

Business

Stock markets, dollar climb on upbeat Trump trade comments

LONDON: Stock markets and the dollar advanced yesterday after upbeat comments from US President Donald Trump that a trade deal with China could come sooner than expected and steps towards a new agreement with Japan. Trump, in an appearance Wednesday at the United Nations, said a deal with China was getting closer, sending equities higher despite concerns over the launch of an impeachment inquiry against the mercurial leader.

The remarks came just a day after Trump railed against Chinese “abuses” at the UN summit, comments that had been seen as among the factors causing stocks to fall Tuesday. Connor Campbell, analyst at Spreadex trading group, said “investors chose to buy into Trump’s trade optimism, allowing the markets to push higher”. Trump on Wednesday also said Washington and Tokyo had taken a major step towards sealing a comprehensive new trade deal, which will see Japan cut tariffs on \$7 billion of US farm exports while the US would cut tariffs on some Japanese agricultural goods.

“Investors have been ‘trade war’ bearish for so long that any sliver of optimism is cheered,” Stephen Innes, Asia Pacific market strategist at

AxiTrader, said in a note. The Japanese deal also “suggests the president is open to an ‘interim’ trade deal, possibly signaling he is willing to negotiate one with China”, Innes said. Asian markets largely cheered Trump’s positive comments on trade. Elsewhere, crude prices slipped after an unexpected rise in US inventory and a swift recovery in Saudi Arabia’s output following the September 14 attacks on its oil infrastructure.

The pound was little changed. The British currency had pulled back after it rallied on Tuesday on the belief that the odds of a no-deal Brexit had fallen. “It will probably take a Brexit agreement signed and sealed to give it new upside momentum,” said Jeffrey Halley, senior market analyst at OANDA. On the corporate front, shares in Airbus were unchanged at 121 euros in Paris after sources revealed that the European aerospace giant has been hit by a series of attacks by hackers targeting its suppliers in search of commercial secrets, adding they suspected a Chinese link. AFP spoke to seven security and industry sources, all of whom confirmed a spate of attacks in the past 12 months but asked for anonymity because of the sensitive nature of the information they were sharing. — AFP



NEW YORK: Federal Reserve Chairman Jerome Powell gives a news conference as traders work on the floor of the New York Stock Exchange. — AFP

Japan cattle farmers fear US trade deal will be death knell

TOKYO: US and Japanese officials insist a hard-won bilateral trade deal will be a “win-win”, but some Japanese cattle farmers fear the agreement could sound the death knell for their embattled sector. Cattle farmers are already struggling to adjust to the terms of two major free trade deals inked by Japan in recent years — the Trans-Pacific Partnership (TPP) and an agreement with the European Union. But they fear the US trade deal will put much greater pressure on them.

“We were able to maintain a market for our products in competition with the TPP members, because our beef quality is good enough to compete, even if imported beef was cheaper,” said Harumi Yoshikawa, an official in charge of live-stock at an agricultural cooperative in Hokkaido. “But American beef rivals ours in terms of quality and in that sense we are worried.” Akio Kawai, 61, who runs a ranch of some 4,300 beef cattle in Shikaoi town in northern Hokkaido, said: “Politicians are not thinking about us farmers at all.” He said he is determined to stay afloat “but others may think about quitting this business”. “Japanese beef may be delicious and offer a sense of safety to consumers, but US beef is absolutely cheaper, and that’s attractive to some,” Kawai said.

Worries for the future

Under the deal announced in New York on Wednesday, Japan will eliminate or reduce tariffs on \$7.2 billion worth of US food and agricultural products. Milk cow farmers fear they too will struggle, despite assurances of assistance from Japanese government officials. The deal “will be a further blow to small cow farmers like us who keep just 30 to 50 cows,” said one dairy and beef cattle farmer in Kanagawa prefecture, south of Tokyo, speaking on condition of anonymity.

“Various costs — the price of feed crops, salaries for workers — are already weighing on us, and this deal will be

another factor to worry about in terms of the future of this business,” he said. “I wonder if many cow farmers, many of whom are ageing, will decide to quit the job,” he added. “And I wonder if it’s right for Japan to lose these small-sized farmers... who are the majority of the Japanese farm industry.” Japan came to the negotiating table reluctantly, after President Donald Trump’s administration withdrew from the TPP and threatened Tokyo’s key auto sector with sanctions.

But Japanese experts question whether the country’s negotiators have done enough to protect local farmers. “Japan could have drawn more concessions from the US because it is Americans who withdrew from the TPP” and wanted more access, argued Akio Shibata, head of the Natural Resource Research Institute and former researcher for trading house Marubeni. “Even if the levels of tariff cuts are same as those of the TPP, it will discourage Japanese farmers — who are already struggling to survive — from continuing their businesses,” he said.

‘Chew on car parts’

Manufacturing, including the auto industry, is seen as the main driver of Japan’s economic growth, accounting for roughly 20 percent of nominal GDP. By contrast, the country’s agriculture sector accounts for just one percent of GDP. The deal announced Wednesday is only the first phase of the talks, with Washington saying the second phase will include Japan’s auto sector. Washington continues to wield the threat of imposing tariffs of up to 25 percent on Japan’s auto sector, which US officials view as a key tool to keep negotiations moving.

Nobuhiro Suzuki, an expert on agricultural trade at the University of Tokyo, said Japanese negotiators were offering agricultural concessions to protect the auto sector. The “mindset is if the US threatens them with punitive measures on the auto sector, they offer (compromise in) agriculture,” he said. “The result will be a further reduction of agricultural production in this country.” Kawai agreed, saying: “I wonder what the government is thinking about food safety and self-sufficiency rate.” “The price of milk is already cheaper than (bottled) water. That’s unfair,” he added. “If the government think it’s okay to import 100 percent of the milk Japan consumes, then that’s fine. When a food emergency occurs, they can enjoy chewing on steel car parts.” — AFP

Vaping backlash sparks profit warning at Imperial

LONDON: Shares in British tobacco giant Imperial Brands slumped yesterday after it issued a profit-warning linked to a backlash against vaping in the United States. Imperial, whose e-cigarette brand is blu and traditional tobacco brands include Davidoff and Gauloises, expects annual revenue to grow 2.0 percent, down from guidance of as much as 4.0 percent, it said in a statement.

The group blamed the downgrade on “a challenging NGP (next generation products) market in the USA”, as well as a weaker performance from its Africa, Asia and Australasia division. In reaction, the share price of Imperial Brands tumbled 10.4 percent to £18.50 on London’s benchmark FTSE 100 index, which was up 1.0 percent nearing midday. Rival British American Tobacco, which this month axed 2,300 jobs as part of a drive towards controversial e-cigarettes, saw its stock slide 0.9 percent to £28.97.

“Imperial Brands lowered its full-year outlook as there has been a backlash against vaping in the US,” noted David Madden, analyst at CMC Markets UK. “In some countries, cigarette sales have been in decline, so major tobacco firms has been ramping up their investments in alternative products like vaping, but given the recent adverse reaction to vaping, traders are fearful the sector will be squeezed.”

US President Donald Trump’s administration is considering an outright ban on flavored e-cigarette products, which authorities say target teen users, following a spate of vaping-linked deaths. Imperial meanwhile was not the London stock market’s biggest faller Thursday. Instead shares in publisher Pearson nosedived 17.8 percent to 708 pence after the company warned it would take a hit from weaker-than-expected trade at its US higher educational courseware business. — AFP