Anglo American slows Peru copper project construction due to national quarantine

PERU: Global miner Anglo American said on Tuesday it was slowing down the construction work of the Quellaveco copper project in Peru, following a 15-day national quarantine to curb the spread of the coronavirus outbreak. The Latin American country has suspended constitutional rights including free movement and assembly as it tries to deal with the fast-spreading virus, which had infected 71 people as of Sunday. Anglo said the work on the project will be significantly slowed, with only critical areas of the project continuing as normal. The Quellaveco project, with an expected capital cost of $5 billion to $5.3 billion, is expected to start production in 2022. Anglo expects output of about 300,000 tonnes per year at a cash cost of $1.05 per pound of copper during the first ten years of full production at the project. Copper accounts for nearly 20% of Anglo's annual revenue. —**Reuters**

Oil near $30 as recession fears, pump war weigh

LONDON: Oil traded near $30 a barrel on Tuesday, close to its lowest since 2016, and analysts said more declines may follow as the coronavirus pandemic hits demand and Saudi Arabia and Russia battle for market share. Countries including the United States and Canada, along with nations in Europe and Asia, are taking unprecedented steps to contain the virus, curbing demand for crude and products such as gasoline and jet fuel. Brent crude LCOc1 slipped 5 cents to $30.00 a barrel at 1157 GMT, having earlier touched $31.25. On Monday it sank to $29.45, the lowest since January 2016. "Unfortunately for the bulls, we believe we have not seen the worst of the price rout yet," said Bjornar Tonhaguen of Rystad Energy." "The market will soon come to realize that the it may be facing one of the largest supply surpluses in modern oil market history in April." U.S. West Texas Intermediate (WTI) crude CLc1 reversed most of an earlier 4.7% gain to stand at $29.16. U.S. President Donald Trump warned on Monday that the United States may be heading into recession as economic activity across the globe slowed and stock markets tumbled. The United States has said it will take advantage of low oil prices to fill its Strategic Petroleum Reserve (SPR). Other countries and companies are planning similar measures to fill storage tanks. Attention will focus later on U.S. inventory reports that are expected to show crude inventories rising for an eighth straight week. —**Reuters**

CFTC to give work-from-home relief to traders: WSJ

NEW YORK: The US Commodity Futures Trading Commission (CFTC) is planning to allow market participants to skip certain record-keeping requirements if they work from home over coronavirus fears, the Wall Street Journal reported on Tuesday citing officials familiar with the matter. The relief from the regulator is short-term and will apply to trading venues, banks, brokers and other parties until June 30, according to the report. The first set of no-action letters — where regulators inform market participants that they won't enforce certain rules — is expected to come Tuesday, the report said. The measures to be announced include extending certain filing deadlines and allowing manual record-keeping as traders will not have access to phone lines that can tape calls, a regulatory re-

Futures point higher after Wall Street's steepest plunge since 1987

NEW YORK: US stock index futures rose in volatile trading on Tuesday, a day after Wall Street's steepest fall since 1987, as drastic efforts to contain the coronavirus pandemic paralyzed parts of the economy and crushed business sentiment. The benchmark S&P 500 erased all its gains from 2019 in the previous session as the Federal Reserve's dramatic move to cut interest rates to near zero added to worries about the economic fallout from the outbreak. Monday marked the S&P 500's third-biggest daily percentage drop on record, beaten only by the 1987 rout and the Great Depression crash."It's becoming clearer that at its peak the COVID-19 impact on the global economy will likely be worse than the peak of the global financial crisis," said Jim Reid, a strategist at Deutsche Bank in Guildford, UK. As governments in the United States and Europe start shutting restaurants and schools, as well as asking people to stay home, strategists are downgrading growth forecasts for the second quarter. Some investors are going so far as to contemplate outcomes more dire than a recession, including several quarters of declining economic activity, a credit crisis or even a depression. The three indexes have plunged about 30per cent from their record closing highs in mid February, ending the U.S. stock market's longest-ever bull run. At 7:10 a.m. ET, Dow e-minis were up 453 points, or 2.22per cent and Nasdaq 100 e-minis were up 192.25 points, or 2.72per cent. S&P 500 e-minis rose 57.5 points or 2.38per cent.

Big U.S. lenders ticked higher after announcing they would access funding from the Fed's "discount window". Bank of America Corp , Citigroup Inc , Goldman Sachs Group Inc , JP Morgan Chase & Co , and Wells Fargo & Co rose between 3.0per cent and 4.6per cent in premarket trading. Boeing gained 3per cent after the planemaker said it was in talks with senior White House officials and congressional leaders about short-term assistance for the entire U.S. aviation sector. Shares of carriers American Airlines , United Airlines and Delta Air Lines were up more than 2per cent. In a bright spot for healthcare stocks, Pfizer Inc gained 3per cent after the drugmaker signed a deal with Germany's BioNTech SE to co-develop a potential coronavirus vaccine.

Regeneron Pharmaceuticals Inc jumped 14per cent after the company said it had identified antibodies to potentially treat COVID-19. —**Reuters**

Volkswagen suspends production as coronavirus hits sales

FRANKFURT: Volkswagen Group, the world's biggest carmaker, is suspending production at factories across Europe as the coronavirus pandemic hits sales and disrupts supply chains, the company said on Tuesday.

The German carmaker, which owns the Audi, Bentley, Bugatti, Ducati, Lamborghini, Porsche, Seat and Skoda brands, also said that uncertainty about the fallout from coronavirus meant it was impossible to give forecasts for its performance this year. "Given the present significant deterioration in the sales situation and the heightened uncertainty regarding parts supplies to our plants, production is to be suspended in the near future at factories operated by group brands," Chief Executive Herbert Diess said on Tuesday. Volkswagen's powerful works council concluded it was not possible for workers to maintain a safe distance from each other to prevent contagion and recommended a suspension of production at its factories from Friday. Production will be halted at VW's Spanish plants, in Setubal in Portugal, Bratislava in Slovakia and at the Lamborghini and Ducati plants in Italy before the end of this week, Diess said. Most of its other German and European factories will prepare to suspend production, probably for two to three weeks, while Audi said separately it

would halt output at its plants in Belgium, Germany, Hungary and Mexico. Volkswagen's vast factory in Puebla, Mexico, and plants in Brazil and the United States were not affected but that would depend on how the coronavirus spreads, VW said. Volkswagen has 124 production sites worldwide of which 72 are in Europe, with 28 in Germany alone. "2020 will be a very difficult year. The coronavirus pandemic presents us with unknown operational and financial challenges. At the same time, there are concerns about sustained economic impacts," Diess said.

PRODUCTION IN CHINA RESUMES: Volkswagen Group sold 10.96 million vehicles last year, putting it ahead of Toyota based on the latest figures from the Japanese carmaker. Globally, VW employs 671,000 people and it delivered 4.86 million vehicles to European customers in 2019.

Only last month the car and truck maker based in Wolfsburg in Germany predicted that vehicle deliveries this year would match 2019 sales and forecast an operating return on sales in the range of 6.5per cent to 7.5per cent. "The spread of coronavirus is currently impacting the global economy. It is uncertain how severely or for how long this will also affect the Volkswagen Group. —**Reuters**

Factbox: China commodity exchanges act to contain virus-driven volatility

BEIJING: China's commodity exchanges have rolled out a series of measures - from raising margin requirements and trading limits to halting trade completely - to help maintain market stability as coronavirus panic spreads across the globe. Below is a list of some of the actions taken, affecting trade in everything from eggs to gold in the world's biggest commodities consumer as a broad sell-off sees prices plunge.

CRUDE OIL/RUBBER: The Shanghai International Energy Exchange (INE), responding to a collapse in global oil prices, raised the trading margin on its crude oil futures contract to 11% from settlement on March 11, and hiked the trading limit to 10% from March 12.

On Tuesday, the INE said it would waive delivery fees for its crude oil and TSR 20 rubber futures from April 10 this year until Jan. 8, 2021 to ease financial pressure on market participants.

SHFE: The Shanghai Futures Exchange (ShFE) increased trading margins and limits on a large number of commodity futures contracts starting this week, including base metals, steel rebar, hot-rolled steel coil and fuel oil.

On Tuesday, the bourse said it would also waive delivery fees for 16 products - including base metals, steel, gold, silver and fuel oil - from April 10 until Jan. 8, 2021.

PRECIOUS METALS: The Shanghai Gold Exchange (SGE) on Monday said it would raise margin requirements and trading limits for gold and silver contracts after big price fluctuations.

On Tuesday, the bourse said it would impose a one-day halt on trading in its Ag (T+D) silver contract on March 18, after the contract fell 13%, and would take measures to reduce market risk.

EGGS: The Dalian Commodity Exchange (DCE) said on March 4 it would raise trading limits and margins on its egg futures contracts for May and June delivery. —**Reuters**

Surging borrowing costs, vanishing buyers: More pain for European junk bonds

LONDON: Borrowing costs for junk-rated European companies have nearly tripled in less than a month, and with the market for new debt issuance shuttered, there could be a lot more pain in store for firms needing to raise fresh money to redeem debt.

The yield on the iBoxx euro liquid high-yield index, which tracks 250 corporate bonds with sub-investment grade ratings, spiked to a seven-year high on Monday of just over 7per cent, according to Refinitiv data.

On Feb. 20, when the spread of coronavirus was just starting to spook investors, the average yield on the index was 2.69per cent, less than 100 basis points off record lows set in 2017.

Now, just halfway through March, the yield is on course for its biggest monthly rise since October 2008, when markets were dealing with the effects of investment bank Lehman Brothers' collapse. Many individual issues are faring even worse - yields on 2027 subordinated bonds from Legoland owner Merlin Entertainments have shot up to nearly 10per cent, up more than 6 percentage points in three weeks, according to Tradeweb. But even these levels may not tell the whole story. With liquidity drying up in these riskier assets, funds trying to offload any sizeable holdings are having to sell at lower prices than quoted on trading platforms, market players said.

"What we're hearing is that, what we're seeing on the screens, that's just indicative," said an official at a high-yield debt syndicate at a European bank. There is likely more to come, with Deutsche Bank revising targets for the European high-yield market on Monday to recession levels at a spread of over 1,000 basis points.

That will exacerbate stress for asset managers in the sector - JPMorgan said European high-yield funds it tracks have lost close to 6per cent of their assets in the past two weeks, with outflows topping 4 billion euros.

WHAT NEXT: The problem could go beyond soaring borrowing costs. With the European market for high-yield bond sales shut since Feb. 20, it is difficult to gauge who will be able to borrow when the market eventually reopens and at what price deals will get done. "The high-yield and leveraged loan market is pretty well shut for the next bit. I think it's very difficult to take any comfort in what's going to happen in the market on a day to day basis," said a senior banker who arranges bond sales for junk-rated companies. Names with significant amounts of debt due for repayment next year include Germany's Thyssenkrupp , Telecom Italia and shipping giant CMA CGM, according to 9fin, a data provider focused on high-yield markets. Around 38 billion euros of debt by junk-rated corporates and financial issuers in European currencies will mature by the end of 2021, according to Fitch Ratings. Philip Hertz, restructuring partner at law firm Clifford Chance, said industries damaged by coronavirus and with debt falling due in the next six to 24 months are the ones to watch. The cost of insuring against high-yield European borrower defaults has risen to eight-year highs in recent sessions. "You have to ask yourself, are they going to be able to refinance where the market is? Are they going to be able to put their balance sheets behind that?" Hertz said. "They've got to start thinking about it now. If they can't refi, they've got to think about restructuring." —**Reuters**