PRESS CUTTINGS

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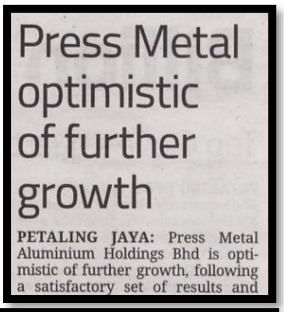

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Part 1:

METALLIC COMMODITIES

Source : StarBiz
Date : 07 June 2018 (Thursday)

Asia aluminium premiums tumble on China influx

Market expects Russian producer Rusal will avoid sanctions

TOKYO: Spot aluminium premiums in Asia have nearly halved in recent weeks, even as US premiums hold at 3-year highs, driven down by an influx of Chinese metal and bets that Russian producer Rusal will avoid sanctions.

The divergence is set to complicate quarterly premium negotiations between global miners and Japanese buyers, which set the Asian benchmark for the metal used in everything from cars to beer cans.

The US spot premium, a surcharge on top of the futures price to secure delivery of metal from warehouses, has more than doubled so far this year to US$485 a tonne.

The rise was spurred by a 10% US import tariff aimed at kickstarting domestic output, and fanned by a US move to impose sanctions on United Company Rusal, preventing customers with US exposure from buying metal from the world's second-largest producer.

Premiums also jumped in Europe and Japan but have fallen in recent weeks, particularly in Asia, where the premium has dropped 45% from its May 1 high to be back at levels in January.

The fall reflects the unravelling of the Rusal trade after traders scooped up metal as aluminium prices on the London Metal Exchange (LME) soared 35% to seven-year highs.

Rusal resumed shipping to some customers from May following an extension of the deadline for companies to wind down contracts with the Russian firm under US sanctions, sources said.

> **We expect Rusal to get out of the sanctions, which will free up a whole lot of metal.**
>
> Aluminium trader

Some Japanese buyers resumed trade with Rusal, but its business with others remains suspended as major Japanese banks worry about secondary sanctions if they make or receive payments from Rusal, according to five sources directly involved in the deals.

"We expect Rusal to get out of the sanctions, which will free up a whole lot of metal," said an aluminium trader in Singapore.

At the same time, the jump in aluminium prices on the LME encouraged more selling out of well-stocked China, where prices on the Shanghai Futures Exchange rose only 10%, Asian traders said.

While aluminium ingots from China attract an export tax, the higher overseas prices have made it more attractive for manufacturers to ship out semi-fabricated metal, or semis, which could be melted down for use as primary metal, they said.

"China has stepped up selling of semis to Asian buyers, especially to South Korea," said a source at a Japanese trader, adding that this has pushed down premiums in the primary metal market in Asia.

"We've received a spot offer at US$88 per tonne for July shipment last week," the source said, compared with a high of US$168 early last month on the COMEX aluminium Japan premium.

China's unwrought aluminium and aluminium product exports were steady in April from March at 450,000 tonnes. May data is due tomorrow.

The sliding spot premium in Asia has been exacerbated by the impact of the Rusal sanctions on the LME, with July prices pushing above those for August.

This has raised the cost of rolling positions forward and boosted inventories of physical metal, traders said.

For the quarter to end-June, Japanese aluminium buyers agreed to pay a premium of US$129, up 25% to reflect higher US premiums. — Reuters

Source : StarBiz **Date : 08 June 2018 (Friday)**

Steel surges to three-month high

China boosts checks on mills and inventories extend their decline

SINGAPORE: Steel futures in China climbed to the highest level in three months as the world's biggest producer broadens environmental checks on industrial facilities and inventories extend their decline.

Reinforcement bar on the Shanghai Futures Exchange advanced as much as 2.5%, the biggest intra-day gain in five weeks, to 3,869 yuan (US$605) a tonne. Futures are up over 15% from a nine-month low at the end of March.

China is pressing ahead with a new campaign to force manufacturing to clean up operations and improve the environment. The government will be conducting inspections, each lasting a month, on industrial plants in 10 provinces, according to a statement on May 25. Checks have started in Guangzhou, Yunnan and Inner Mongolia. The nation makes half the world's steel.

While demand typically slows in June because of high temperatures and frequent downpours, shrinking inventories and the inspections will continue to push up prices, Huatai Futures Co analyst Sarah Zhao said by phone.

"Environmental checks are only going to get stricter going forward," Zhao said from Shenzhen. "There's also more uncertainty in the duration of production curbs, and the government may choose to spring new policies."

Supply may decline going forward as mills conduct maintenance for environmental reasons, said CRU Group steel analyst Alex Ji in Hong Kong. Rebar inventories in China have been declining steadily since March, and were at 5.3 million tons last week, the lowest since February.

Rebar futures closed 0.8% higher at 3,807 yuan yesterday.

Iron ore fell 0.3% to end at 469 yuan a tonne in DalianHot-rolled coil added 0.6% to 3,943 yuan a ton in Shanghai. — Bloomberg

Source : StarBiz **Date : 11 June 2018 (Monday)**

PGA: Zero-rated GST a boon to gold jewellery export

By **DAVID TAN**
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GEORGE TOWN: The Penang Goldsmith Association (PGA) is projecting the export of Malaysia's gold jewellery at an estimated RM6.7bil this year, up from an earlier forecast of RM4bil in March.

PGA adviser Joeson Khor told *StarBiz* that the zero-rated goods and services tax (GST) would help to boost the value of gold jewellery export this year.

When GST was imposed, gold jewellery manufacturers have to register for the approved jewellers scheme, approved traders scheme, or approved traders and manufacturers scheme to import gold bars.

Both small and medium-sized gold jewellery manufacturers and exporters would have to spend between RM700,000 and RM1mil in GST to import the gold bars used to make jewellery-related products.

"It affected the small and medium size gold manufacturers' capability to export and stay competitive in the market, influencing the volume and value of gold jewellery products exported.

"Now that GST has been zero-rated, we can expect an increase in the overseas sales of gold jewellery products," he pointed out.

Khor did not expect an increase in the domestic sales of gold jewellery due to the economic slowdown.

"We hope business will pick up in the second half 2018 and are very positive on the retail sales in 2019.

"A lot will also depend on whether gold products will come under the sales and service tax (SST) when it is reintroduced in September," he added.

The present gold price of US$1,290 per ounce is expected to remain stable, Khor noted.

On the introduction the SST in September, the Malaysia Gold Association (MGA) has urged the federal government not to impose SST on all gold items.

"We want the situation to be like what it was prior to the introduction of GST. If there is no SST, the demand for gold products would increase and help to stimulate the local gold bar investment and gold jewellery business.

According to MGA secretary Datuk Louis Ng, the MGA has requested to meet with the Finance Ministry to discuss the matter.

MGA expected that with the zero-rated GST, the sales of gold jewellery in the country would improve. "However, the business of investment gold bar is expected to be flat," Ng added.

Source : StarBiz
Date : 20 June 2018 (Wednesday)

Press Metal optimistic of further growth

PETALING JAYA: Press Metal Aluminium Holdings Bhd is optimistic of further growth, following a satisfactory set of results and achievements for the financial year ended December 31, 2017 (FY17).

In a press release yesterday, Press Metal group CEO Tan Sri Paul Koon said the group is striving for further growth in 2018.

"We had a decent start for FY2018 despite certain headwinds.

"Our management is closely monitoring the changing market landscape and has control measures in place, to respond to price volatilities on both aluminium and raw material fronts.

"Such external shocks have proven the resilience of aluminium prices which could benefit producers like us," he said.

Riding on with its smelters operating at full capacity of 760,000 metric tonnes per annum, the company has ramped-up its capacity for value added products.

Press Metal acquired Leader Universal Aluminium in February this year and its inaugural bonds issuance has put the group on a stronger financial footing to consider suitable growth opportunities both upstream and downstream.

The group tapped into the bond market for the first time in 2017, raising US$400mil through the issuance of five-year senior notes.

The issuance was oversubscribed by close to 10 times with strong participation as global fixed income investors flocked to subscribe the notes in October 2017.

For FY17, Press Metal registered a revenue of RM8.2bil and a net profit growth of 23% to RM593.4mil, as compared to the previous financial year.

Source : StarBiz
Date : 21 June 2018 (Thursday)

Australia's Mineral Resources quits contest for Atlas Iron

BENGALURU: Mining infrastructure provider Mineral Resources said it would not make an offer to counter Hancock Prospecting's A$390mil (US$288mil) bid for Australia's Atlas Iron.

That will likely cool expectation of a possible bidding war for the iron ore miner, after Atlas on Tuesday gave Mineral Resources three business days to match a A$0.042 per share takeover offer from Australian billionaire Gina Rinehart's Hancock Prospecting. Atlas operates in the iron ore rich Pilbara region of Western Australia and has undeveloped tenements that could be brought into production with a larger partner.

It also has potential port access coveted by major miners as they look to expand output in coming years, as well as a stake in lithium exports and large tax losses that an acquirer could use to offset their taxable gains.

Hancock Prospecting launched an unconditional all-cash bid for the iron ore miner on Monday, trouncing an earlier A$280.2mil scrip offer in April from Mineral Resources.

The spotlight now shifts to world No. 4 iron ore miner Fortescue which has built up 19.9% stake in Atlas – large enough to block Mineral Resources' offer, but not enough to hold back Hancock which is seeking a majority stake.

Fortescue chief executive Elizabeth Gaines said in a statement yesterday that the miner would continue to assess its strategic options.

Analyst Peter O'Connor at brokerage Shaw and Partners said the chance of a counterbid by Fortescue was between zero and 50%, and suggested the miner was more likely to try to negotiate with Fortescue to carve up Atlas. — Reuters

Source : StarBiz **Date : 25 June 2018 (Monday)**

Pertama eyes full capacity in October for smelting plant

Company misses June deadline due to technicalities

By JACK WONG
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KUCHING: Ferrosilicon and manganese alloys maker Pertama Ferroalloys Sdn Bhd expects to run its smelting plant in Samalaju Industrial Park, Bintulu at full capacity in October.

Executive chairman Hirotaka Suzuki said the plant was unable to meet its full production capacity this month as it had planned earlier due to technical hitches.

"We have now reached 85% of installed production capacity, from below 80% earlier this year. We had to rectify some mechanical problems. So we need four more months to enable us to go into full production," he told StarBiz.

The US$400mil smelting plant is able to produce 22,000 tonnes per month of various products when it is running at full capacity.

Pertama Ferroalloys currently makes three standard grade products, namely ferrosilicon, silico-manganese and ferro-manganese. The company plans to diversify into production of value-added products for the steel industry after running the plant at full capacity for two years.

Hong Kong-based Asia Minerals Ltd (AML) has a 60% stake in Pertama Ferroalloys. Its other joint venture partners are Japanese firms Nippon Denko Co Ltd, with a 25% stake, Shinsho Corporation, 7%, and Carbon Capital Corporation Sdn Bhd, 8%.

Formerly known as AML Manganese (Malaysia) Sdn Bhd, Pertama Ferroalloys is one of the pioneers in the state's growth corridor known as the Sarawak Corridor of Renewable Energy, or SCORE.

The growth region was set up in order to develop the state's economy by harnessing its competitive advantage in the generation of bulk renewable energy to attract investment and employment in energy-intensive industries. Its ultimate goal is to have the people of Sarawak enjoy higher income and standard of living.

Energy-intensive industries leverage on the competitive renewable hydro energy in their operations in SCORE.

There are two other ferrosilicon and manganese alloys producers in Samalaju.

OM Materials (Sarawak) Sdn Bhd is one of them while the other is Sakura Ferroalloys Sdn Bhd. OM Materials is a joint venture between Australian listed OM Holdings Ltd and Cahya Mata Sarawak Bhd while Sakura is in another joint venture with three partners, namely South Africa's Assmang Ptd Ltd, Japan's Sumitomo Corp and Taiwan's China Steel Corp. Suzuki, who is also AML chairman had previously said that the combined productions of Pertama Ferroalloys, OM Sarawak and Sakura Ferroalloys have enabled Malaysia to be ranked as the world's fourth largest producer of ferrosilicon and manganese alloys after China, India and South Africa.

On the current global market prices for ferrosilicon and manganese alloys, Suzuki said ferrosilicon had weakened to about US$1,300 per tonne from between US$1,600 and 1,700 per tonne earlier this year. There is little change for silico-manganese and ferro-manganese which remains at US$1,300 per tonne and US$1,700 per tonne, respectively, during the same period.

OM Materials is a JV between Australian-listed OM Holdings Ltd and Cahya Mata Sarawak Bhd while Sakura is in another joint venture with three partners, namely South Africa's Assmang Ptd Ltd, Japan's Sumitomo Corp and Taiwan's China Steel Corp, seen here. — Bloomberg

"The price of ferrosilicon has dropped because of the oversupply worldwide," added Suzuki. However, he is expecting a potential price upside for manganese products globally due to a production cut and/or closures of smelting plants in China in order to address its severe environmental pollution problem.

China produces half of the world's production of manganese products.

Suzuki said half of Pertama Ferroalloys' total production comprises of silico-manganese, followed by ferrosilicon, 40% and ferro-manganese, 10%.

The company's JV partners Nippon Denko and Shinso Corp, sell up to 35% of Pertama Ferroalloys' output while AML sells the remaining 70% to global steel mills.

Suzuki said Pertama Ferroalloys sourced its raw materials – manganese ores – from AML mines in South Africa.

Suzuki also said Pertama Ferroalloys is waiting for Environment Department (DOE) approval to sell the smelting plant's by-products, silica fume and manganese slag.

He said DoE has listed the two by-products under "scheduled wastes" although no other countries in the world has done so.

"We have been waiting for two years but there is no solution as yet on the sale of the by-products. We would like the DoE to take some action (on this matter)," he said. As a result of this impasse, the company has stocked up to 40,0000 tonnes of silica fume.

The production of every tonne of silico-manganese would generate a similar amount of manganese slag. The current market price of silicon fume is US$200 per tonne while that of manganese slag US$20 per tonne.

Source : StarBiz **Date : 28 June 2018 (Thursday)**

Gold seen fighting back as US dollar rebound poised to fade

SINGAPORE: Much maligned gold is set to stage a comeback as the dollar weakens, according to Pictet Wealth Management.

Bullion will climb to US$1,320 an ounce by the end of the year, said currency strategist Luc Luyet, which compares with about US$1,256 on Wednesday. While trade tensions haven't yet provided much support, an escalation combined with a slide in the dollar could lift prices, Geneva-based Luyet said.

Gold has fallen out of favour as investors prefer havens such as the dollar, Treasuries and yen amid fears that a looming trade war will damage global growth, hurt earnings and drag down stock markets and other risk assets. Adding to bearish sentiment, the 50-day moving price average dropped below the 200-day last Friday, forming what analysts call a death cross and signalling further losses. Prices are now around the lowest level since December.

"We continue to believe that the dollar has peaked in January 2017, and therefore, the recent strength is some sort of a temporary rebound and we expect further declines down the road," Luyet said in a phone interview.

"Even though it's not our scenario, if we see higher trade tension, that could at some point be positive for gold," he said, adding it may lead to lower global growth and increased uncertainty, which are normally positive drivers for bullion.

Other analysts have also been supportive of the metal. Suki Cooper, precious metals analyst at Standard Chartered Plc, sees gold testing five-year highs by the end of the year, implying that prices could rise toward US$1,400, while Bart Melek, global head of commodity strategy at TD Securities in Toronto, has said that he expects the metal to start to rebound in the final quarter.

Bullion's retreat has also been fuelled by the Federal Reserve's hawkish tilt on monetary policy as a booming economy tightens the labor market and raises inflation risks. Hedge funds and speculators last week cut their net-long bets to the lowest since early 2016, while assets in SPDR Gold Shares, the biggest exchange-traded fund backed by the metal, are the smallest since August.

The Federal Reserve will probably raise interest rates two more times this year, and twice in 2019, while the European Central Bank will likely start tightening in September next year, said Luyet. That should shift the monetary policy divergence in favor of the euro relative to the dollar and be positive for gold in the greenback, he said. He sees gold at US$1,350 in 12 months time. — Bloomberg

Source : StarBiz
Date : 28 June 2018 (Thursday)

Steel giant JSW invests US$1bil into US and more will follow

MUMBAI: India's top steelmaker JSW Steel Ltd says it is scouting for more deals in the US and Europe to expand its global footprint, betting that vibrant growth will underpin demand in overseas markets and complement a boom at home that's seen the mill ramp up local output.

"What is driving us is that, inherently, we find it is an interesting opportunity because the US economy is doing well" and the investment cycle looked positive, joint managing director Seshagiri Rao said in an interview.

After meeting half its target for 10 million tonnes of capacity overseas, the steelmaker is now looking to buy more facilities, Rao said.

While the global industry has been roiled this year by tariffs imposed by US President Donald Trump on some flows of steel into the world's top economy, mills are still enjoying benign conditions.

Worldwide production hit a record in May as capacity utilisation climbed, according to the World Steel Association.

Against that backdrop, Mumbai-based JSW has been busy: after announcing a move to triple output at its Texas plant, it snapped up another US facility in Ohio, taking total planned investment in the country to US$1bil.

For Rao, the commercial lure isn't dependent on the trade moves, which he said are transitory. "The US economy – notwithstanding the trade remedial measures which the US government has taken – is quite buoyant, demand is picking up," he said. "It is not because tariffs were introduced in the US or somewhere else, that is why we wanted to invest."

JSW Steel shares have soared more than 60% over the past year, aided by record output and profit. To meet local demand, the company plans a US$6bil capacity expansion in India. — Bloomberg

Source : StarBiz **Date : 29 June 2018 (Friday)**

Thyssenkrupp unit sees US$220mil hit without steel safeguard

ROME: Thyssenkrupp AG unit Acciai Speciali Terni SpA could see as much as €190mil (US$220mil) in sales disappear if the European Union doesn't take measures to protect the bloc's steel producers from increased imports in the wake of US metals tariffs, according to the company.

"About 10% of our revenue could be wiped out without EU safeguard measures," chief executive officer Massimiliano Burelli said in an interview with Bloomberg. The Terni, Italy-based company is expected to have 2018 sales of 1.9 billion euros for the fiscal year ending in September, he said.

EU trade commissioner Cecilia Malmstrom said this week that the EU could limit its imports of steel from around the world to prevent the European market from being flooded by shipments diverted away from the US, which in March introduced a 25% steel tariff on national-security grounds.

"Those measures are not designed to boost our production, only to protect current sales," Burelli said.

"This is true for our company, and true for all European steelmakers."

Acciai Speciali Terni, which sells steel products such as electro-welded tubes to carmakers including Volkswagen AG and Magneti Marelli SpA, was founded in 1884. Thyssenkrupp's 2018 sales forecast is €42.2bil, according to analyst estimates.

The European probe into possible "safeguard" curbs on imported steel marks the defensive part of a three-pronged EU strategy for responding to the US steel tariff and to a 10% levy on foreign aluminum that President Donald Trump also imposed in March on national-security grounds.

The EU safeguard investigation could cover 26 types of steel ranging from stainless hot-rolled and cold-rolled sheets to rebars and railway material.

Together, the products account for 40% – or €22bil – of the EU's annual iron and steel imports.

"We clearly cannot compete with China's prices," Burelli said.

"Without EU intervention, the European industry could face very hard times." — Bloomberg

Part 2:

ENERGY MINERAL (COAL)

Source : StarBiz
Date : 08 June 2018 (Friday)

Australian thermal coal prices rise on Asian demand

SINGAPORE: Australian thermal coal prices have hit their highest level since late 2016 as the market heats up on strong demand across North Asia and China in particular.

Spot prices for delivery from Australia's Newcastle terminal last closed at US$114 per tonne, just down from Monday's US$114.50, the highest since November 2016. Coal last reached such levels back in early 2012.

Newcastle is now up by almost 130% from the record lows seen in early 2016.

With a near 11% increase since the end of 2017, Newcastle coal has far outperformed its main fuel competitor, liquefied natural gas.

Coal is even close to the 13.5% rally in Brent crude oil prices, which has come on the back of voluntary production restraint by producer cartel Opec, supply disruptions in Venezuela and looming new US sanctions against major exporter Iran.

Traders said the price rally was largely down to a surge in imports from China, as an early summer heatwave drives up electricity demand for air conditioning and industrial cooling.

"Since April, the sea-borne thermal coal market has seen quite the move...with stronger Chinese demand being a key driver," said Dutch bank ING in a note to clients, adding that this was largely down to "warmer than usual weather."

Weather data in Thomson Reuters Eikon showed that average temperatures in Beijing are set to surge to 29 degrees Celsius in the coming days, which is 7 degrees above the seasonal norm.

Hot weather is also supporting demand in other key demand regions in North Asia, including Japan and South Korea, traders said. — Reuters

Source : StarBiz
Date : 27 June 2018 (Wednesday)

Glencore bets big on South Africa as Ramaphosa promises revival

LONDON: Glencore Plc has set its ambitions on expanding in South Africa, the homeland of its chief Ivan Glasenberg.

As the company's former business partner and new President Cyril Ramaphosa promises an economic recovery, Glencore is reaping profits from coal and chrome assets as prices rise.

The company announced in October a US$1bil deal to buy Chevron Corp's oil refining and fuel service stations in South Africa and considered a bid for the Optimum coal mine.

The oil bid "was a pretty strong vote of confidence in the South African environment," said Martin Kingston, the chief executive officer of N.M. Rothschild & Sons Ltd in South Africa, which is advising Chevron on the sale.

"Glencore understands the environment very well. They are effective behind the scenes and they have their finger on the pulse."

Glasenberg, who started his career trading South African coal in the 1980s, has a wide range of business connections in the country, including Ramaphosa.

The two executives have known each other for about 30 years and cemented their partnership in 2005, when Glencore picked Ramaphosa to be its black economic-empowerment partner on the Shanduka Coal project. They teamed up again in 2012 to buy Optimum Coal Holdings Ltd.

Two years later, Ramaphosa sold his mining stakes as he returned to politics. The new president, who took office in February, has promised to revive the economy, clamp down on corruption and attract US$100bil in new investments.

"While he is obviously keen to attract more investment and will be more private-sector friendly than Zuma, he will be extra careful in not granting any favours to businesses or people with whom he had previous business relationships," Anton Eberhard, a professor at the University of Cape Town, said in an e-mail.

While other major miners tend to employ a large team of managers, Glencore relies on leaner staffing and a few well-connected partners, such as Ramaphosa in South Africa.

It's a strategy that has worked well in some instances, and backfired in others. In the past year, two of the company's other partners – Oleg Deripaska and Dan Gertler – have been sanctioned by the US government.

Glencore already has a large presence in South Africa – it's one of the top exporters of coal in the country and ranks as the world's biggest producer of chrome. While other miners such Anglo American Plc have scaled back their operations in South Africa, Glencore kept its investments.

"They have a record of thriving where others can't or won't go," said Hanre Rossouw, a fund manager at Investec Asset Management in Cape Town.

In 2015, Glencore was pressured into selling the Optimum coal complex to a company part-owned by the Gupta family. — Bloomberg

Part 3:

GENERAL

Source : StarBiz
Date : 18 June 2018 (Monday)

Global fund managers eye financial and tech stocks

Wall Street players look for firms that are not affected by trade war

NEW YORK: The rising tensions over global trade policy are prompting some top-performing international fund managers to look for the companies that can emerge as winners.

Fund managers from firms including AllianceBernstein, Causeway Capital Management and Janus Henderson are adding to positions in companies ranging from Italy's largest bank to China's largest e-commerce company, all in hopes of avoiding the fallout from a global trade war.

Chief among the corporate attributes fund managers are now looking for are either a strong domestic business that would not be significantly affected by import tariffs, or a dominant market position, or intellectual property that would prompt customers to continue to buy its goods regardless of additional taxes.

"The impact of a tariff is becoming a bigger factor in our decision-making," said George Maris, a portfolio manager of the US$2.2bil Janus Henderson Global Select fund.

Maris, who said that he has been "tactically" trading more than usual because of the threat of tariffs, has increased his position in companies such as Chinese e-commerce giant Alibaba Group Holdings Ltd that are dominating their domestic markets.

"Secular growth stories overwhelm the threat of increased trade frictions every time," he said.

US President Donald Trump said he was pushing ahead with hefty tariffs on US$50bil of Chinese imports last Friday, and the smouldering trade war between the world's two largest economies showed signs of igniting.

China plans to hit back with additional tariffs of 25% on about US$50bil worth of United States products, the country's Commerce Ministry said last Friday.

Trump laid out a list of more than 800 strategically important imports from China that would be subject to a 25% tariff starting on July 6 including cars, the latest hardline stance on trade by a US president who has already been wrangling with allies.

Trump blasted Canadian Prime Minister Justin Trudeau as "very dishonest and weak" after the G7 summit in Canada last weekend and raised the prospect of tariffs on auto imports, a move that would impact the Canadian economy.

Tariffs challenged: A worker inspects aluminium ingots at the Alumetal Group Hungary Kft plant in Hungary. The EU has challenged aluminium and steel tariffs imposed by the Trump administration at the World Trade Organisation. — Bloomberg

The European Union (EU), meanwhile, has challenged aluminium and steel tariffs imposed by the Trump administration at the World Trade Organisation and has drawn up a list of goods it would hit with retaliatory measures.

The threat of tariffs, along with rising US interest rates, helped sink global stock markets in February. Since then, major stock indices have recovered most of their gains, with the US benchmark S&P 500 index up 4.91% for the year to date and the Stoxx 600 index of companies in the European Union up 2.51% over the same time.

Conor Muldoon, a portfolio manager of the US$8.7bil Causeway International Value fund, said that trade and other macroeconomic concerns are "presenting short-term opportunities."

The fund has been increasing its position in Italian bank UniCredit SpA, for instance, after its shares sold off in March following elections that renewed concerns about whether the country could exit the eurozone.

Muldoon's fund is also increasing its position in pharmaceutical companies such as GlaxoSmithKline Plc and Japanese firm Takeda Pharmaceutical Co Ltd that have strong drug pipelines, he said. Shares of GlaxoSmithKline are up 19.5% for the year to date, while shares of Takeda are down 32% over the same time after it increased its US$62bil bid for London-listed Shire Plc.

Sammy Suzuki, a co-portfolio manager of the US$77mil AB International Strategic Core fund, said that the threat of technological disruption in some markets was just as pressing a concern for some global companies as the impact of higher tariffs.

As a result, his fund is focusing more on what he calls the "enablers", which are back-end tech firms that do not trade at as high valuations as companies like Amazon.com Inc and Netflix.

Spanish tech firm Amadeus It Group SA, for instance, provides the technology backing the reservation systems used by airlines including British Airways, Southwest, and Lufthansa Group. — Reuters

Source : StarBiz **Date : 18 June 2018 (Monday)**

Don't fear China's industrial juggernaut

By MICHAEL SCHUMAN

WASHINGTON is working up a sweat over China's industrial policies. There are fears Beijing will build technology companies and advanced manufacturers capable of squashing American rivals by lavishing aid on favoured sectors. Many of the tariffs the US plans to impose are aimed at products generated by this state-led agenda, most of it under the "Made in China 2025" programme.

Yet this is less scary than it sounds. History shows us that industrial policies seldom foster innovative or competitive companies. In important ways, they can do more harm than good.

The concept was all the rage in the 1980s – not because of China, but Japan. Some argued these policies were the secret sauce behind that nation's meteoric rise on the world stage. They made the case that bureaucratic management and support for targeted industries created a super-competitiveness beyond the capabilities of the market. The US would have to copy Japan, or die.

The fad eventually fizzled with Japan's economy. After the asset-price bubble burst in the early 1990s and the nation tumbled into its "lost decades," its economic model no longer seemed a world-beater.

Some economists had argued all along that the superiority of industrial policies was an illusion: Their advocates were zeroing in on a handful of success stories and ignoring bigger failings.

Michael Porter and Hirotaka Takeuchi dissected Japan's programme and determined that only a few sectors fostered by the state – steel, shipbuilding and semiconductors, for example – became internationally competitive. Others were busts, including chemicals, software and aircraft. Meanwhile, many of Japan's most prominent industries, such as automobiles, motorcycles, video games, robotics and carbon fibre, were never directly targeted by Tokyo's bureaucrats. The authors concluded that "the practices widely believed to explain Japan's success were far more prevalent and pervasive in its failures."

Nor did all the successes maintain their global stature. The Japanese chip industry was a world power in the 1980s, but has since withered, unable to sustain its competitiveness or technical edge despite continued state efforts.

China's own history helps prove the point. Beijing targeted renewable energy such as solar and wind as strategic sectors. The programme succeeded in creating big manufacturers of green-energy gear, especially solar modules, where China now dominates world production.

But that expansion didn't necessarily lead to much innovation. The 2017 Global Cleantech Innovation Index ranks China a middle-of-the pack 18th out of 40, a gain of only one position from the previous list in 2014. That's the highest ranking of any developing country in the study, but still places it behind South Korea, Japan and Singapore. Though China showed signs of improvement in its ability to create green technologies, especially an increase in early-stage investment, it still lagged in filed patents.

Similarly, a 2017 study by experts at Carnegie Mellon University on China's wind-turbine industry noted that domestic firms had relatively few international patents. The country had made great progress in capacity expansion, the authors said, but "in terms of innovation and cost-competitiveness, the outcomes were more limited." An examination of Chinese green energy by the World Bank in 2017 drew a similar conclusion.

Past performance doesn't mean China's efforts will fail in the future. But the evidence is that there's no firm link between state support and innovation.

There's another way industrial policies could hurt foreign competitors – by creating excess capacity that distorts prices.

In that sense, one can make a case that China's policies could hamper, not help, its technology ambitions. In their Japan study, Porter and Takeuchi argue that by coddling certain industries, the government protected them from the competition necessary to spur success. In China's case, heavy subsidisation of industries like electric vehicles could keep too many weak players afloat and crowd out better ones.

So China's industrial programme might prove scary. Just not in the way you think. — Bloomberg

Source : The Star **Date : 28 June 2018 (Thursday)**

Stern warning to Negri miners

SEREMBAN: Quarry and sand mine operators in Negri Sembilan will have their licences revoked on the spot if they are found to have manipulated royalty payments to the state government.

Mentri Besar Aminuddin Harun says his administration is forced to take such drastic action as some operators have allegedly been underdeclaring their income from the sale of rocks, gravel and sand.

"I have seen the *modus operandi* of some of the operators myself and would like to issue a warning before we act.

"The tactics they have been deploying have caused the state government to lose revenue and this will no longer be tolerated," he said after chairing the state exco meeting yesterday.

Operators in the state are charged a lower royalty if their products are sold to buyers within the state.

However, the royalty is higher if they are sold outside Negri Sembilan.

Aminuddin has directed all district land offices to beef up enforcement and ensure all operators comply with the conditions in their licences.

"I know that many operators are not fully complying with the rules. Some are even polluting the environment," he said, adding he had asked the Road Transport Department and police to act against overloaded lorries.

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