

European shares near record high after Johnson's UK landslide win

NEW YORK: A surge for London-listed companies brought European stock markets within striking distance of an all-time high on Friday, as investors cheered the likelihood of an orderly Brexit after a landslide election victory for Prime Minister Boris Johnson.

The UK-focused FTSE mid-cap index jumped 5pc to a record high, pushing the broader pan-European STOXX 600 up 1.6pc and putting it on course for its best day in two months.

The blue-chip FTSE 100 also advanced 1.7pc, as solid gains in banks and utilities helped the export-heavy index shrug off the impact of a surge in sterling, which typically weakens sentiment towards

component companies.

Dublin's ISEQ, also considered a barometer of Brexit sentiment, jumped to a 12-year high.

Markets believe a Conservative Party win would enable Johnson to deliver Brexit within weeks, easing fears that the United Kingdom could crash out and ending 3-1/2 years of uncertainty over the shape of the country's exit from the trading bloc.

"The big issue has been the lack of direction and that goes away, which is why sterling is rallying and gilt yields are back up and domestically-focused equities are gaining," said Gaurav Saroliya, director of global macro strategy at Oxford Economics.

The benchmark European index is now just two points shy of a record high hit in 2015.

It is also on track to end the year almost 20pc higher, its biggest annual gain in a decade, as investors turn optimistic about another major economic issue – the prolonged U.S.-China trade war.

Trade-sensitive German shares jumped 1.3pc on Friday after a report the United States would suspend tariffs on Chinese goods set to kick in on Sunday and cut others in return for Beijing buying more American farm goods.

All major country indexes were trading higher.

The European travel and leisure index added 4.1pc, boosted by a 7.5pc to 9pc surge for Brexit-sensitive airline stocks such as easyJet, International Consolidated Airlines Group, and Ryanair Holdings plc.

In corporate news, Delivery Hero gained more than 15pc as it agreed to buy South Korea's top food delivery app operator Woowa Brothers for \$4 billion and form a joint venture. Its shares helped the retail sector rise 3.3pc. German consumer goods company Henkel slipped 3.2pc as the consumer goods company said it expects its EBIT margin to fall to 15pc in 2020. —AFP



Oil hits three-month high as trade hopes

LONDON: Oil rose on Friday to its highest in nearly three months as progress in resolving the US-China trade dispute and Britain's general election result appeared to lift two clouds that have been dampening investor appetite for risk.

US sources said on Thursday that Washington has set its terms for a trade deal with Beijing, offering to suspend some tariffs on goods and cut others in exchange for Chinese purchases of more American farm goods. Brent crude, the global benchmark, climbed to \$64.95 a barrel, the highest since Sept. 23, and as of 1000 GMT was up 71 cents at \$64.91. U.S. West Texas Intermediate crude gained 52 cents to \$59.70. The 18-month trade war has been a dampener for oil prices, while uncertainty around Brexit has also weighed. Britain's ruling Conservative Party won a large majority in Thursday's general election, giving it the power to take the country out of the European Union.

"An eventful past 24 hours has removed a layer of uncertainty for the global economy," said Stephen Brennock of oil broker PVM. "Yet it remains to be seen whether the return of the feel-good factor is enough to set oil prices on a definitive northerly trajectory." A drop in the U.S. dollar against the backdrop of a strong pound helped boost commodities. —AFP

US sets China trade deal terms, sources say, but Beijing keeps mum



WASHINGTON/BEIJING: Washington has set its terms for a trade deal with China, offering to suspend some tariffs on Chinese goods and cut others in exchange for Beijing's buying more American farm goods, U.S. sources said on Thursday.

Beijing's silence, however, raised questions over whether the two sides can agree a truce in their trade war before a new round of tit-for-tat tariffs takes effect on Sunday.

A source briefed on the status of bilateral negotiations said the United States would suspend tariffs on \$160 billion in Chinese goods expected to go into effect on Sunday and roll back existing tariffs.

In return, Beijing would agree to buy \$50 billion in U.S. agricultural goods in 2020, double what it bought in 2017, before the trade conflict began, two U.S.-based sources briefed on the talks said. China says it is committed to resolving issues in trade deal with US.

China's yuan jumped to a four-and-a-half-month high against the U.S. dollar and Chinese shares rallied on Friday on hopes the two sides will avoid further escalation of the trade war. Neither Washington nor Beijing made official statements about a deal, however, raising questions about whether the terms had been agreed by both sides.

New Chinese tariffs on U.S. goods are due to take effect at 0401 GMT Sunday and new U.S. tariffs on Chinese goods will apply at 0501 GMT. Both would need to make formal announcements to postpone or cancel the tariffs.

Washington had offered to cut existing tariffs on Chinese goods by as much as 50% and suspend the new tariffs scheduled for Sunday to secure phase one of deal first promised in October, two people familiar with the negotiations had said earlier on Thursday.

One of those people told Reuters that U.S. President Donald Trump and his top advisers agreed on the terms for a proposal, possibly a final offer, and were now waiting for Beijing to sign off in writing.

A Beijing-based U.S. business community official also told Reuters he viewed the reported deal more as a "final offer" that has been approved by Trump but not yet affirmed by Beijing. Chinese foreign ministry spokeswoman Hua Chunying, asked about the status of the trade talks during a daily briefing on Friday, did not comment on whether an agreement has been reached or specific terms of any deal with the United States. "China is committed to constructive dialogue to resolve and manage our differences, and believe... the deal must be mutually beneficial," she said.

Some analysts doubted China could deliver such a dramatic increase in agricultural purchases. For instance, demand for soybeans - a key U.S. product used for animal feed - is down after African swine fever devastated China's pig herd. It also made a big increase in corn purchases unlikely, they said.

Ramping up purchases of other U.S. farm

products such as beef would be hard, too, they said.

"There's just no logistical way that they can double imports in a year," said Darin Friedrichs, senior Asia commodity analyst at INTL FCStone.

Senior Chinese diplomat Wang Yi blasted Washington for damaging relations by criticizing Beijing over issues such as Hong Kong and the treatment of Muslim Uighurs. He did not mention the trade war.

"We will never accept the so-called unilateral sanctions and any acts of bullying," he during an event on Friday morning.

In the absence of a deal that at least declares a truce in the 17-month trade war, U.S. tariffs on Chinese imports, including products such as video game consoles and computer monitors, begin Sunday. China's retaliatory tariffs, targeting goods ranging from corn and wheat to small aircraft and rare earth magnets, will also take effect.

Beijing is also scheduled to begin reapplying on Dec. 15 an additional 25% tariff on U.S.-made vehicles and 5% tariffs on auto parts that had been suspended at the beginning of 2019.

Chinese officials and trade experts have warned that another exchange of tariffs could torpedo the trade negotiations and further escalate the dispute. Some experts say it's possible that talks may be suspended altogether until after the US presidential election in November 2020. —Reuters

Japan to issue 2.2tr yen bonds to offset trade war's hit on tax revenues

TOKYO: Japan's government will issue an additional 2.2 trillion yen (\$20.25 billion) of deficit-financing bonds to make up for a tax revenue shortfall, Finance Minister Taro Aso said, after the cabinet approved on Friday an extra budget for the fiscal year ending March 2020.

The extra budget will be compiled along with an annual budget for the year starting in April 2020, and sent to parliament for approval early next year. It is the first time that the government has resorted to issuing extra deficit financing bonds since 2016, and shows how PM Shinzo Abe is struggling to balance the budget, a target he has already pushed back by five years to March 2026.

The government's difficulties raising revenue and trimming debt issuance will further cloud the outlook for the "Abenomics" stimulus policy mix of bold monetary easing, flexible spending and structural reform.

Finance ministry officials said the government will slash the tax income estimate for the current fiscal year by 2.3 trillion yen from its initial target



of 62.5 trillion yen as a slump in exports amid the Sino-U.S. trade war has hit revenues.

Aside from the 2.2 trillion yen of additional deficit-covering bonds, the government will also issue additional construction bonds worth about 2.2 trillion yen to finance infrastructure spending.

The extra budget features additional fiscal spending worth about 4.5 trillion yen, the bulk of which will be spent, along with next fiscal year's annual budget, to fund the stimulus spending of 13.2 trillion yen the cabinet adopted last week, the officials said.

The spending package was aimed at funding disaster recovery, countering downside economic risks and sustaining a fragile economy beyond the 2020, Tokyo Olympics.

In addition, the government will tap some additional 1.5 trillion yen from its fiscal investment and loan programme, taking advantage of low borrowing costs under the Bank of Japan's negative interest rate policy. —Reuters

UK GAS Prompt prices fall as temperatures turn warmer

LONDON: Prompt British wholesale gas prices fell on Friday, giving up strong gains made on Thursday as forecasts for warmer temperatures than previously expected curbed demand for gas.

The within-day contract was down 2.50 pence at 33.50 p/therm by 0915 GMT.

The day-ahead contract was down 0.25 pence at 33.25 p/therm.

Traders said contracts corrected after a sharp spike on Thursday following gains across the energy complex on hopes the United States was close to reaching a trade deal with China.

"Fundamentally it's still bearish, there is a lot of supply," a gas trader said.

Average temperatures in Britain are expected at 5.6 degrees Celsius on Friday, Eikon Refinitiv data showed, 1.4 degrees higher than previously forecast.

Analysts at Refinitiv also said gas demand from power stations was weak on Friday.

Strong supply is expected over the next few weeks, with three liquefied natural gas (LNG) tankers currently docked and a further 15 scheduled to arrive in Britain before the end of the year. Further along the curve prices also slipped.

The January gas contract was down 0.65 pence at 37.35 p/therm.

The summer 2020, contract was down 0.85 p at 33.75 p/therm.

The January gas price at the Dutch TTF hub was down 0.20 euro at 14.50 euros per megawatt hour. The benchmark Dec-19 EU carbon contract was up 0.43 euro at 25.50 euros per tonne. —Reuters



Johnson election victory propels Britain toward swift Brexit

LONDON: Britain was speeding toward Brexit on Friday after Prime Minister Boris Johnson won a crushing election victory, ending three years of uncertainty since the country decided to leave the bloc.

Exiting the European Union, a goal Johnson has pursued relentlessly since he put himself forward as the face of the victorious "Leave" campaign in a 2016 referendum, is Britain's biggest leap into the unknown since World War Two.

Johnson is now free to lead his country swiftly out of the vast trading bloc, but faces the daunting task of negotiating trade deals around the world, not least with the EU itself, and of keeping a divided kingdom in one piece.

"We will get Brexit done on time by the 31st of January, no ifs, no buts, no maybes," a triumphant Johnson told cheering supporters as a grey dawn broke over London.

Later, he went to Buckingham Palace to ask Queen Elizabeth for permission to form a new government - a formal step required under the UK's constitutional monarchy system.

Overnight, results pouring in from the 650 parliamentary constituencies around the United Kingdom showed that Johnson's Conservative Party had trounced its main opponent, winning 364 seats to the Labour Party's 203.

U.S. President Donald Trump was quick to congratulate Johnson.

"Britain and the United States will now be free to strike a massive new Trade Deal after BREXIT. This deal has the potential to be far bigger and more lucrative than any deal that could be made with the E.U.," Trump wrote on

Twitter "Celebrate Boris!"

European politicians were less enthusiastic.

"The British people have decided and we have to accept their choice. With Johnson's victory Brexit has become inevitable," said German lawmaker Norbert Roettgen, of Chancellor Angela Merkel's party.

A vindication for Johnson and his simple campaign message, "Get Brexit Done", the result represented the biggest House of Commons majority for the Conservatives since Margaret Thatcher's 1987 triumph.

Sterling jumped by 2.5%, its biggest rise in nearly three years, on the first signs of the scale of Johnson's victory, before giving up some of those gains. Shares in companies that rely on the British economy soared.

The Brexit issue, which has consumed politics and the public debate in Britain since 2016, has eroded traditional party loyalties, dividing the nation along new fault lines of urban vs rural, young vs old, and graduates vs non-graduates.

The Brexit effect was most starkly illustrated by the crumbling of Labour's so-called Red Wall, a rampart of working class areas across northern and central England where most people had voted "Leave" in 2016.

Frustrated at the country's failure to quit the EU since then, and at Labour's equivocal stance on Brexit, large numbers of voters deserted the party and flocked to the Conservatives, leaving the Red Wall full of holes.

"Your hand may have quivered over the ballot paper before you put your cross in the Con-

servative box," Johnson told those voters in his victory speech, acknowledging that their support for his party represented a political earthquake.

"You may hope to return to Labour next time round, and if that is the case, I am humbled that you have put your trust in me," he said, a rare note of humility from a politician best known for his bombastic rhetoric and supreme self-belief.

But it was a very different picture in Scotland, where the anti-Brexit, pro-independence Scottish National Party (SNP) won 48 out of 59 Commons seats by thrashing both the Conservatives and Labour.

"Boris Johnson may have a mandate to take England out of the European Union. He emphatically does not have a mandate to take Scotland out of the European Union," said Nicola Sturgeon, SNP leader and first minister of Scotland.

With Sturgeon emboldened to step up her campaign for an independence referendum, and Irish nationalists performing strongly in Northern Ireland, the integrity of the United Kingdom looks more precarious than it has for centuries.

Overall, the election results were most damaging for Labour and its veteran socialist leader Jeremy Corbyn, who announced he would step down after a "process of reflection".

Once a fringe figure on Labour's far left, Corbyn unexpectedly won the party leadership in 2015 on a wave of grassroots enthusiasm for his radical policies, especially among some young people.

But voters on Thursday unambiguously re-

jected his program of nationalizations and colossal state spending, delivering Labour's worst result since 1935.

The party now faces a brutal internal battle between Corbyn's followers, who are determined to stick to their socialist agenda, and his critics, who want the party to return to the center ground it occupied under former Prime Minister Tony Blair.

In a symbol of Labour's failure, Blair's old

parliamentary seat of Sedgefield fell to the Conservatives.

It was also a bad night for the strongly anti-Brexit Liberal Democrats, the only party that proposed cancelling Brexit without holding a second referendum.

The plan appeared to backfire, with the party winning only 11 seats. Its leader, Jo Swinson, lost her Scottish seat to the SNP and promptly resigned. —Reuters

