rising 0.1per cent. Japan's Nikkei stock index opened higher but reversed course and fell 0.2per cent. A key Japanese economic index fell in August and the government downgraded its outlook for the economy to "worsening", suggesting export-reliant Japan could slip into recession. MSCI's All-Country World Index, which tracks shares across 47 markets, flitted between positive and negative territory for most of trade in London. It was last flat.

Germany's DAX declined 0.2per cent after the data showed industrial orders fell slightly more than expected in August. Morale among investors in the euro zone dropped in October to its lowest level in more than six years as stimulus measures taken by central banks failed to allay recession fears, a survey by the Sentix research group showed. Besides the steady trickle of weak economic data, investors also had their eyes on U.S.-China trade talks. Bloomberg reported that Chinese officials are signaling they are increasingly reluctant to agree to a broad trade deal pursued by U.S. President Donald Trump. The report briefly lifted the safe-haven Japanese yen and gold.

An impeachment drive by U.S. Democrats over a whistleblower's allegations that Trump leveraged US$400 million in aid to secure a promise from Ukraine's President to investigate political rival Joe Biden will continue this week. Several U.S. diplomats will head to Capitol Hill for closed-door testimonies. On Sunday, lawyers said a second whistleblower had come forward to substantiate the first complaint from an unnamed U.S. government official, which touched off the investigation.

"I think it's fair to say the second whistleblower coming forward will be an issue for Trump. This strengthens China's bargaining position in the trade war," Madden said. U.S. stock futures were 0.5per cent lower. In currencies, the dollar was 0.1per cent higher against a basket of peers. The euro was 0.1per cent lower at US$1.0967 . Sterling fell as investors fear Britain and the European Union are no closer to agreeing a Brexit withdrawal deal. Euro zone government bond yields were little changed as investors weighed the prospects of a resilient economy in the United States against concern that U.S.-Sino trade negotiations would fail.

Yields in the euro area traded broadly neutral, with the German 10-year Bund yield falling 0.4 basis points to -0.59per cent. Portuguese bonds were also supported by news on Friday that DBRS has upgraded Portugal's credit rating.

Oil prices rose. Brent crude futures were higher by 0.2per cent at US$58.51 per barrel, while West Texas Intermediate (WTI) crude were 0.5per cent higher at US$53.06. Spot gold, fell 0.14per cent to US$1,502.30 per ounce. **—Reuters**

German recession looms as industrial orders drop more than expected

BERLIN: German industrial orders fell more than expected in August on weaker domestic demand, data showed on Monday, adding to signs that a manufacturing slump is pushing Europe's largest economy into recession.

Contracts for 'Made in Germany' goods fell 0.6% from the previous month, with demand for capital goods down 1.6%, the Economy Ministry said. The overall fall compared with a Reuters consensus forecast for a drop of 0.3%. "The German economy is in the midst of a recession. Today's data make that clear again," said Thomas Gitzel, economist at VP Bank Group. The economy shrank by 0.1% in the second quarter, and recent data have pointed to continued weakness in manufacturing in the third quarter. Most economists define a recession as two straight quarters of contraction. "The German government will probably come under growing pressure to give up its strict budget policy," added Gitzel. The government has so far stuck to its balanced-budget policy, despite pressure from economists and other governments to spend more to boost flagging demand. Finance Minister Olaf Scholz said last week that Germany would be able to cope with an economic crisis but added that he did not expect a downturn to be as bad as it was in 2008/2009.

"The weakness in demand in industry continues," the Economy Ministry said in a statement accompanying Monday's data. "The industrial sector remains subdued for the time being." Germany's export-reliant manufacturers are suffering from a slowing world economy and business uncertainty linked to a trade dispute between the United States and China as well as Britain's planned but delayed exit from the European Union.

Monday's weaker-than-expected data added to the sense of gloom around the German manufacturing sector. A survey released last Tuesday showed the manufacturing recession deepened in September, with factories recording their weakest performance since the world financial crisis a decade ago. Last Wednesday, leading economic institutes slashed their growth forecasts for the economy for this year and next, blaming weaker global demand for manufacturing goods and increased business uncertainty linked to trade disputes. The institutes also called on Chancellor Angela Merkel's coalition government to ditch its budget policy of incurring no new debt if the growth outlook deteriorates. It has so far refused to do so. Merkel's government has managed to raise public spending without incurring new debt since 2014, thanks to an unusually long growth cycle, record-high employment, buoyant tax revenues and the European Central Bank's bond-buying plan. But with the economy slowing and tax revenues waning, the fiscal room to counter a recession is getting smaller. At the same time, Germany's borrowing costs have turned into premiums, which means investors are actually willing to pay the state a bonus for being able

Impact of Saudi oil attacks on Singapore economy to be limited: Koh Poh Koon

SINGAPORE: Given the stabilisation in global oil prices and oil production capacity in Saudi Arabia returning to normal, the drone attacks on two Saudi oil facilities last month will likely have "limited" impact on the Singapore economy, said Senior Minister of State for Trade and Industry Koh Poh Koon on Monday. Singapore's oil supply remained sufficient throughout the period of outage and the impact on consumer prices is likely to be small, he told Parliament.

Dr Koh was responding to parliamentary questions about the surprise drone strikes on two major oil installations within Saudi Arabia on Sep 14 and the potential impact on Singapore's economy, as well as electricity and pump prices here. The drone strikes last month had hit Abqaiq, the world's largest oil processing facility, and the Khurais oil field in Saudi Arabia's eastern province. This knocked out 5.7 million barrels per day off production, equivalent to more than half of the OPEC kingpin's output and 5 per cent of the world's production.

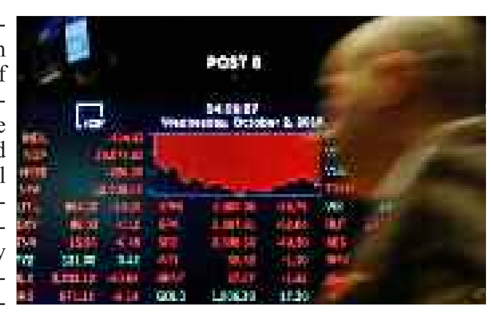
Amid anxiety over supply shortages and the possibility of a new threat to the global economy, global oil prices spiked immediately after the attacks. Prices retreated only after Saudi Arabia and the United States pledged to maintain a steady supply of oil, and the benchmark Brent crude has since stabilised at around US$59 per barrel as of Oct 2, said Dr Koh. For 2019 as a whole, Brent is projected to average at US$63 per barrel, lower than the US$71 per barrel in 2018, he added.

Still, Dr Koh said the incident is a "useful reminder" about the importance of energy security, especially given ongoing tensions in the Middle East "This is particularly pertinent to Singapore as we import almost all our energy," he said, while noting that the Government adopts several strategies to secure the country's energy supply and keep energy prices competitive.

First, the country's sources of crude oil and gas are diversified to ensure continuous supply even in face of disruptions. Bishan-Toa Payoh GRC Member of Parliament (MP) Saktiandi Supaat asked about plans for alternative energy sources, given that such incidences could intensify due to the possibility of more drone attacks in Saudi Arabia and geopolitical tensions in the Middle East. To that, Dr Koh stressed that Singapore's oil trading ecosystem is well-diversified.

"Our traders have sourced from not just in the Middle East but places in the United States as well. The diversification itself is a robust strategy to make sure that we are not threatened by a single source." Second, while electricity prices here cannot be insulated from global energy price movements, the promotion of competition will ensure that Singaporeans enjoy competitive electricity prices. Dr Koh cited the Open Electricity Market (OEM) as one such initiative. "Since we launched the OEM in May this year, households and small businesses have reported savings of about 20 to 30 per cent on their electricity bills," he said. **—Agencies**

Futures dip on caution ahead of trade talks



NEW YORK: US stock index futures dipped on Monday as investors braced for U.S.-China trade talks later in the week, after a rollercoaster week that sparked fears of a recession in the world's largest economy. Chinese officials signaled they were increasingly reluctant to agree to a broad trade deal pursued by U.S. President Donald Trump, Bloomberg reported over the weekend. Wall Street logged a choppy start to the month as concerns fueled by a contraction in U.S. factory activity and weaker-than-expected services sector data were countered by rising bets of a third interest rate cut by the Federal Reserve. Traders see a 76.4per cent chance of the Fed cutting rates by 25 basis points at its policy meeting later this month, up from about 40per cent a week ago, according to CME Group's FedWatch tool. After losing about 3per cent earlier in the week, the S&P 500 and Dow Jones indexes gained more than 1per cent on Friday after a report showed nonfarm payrolls increasing by 136,000 last month, with the unemployment rate dropping to a 50-year low. Investors will now turn to the upcoming third-quarter earnings season to judge the effect of the trade war on Corporate America. Analysts are pointing to the lowest quarterly profit performance since 2016, with S&P 500 earnings falling 2.7per cent from a year ago, based on IBES data from Refinitiv. At 7:23 a.m. ET, Dow e-minis were down 63 points, or 0.24per cent. S&P 500 e-minis were down 7.25 points, or 0.25per cent and Nasdaq 100 e-minis were down 19 points, or 0.24per cent. Among stocks, General Electric Co shares rose 1.1per cent premarket after the industrial conglomerate said it was freezing the pension plan for about 20,000 U.S. employees with salaried benefits, as it looks to cut its huge debt pile. **—Reuters**

Keppel, Sembcorp Marine strike deals with embattled Brazil firm over oil rigs

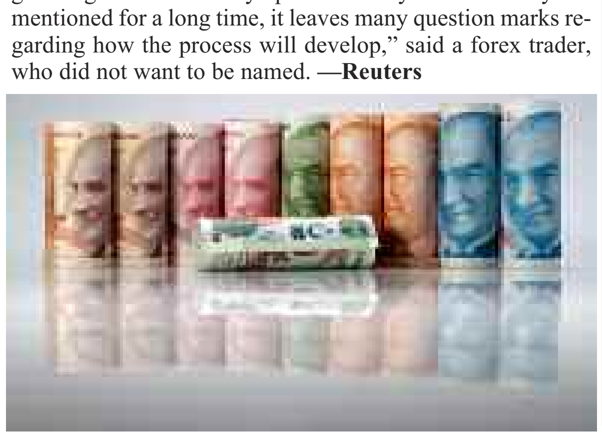
SINGAPORE: Singapore firms Keppel and Sembcorp Marine said on Monday they had reached settlements with indebted Brazilian firm Sete Brasil over long-standing contracts to build drillships and rigs. Sete, which leased oil rigs to Brazil's state oil firm Petroleo Brasileiro (Petrobras), filed for bankruptcy protection in 2016 after being engulfed in a massive corruption scandal. Keppel and Sembcorp Marine are among a host of firms caught up in the wide-ranging "Car Wash" investigation. In late 2017, Keppel's rig-building unit paid US$422 million to resolve charges it paid bribes to secure contracts in Brazil, including with Sete. Keppel has previously booked provisions of about S$311 million related to the contracts to build six drilling rigs for Sete and had halted construction in late 2015. On Monday, Keppel said it will take ownership of four uncompleted rigs via a subsidiary, and hopes to receive compensation under Sete's court-ordered restructuring for a further two rigs. Separately, Sembcorp Marine said it had reached a deal over its previous contracts with Sete for seven drillships, worth US$5.6 billion. It said it will "keep all works performed" for five ships, and split ownership with Sete for a further two ships. Sembcorp Marine said it will terminate arbitration against Sete following the settlement, and that the event is not expected to have a material impact on its 2019 earnings. **—Reuters**

Gold edges up ahead of Sino-US trade talks

NEW YORK: Gold prices ticked up on Monday as investors were cautious ahead of this week's Sino-U.S. trade talks following a report that Beijing would likely disagree to a broad trade deal with the United States. Spot gold inched 0.1pc higher to $1,505.38 per ounce, as of 0612 GMT. Prices had firmed 0.5pc last week on fears of cooling global growth. US gold futures slipped 0.1pc to $1,511.00 per ounce. The next round of U.S-China trade talks are set to be held in Washington on Oct. 10-11, although hopes of progress diminished after a report that Chinese officials wanted the scope of this week's negotiations to be narrow. There is uncertainty regarding the trade negotiations. China seems to be very reluctant to agree, said Margaret Yang Yan, a market analyst at CMC Markets. "There is demand for safe haven assets, which reflects a very cautious mood towards the trade deal." The long-drawn trade tussle between the world's two largest economies has toppled markets globally and triggered fears of a possible recession. "Gold has been in a range of less than $100. It will take a strong catalyst to bring gold out of this channel," Yan said, adding that quantitative easing by the U.S. Fed, European Central Bank and Bank of Japan could be a major factor. **—Reuters**

Turkish lira weakens 1pc on Syria operation concerns

ISTANBUL: Turkey's lira slid against the dollar on Monday after the White House said Ankara will soon be moving forward with its operation into northern Syria and that U.S. armed forces will not support it or be involved. Investors have been closely watching tense ties between Ankara and Washington in recent months, with the NATO allies at odds over a range of issues, including policy differences in Syria and Turkey's purchase of Russian missile defence systems. Turkey has repeatedly threatened to carry out an incursion against the U.S.-backed Kurdish YPG militia in northeast Syria, accusing Washington of stalling efforts to establish a "safe zone" there along the Turkish border. Following a phone call between presidents Tayyip Erdogan and Donald Trump, the White House said on Sunday U.S. forces would not support Turkey's incursion and would leave the area. The lira was trading at 5.7450 at 0717 GMT, weakening from a close of 5.7000 on Friday. Earlier, it weakened as far as 5.7575. "While the statement from the United States gives a green light to the military operation in Syria that Turkey has mentioned for a long time, it leaves many question marks regarding how the process will develop," said a forex trader, who did not want to be named. **—Reuters**



Copper picks up on US job data; trade talks in focus

SINGAPORE: Copper prices firmed on Monday after strong U.S. jobs data eased fears of a possible recession in the world's largest economy and ahead of renewed efforts this week to resolve the U.S.-China trade conflict. The U.S. unemployment rate dropped close to a 50-year low of 3.5pc in September, soothing some concerns sparked by disappointing manufacturing and services data. Investor focus now shifts to the U.S.-China trade talks scheduled to resume over Oct. 10-11, with President Donald Trump saying that his administration had a "very good chance" of agreeing a trade deal. However, Bloomberg reported that Chinese officials are signalling increasing reluctance to a broad trade deal pursued by Trump. Three-month copper on the London Metal Exchange (LME) rose 0.4pc to $5,665.50 a tonne by 0739 GMT. Copper prices have been caught between the balancing influences of falling supply and weakening global demand, especially in biggest user China. The Shanghai Futures Exchange (ShFE) is due to re-open on Tuesday after a week-long public holiday in China. ShFE copper was last traded at 47,110 yuan ($6,590.93). "It's a matter of some faith that LME copper will not diverge from the last ShFE traded price during these twice-yearly week-long Chinese holidays," said John Browning, managing director of brokerage Bands Financial. **—Reuters**