Toyota shifting pickup production to Mexico, no US jobs lost

Toyota will stop making its Tacoma small pickup in San Antonio next year as it shifts production to Mexico, but the company says no US jobs will be lost.

To make up for the lost work, the San Antonio plant will build the Sequoia large SUV, and its 3,200 jobs will be preserved.

Currently the San Antonio plant builds the Tacoma as well as full-size Tundra pickups. The Tacoma also is built at a factory in Baja California, Mexico. Late last year, a Toyota plant in Guanajuato, Mexico, also began building Tacomas.

Tacoma production in San Antonio will start to wind down in late 2021, and Sequoia production will start in 2022, the company said.

Last summer Toyota announced that it would invest $391 million in the San Antonio plant to add capacity to build more vehicles.

The company also announced Friday that it has completed a $1.3 billion project modernizing an Indiana factory to boost vehicle production and add 550 jobs.

The project at the Princeton assembly plant in southwestern Indiana included retooling, new equipment installation and adding advanced manufacturing technology so it could increase production of the Highlander SUV. Toyota said the project grew by $700 million and 150 new jobs from what it first announced for the factory in early 2017.

Production recently began on the new 2020 Highlander at the factory, which now has about 7,000 employees and also builds Sequoia SUVs and Sienna minivans, according to the company. (AP)

In this file photo, new Toyota Prius hybrid car is presented during the press day of the 64th Frankfurt Auto Show in Frankfurt, Germany. Toyota Motor Corp. (AP)

Market Movements 17-01-2020

			Change	Closing pts
AUSTRALIA	-	All Ordinaries	+21.65	7,180.29
JAPAN	-	Nikkei	+108.13	24,041.26
GERMANY	-	DAX	+96.70	13,526.13
FRANCE	-	CAC 40	+61.69	6,100.72
EUROPE	-	Euro Stoxx 50	+34.12	3,808.26
INDIA	-	Sensex	+12.81	41,945.37
PAKISTAN	-	KSE 100	+102.67	43,167.77

Change Closing pts

Business

High positive yields and improving credit quality provide favorable support for '20 GCC fixed income asset class

Outlook mostly stable despite volatility

Kuwait Financial Centre 'Markaz'

KUWAIT CITY, Jan 19: Kuwait Financial Centre "Markaz" recently released its outlook on GCC markets for the full year of 2020. In this research report, Markaz analyses the performance of GCC stock markets in 2019 and provides an outlook for 2020 based on a four-force framework that includes economic outlook, corporate earnings potential, valuation attraction, and market liquidity, for all the GCC markets.

Markaz report said that the year 2019 was characterised by average oil price at levels lesser than that of 2018, fears of global slowdown, and uncertainties over U.S–China trade war, Brexit and interest rate cuts by most Central Banks. In addition to these, weakness in real estate and commodity markets, OPEC+ production cuts, market reforms and index inclusions were the prime market drivers in GCC. At the start of 2019, we were positive on Kuwait and UAE and stable on Saudi Arabia and Qatar. Except UAE, other markets moved in line with our expectations.

The report pointed out that the oil prices in 2020 are expected to remain around 2019 levels, in the range of USD 61-65 per barrel, in spite of recent geopolitical spikes, and we expect a moderate improvement in corporate earnings. GCC governments' expansionary spending is expected to aid non-oil economic growth, while global economic conditions also seem conducive. Given the modest oil price outlook and proposed spending plans, government finances are expected to be strained.

Kuwait – Stable

Kuwait emerged as the top performer amongst its GCC peers in 2019, with a return of 23.7%. This strong performance was mainly because of the capital market reforms, S&P index inclusion and expectation of inclusion in the MSCI Emerging Markets Index. Relaxation of foreign ownership restrictions in banks has also aided in fund inflow.

Corporate earnings have seen a moderate growth of 1.0% for the first nine months of 2019 which when compared to the same period last year is dragged down by the financial services such as investment companies, insurance firms and Non-banking financials. Banking and telecommunications have been relatively strong performers. In terms of stock return amongst blue chip companies, Kuwait Finance House (KFH) had the highest returns at 45.8%. Progress in its ongoing merger with Ahli United Bank, which is expected to increase KFH's profit considerably and strong earnings growth, which was at 12.7% for the nine month ending September 2019, have helped it in its strong performance.

Compared to its GCC peers, Kuwait enjoys a fiscal surplus. However, we see the gap narrowing in 2020. Compulsory transfers to Future Generation Fund and subsidies seem to weigh on its balance sheet.

Saudi Arabia – Stable

The Saudi Tadawul index has gained 7.2% in 2019. Consumer services sector index gained most at 34%. Listing of Saudi Aramco has been the event of the year in the Saudi Arabian stock market. The company garnered a valuation of USD 1.71 trillion, lesser than the USD 2 trillion expected by the Saudi government. The lower valuation was against the backdrop of lower average oil price levels compared to 2018 and investor concerns over drone attacks on Saudi oil facilities. However, the stock briefly reached the sought after USD 2 trillion valuation on its second trading day.

Corporate earnings for first nine months of 2019 registered a drop of about 24.1%. Telecommunication and banks posted modest gains. Earnings growth in telecommunication has been supported by increase in volume. Strong loan growth helped the banks post profits amidst declining interest rates. Construction has bounced back after registering a dip in 2018. Commodities, Utilities and Real Estate have reported weak earnings. Weakness in the commodities sector is attributed to slower global growth and weaker oil prices. Utilities earnings have dipped because of decrease in volume. A drop in property prices hit Real Estate. In terms of stock return amongst blue chip companies, Al-Rajhi Bank had the highest returns at 14.8% whereas, SABIC witnessed a 19.4% loss in its share prices in 2019.

In Saudi Arabia, deficit has widened and is expected to widen further in 2020. Increased government spending towards Vision 2030, decrease in oil production would contribute to widening deficit in spite of an increase in revenues with the introduction of VAT and other consolidation measures.

Dubai - Positive

Dubai stock index has gained 9.3% in 2019. Banking and Insurance sector indices have performed well in the year gaining around 27% and 22% respectively on the back of better profit numbers. Hit by increasing supply, falling prices and shrinking profits, real estate sector index ended the year in negative territory, with a decline of 9.8%. Among the blue chips, Emirates NBD Bank posted an annual stock return of 52.3% supported by strong earnings over the first nine months of 2019. Earnings growth remain healthy supported by banks. Economic growth in 2020 is expected to be supported by tourism and hospitality sectors benefitting from Dubai Expo 2020. Efforts taken by the UAE government and Dubai Land Department (DLD) to stabilize real estate sector should also pay off. In terms of P/B ratio, Dubai's (0.9x) P/B ratio is lower compared to Saudi Arabia, Kuwait, Qatar and Abu Dhabi, making it more attractive.

Abu Dhabi – Stable

Abu Dhabi index gained modestly with 3.3% in 2019. Increase in foreign ownership limits seems to have aided stock gains. Amongst blue chips, First Abu Dhabi Bank's stock gained by 7.5% supported by increase in foreign ownership limits and good earnings growth. However, the gain had been stunted, as its representation had not been increased in the MSCI Emerging Markets Index after relaxation of its ownership limits. Commodities sector has helped boost earnings in Abu Dhabi. However, expectations of 4 per cent growth for corporate earnings in 2020 and modest valuations cap the upside potential.

Qatar – Stable

Qatar Stock Index saw modest growth of 1.23% in 2019. Top gainer for the year was Consumer Goods and Services at 26.6%. Banks and Financial Services sector gained 9.3% supported by good earnings growth. Real Estate has decreased the most with a decline of 30% with the sector experiencing falling prices and increasing supply.

Corporate profits dropped by 6.6% on for the nine-month period ending September 2019. Telecommunications posted highest earnings growth at 18%. This was driven by cost efficiency and slight increase in revenue. Industrial Conglomerates sector reported about 47% decline in earnings citing weak demand for petrochemicals and steel. Banking sector has posted a 6% growth in profits. In terms of stock return amongst blue chip companies, Mesaieed Petro had the highest returns at 65.7% whereas, Industries Qatar lost 23.1% in 2019.

Qatar is expected to see an increase in fiscal surplus in 2020, through rise in revenue from the imposition of excise duty on tobacco and increased Liquefied Natural Gas (LNG) production. Qatar exports are expected to rise once the Barzan natural gas facility comes online in 2020, helping it post a surplus in spite of lower expected energy prices.

GCC Fixed Income Outlook 2020

De-escalation of trade tensions, better growth indicators for 2020 and benign inflation would continue to provide favorable support for GCC fixed income asset class. Interest rates, that closely track U.S Fed movements, are on hold for time being and in the worst case might only rise marginally. As we step into 2020, the outlook for GCC fixed income asset class looks promising. High positive yields, better risk-adjusted returns, currencies pegged to US Dollar and improving credit quality on the back of rising oil prices augur well for their improving stance. On the other hand, increasing oil prices could lead to a sense of complacency on the reforms front. Prudent fiscal management measures for Oman and Bahrain are to be watched carefully.

We also highlighted some key questions to ponder upon as we move into 2020. We looked into the reasons behind the double-digit growth in almost all the global asset classes in 2019, despite there being a slowdown in global economic growth, trade war escalation, geopolitical risks and predictions of a likely recession. We contemplate how far Central Banks around the world can go before monetary policy becomes ineffective and whether the ever-increasing technological upgradation is actually boosting productivity. We bring to light the cries of environmentalists who have been sounding alarm bells pertaining to climate related issues and the subsequent push for clean energy and Electric Vehicles and its impact on global oil demand. Finally, we to try to answer the question of whether the global economy is truly in late cycle.

Overall Market View for GCC region

Title	KSA	Kuwait	Abu Dhabi	Dubai	Qatar	Oman	Bahrain
Economic Factors	Stable	Positive	Positive	Positive	Positive	Stable	Negative
Valuation Attraction	Stable	Stable	Positive	Positive	Stable	Positive	Positive
Earnings Growth Potential	Stable	Stable	Neutral	Positive	Stable	Negative	Stable
Market Liquidity	Positive	Stable	Negative	Negative	Negative	Negative	Negative
Overall Market View	Stable	Stable	Stable	Positive	Stable	Negative	Negative

Source: Markaz Research

Building permits fall 3.9% in December

US housing construction jumps 16.9%

WASHINGTON, Jan 19, (AP): Construction of new homes surged in December to the highest level in 13 years, capping a year in which falling mortgage rates and a strong labor market helped lift the prospects of the housing industry.

The Commerce Department reported Friday that builders started construction on 1.61 million homes at a seasonally adjusted annual rate in December, up 16.9% from the November pace of home building.

Housing construction has been rising since July, helped by falling mortgage rates and increased demand as the unemployment rate approached a half-century low. For the year, builders started work on a total of 1.29 million homes, the best showing since 2007.

The December building rate was the strongest number since December 2006 during the last housing boom.

Applications for building permits, considered a good sign of future activity, fell 3.9% in December to an annual rate of 1.42 million, but remained well above the pace in July.

Construction of single-family homes rose 11.2% to an annual rate of 1.06 million homes last month while apartment construction fell 9.6%.

The 1.29 million units constructed for all of 2019 was up 3.2% from the previous year and was the best showing since 1.36 million homes were built in 2007. As the housing boom was reaching its peak, construction was started on a total of 2.07 million homes in 2005, the highest total for any year in that boom.

In this file photo, a carpenter works on a construction site in North Andover, Mass. On Friday, Jan 17, the Commerce Department reports on US home construction in December. (AP)

Jordanians protest gas deal with Israel

AMMAN, Jordan, Jan 19, (AP): Hundreds of Jordanians demonstrated in downtown Amman on Friday, calling on the government to cancel an agreement in which Israel began pumping natural gas to the kingdom this year.

Jordanian security forces prevented the protesters from reaching symbolic Al-Nakheel Square in the capital, where the turnout had been expected to grow larger.

Earlier this month, Jordan's National Electric Power Co, said gas pumping had started as part of a multi-billion-dollar deal with Texas-based Noble Energy aimed at lowering the cost of power in the energy-poor kingdom.

Noble Energy and Israel's Delek Group are, among others, partners in the newly operational Leviathan gas field off Israel's Mediterranean coast.

In a statement then, NEPCO said importing the gas from Israel was "the last option" after supplies of Egyptian gas came to an end after its pipeline was repeatedly targeted by Islamic State-affiliated militants in Sinai. NEPCO said Israel was "the only available source."

At odds with the kingdom's official policy, many Jordanians still see Israel as an enemy and often meet steps toward normalization with great public backlash. Over half the population are believed to be Palestinian refugees or their descendants.

Govt plans Brexit celebrations

Britain warns businesses may suffer

LONDON, Jan 19, (AP): The British government has announced plans for special events on the night of Jan. 31 when the country officially leaves the European Union but the country's treasury chief has admitted that some UK business sectors will suffer as a result.

Sajid Javid told the Financial Times in an interview Saturday that Britain's regulations will not be aligned with the EU in the future and that those changes may hurt some businesses. Currently the EU is Britain's largest trading partner.

"There will not be alignment, we will not be a rule-taker, we will not be in the single market and we will not be in the customs union - and we will do this by the end of the year," he said, referring to a deadline at the end of 2020 for conclusion of what are expected to be contentious trade talks with the then-27 member EU.

Britain will officially leave the EU bloc on the night of Jan. 31, even though it will keep following EU rules for an 11-month transition period. It will be the first nation ever to leave the bloc. The British government plans to mark the occasion with a series of upbeat events.

British Prime Minister Boris Johnson plans to make a speech to the nation that night after holding a rare cabinet session in the north of England to emphasize his government's plan to spread opportunity to that economically beleaguered region.

The government also plans to mark Brexit by projecting a clock onto the prime minister's official residence at 10 Downing Street in London that will count down until 11 pm, when the break takes place.

Anti Brexit campaigner Steve Bray demonstrates outside Parliament in London on Jan 15. Britain is due to leave the European Union on Jan 31. (AP)

The entire government neighborhood of Whitehall is to be illuminated for the occasion as part of a light show, with Union flags flown on all the poles in Parliament Square. The government will also create a commemorative coin that will enter circulation that day.

But Johnson's Conservative government is no longer actively pushing a plan to have the familiar chimes of the Big Ben clock tower at Parliament sound at 11 pm despite a private fundraising push in support of activating the chimes, which are under repair.

Britain voted in a 2016 referendum to become the first nation to leave the 28-nation EU, but the process has moved more slowly than expected. A stalemate last year kept a withdrawal bill from passing, leading to a rare December election that gave Johnson's pro-Brexit Conservative Party a strong majority in Parliament.

The Brexit divorce bill quickly passed when the new Parliament convened. A transition period will last until the end of 2020 as negotiators try to forge a trade arrangement between Britain and the remaining EU nations.

Johnson, who is also seeking a trade deal with the United States, has ruled out seeking an extension of the deadline for the EU talks.