

# Stocks diverge after Powell says rate hike possible

AFP | London, United Kingdom

Wall Street indices bounced but European stock markets fell yesterday as investors digested warnings by central bank chiefs that the battle against inflation was not over.

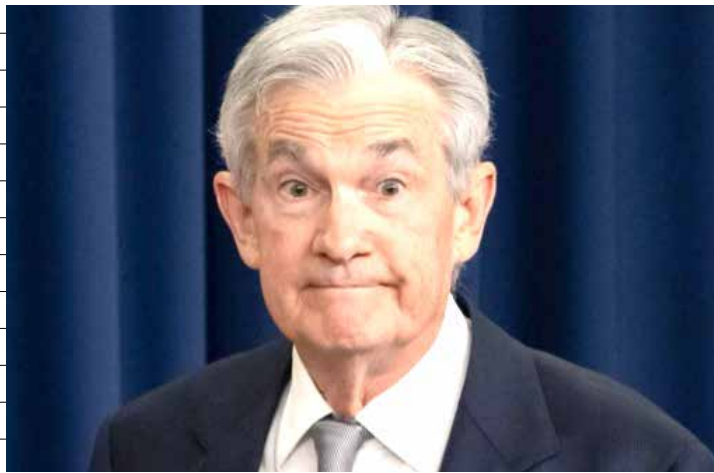
US stocks opened higher after falling the previous day on the back of Federal Reserve Chair Jerome Powell saying that the US central bank "will not hesitate" to raise interest rates again if necessary. European markets remained down in afternoon deals, however, as European Central Bank President Christine Lagarde said there will probably be a "resurgence" of inflation after it slowed sharply last month.

Speaking at a Financial Times event, Lagarde also said that the ECB will not start cutting rates for at least "the next couple of quarters".

Data showing the UK economy stalled in the third quar-

## Key figures around 1345 GMT

New York - Dow:	▲ 0.3% at 33,998.98 points
London - FTSE 100:	▼ 1.4% at 7,352.21
Paris - CAC 40:	▼ 0.9% at 7,050.64
Frankfurt - DAX:	▼ 0.7% at 15,242.63
EURO STOXX 50:	▼ 0.7% at 4,199.35
Tokyo - Nikkei 225:	▼ 0.2% at 32,568.11 (close)
Hong Kong - Hang Seng Index:	▼ 1.8% at 17,203.26 (close)
Shanghai - Composite:	▼ 0.5% at 3,038.97 (close)
Euro/dollar:	▲ at \$1.0676 from \$1.0671 on Thursday
Pound/dollar:	▼ at \$1.2212 from \$1.2223
Dollar/yen:	▲ at 151.45 yen from 151.35 yen
Euro/pound:	▲ at 87.46 pence from 87.28 pence
Brent North Sea crude:	▲ 1.3% at \$81.05 per barrel
West Texas Intermediate:	▲ 1.3% at \$76.75 per barrel



Jerome Powell

ter also weighed on London's FTSE 100 index. Both the Fed and ECB paused their rate-hike campaigns at their last meetings as consumer price rises have slowed, but they have suggested they would stay higher for longer as inflation remains above their

two-percent targets. Equities had been rallying since last week after Fed officials hinted that their long-running tightening cycle may be at an end.

But Powell told an International Monetary Fund conference Thursday that progress

toward reaching two-percent inflation was "not assured".

"If it becomes appropriate to tighten policy further, we will not hesitate to do so," he said.

He added that officials were aware of the need not to over-tighten, which many fear could

tip the world's top economy into recession.

The Fed decision last week to hold rates came as they acknowledged soaring Treasuries -- 10-year yields hit a 16-year high recently -- were acting as a substitute for rate hikes.

"I don't believe what Powell said was a shock but I do feel the general consensus amongst investors is that interest rates are at or close to their peaks, and their focus is turning to the timing of rate cuts," said Walid Koudmani, chief market analyst at XTB online trading.

"The fact the Fed has sent a clear signal that the conversation for rate cuts is far too premature, this has given some investors a bit of a reality check today," Koudmani said.

US government bond yields rose on Thursday but traders said it may have been linked to a ransomware attack on the US arm of China's largest bank, the ICBC, which disrupted the US Treasury market. "Some commentators argue that that, rather than weak demand, was behind the relatively poor US government bond auction (that took place Thursday)," said Richard Flax, chief investment officer at Moneyfarm.

## Bangladesh PM rejects further pay hike after garment worker protests



Garment workers clash with police personnel during a rally in Gazipur

Dhaka, Bangladesh

Bangladesh's Prime Minister Sheikh Hasina has rejected any further pay hikes for protesting garment workers demanding a nearly tripled wage increase, after violent clashes with police and factories were ransacked.

A government-appointed panel raised wages on Tuesday by 56.25 percent to 12,500 taka (\$113) for the South Asian nation's garment factory workers, who were demanding a 23,000 taka minimum wage in all plants.

Bangladesh's 3,500 garment factories account for around 85 percent of its \$55 billion in annual exports, supplying many of the world's top brands including Levi's, Zara and H&M.

## Remain on guard despite falling inflation: ECB's Lagarde

AFP | Frankfurt, Germany

European Central Bank chief Christine Lagarde warned Friday recent steep falls in eurozone inflation should not be "taken for granted" and there will probably be a "resurgence" in price rises.

Inflation slowed to 2.9 percent in October, the lowest rate since July 2021 and faster than expected, after more than a year of aggressive interest rate hikes by the ECB aimed at taming runaway prices.

Consumer price rises in the 20 countries that use the euro had peaked at 10.6 percent in October last year, driven mainly by surging energy costs after Russia's invasion of Ukraine.

Speaking at an event organ-



Lagarde

ized by the Financial Times, Lagarde acknowledged that "inflation has come down massively".

The latest figure is "a huge, huge change and one could argue that... monetary policy has done its job", she said.

But she added that a "bit of humility helps as well", adding

that everybody "recognises that a lot of that downside has to do with... the price of energy".

Energy prices in particular have fallen sharply since a year ago, contributing to the fast slowdown in price rises.

"We should not assume that this respectable 2.9 headline number is something that should be taken for granted," she said.

"There will be a resurgence of probably (a) higher number going forwards and we should be expecting that."

The ECB's inflation target is two percent.

The central bank embarked on an unprecedented campaign of rate increases in July last year, hiking borrowing costs at 10 consecutive meetings.

## EU seeking to 'reengage' with China ahead of Beijing summit

AFP | Beijing, China

The European Union is seeking to "reengage" with China ahead of a major summit on December 7 and 8, a top official said yesterday, following high-level meetings in Beijing that touched on a range of thorny topics.

European commissioner for the internal market Thierry Breton described his meetings with Chinese counterparts as



Thierry Breton

"constructive" and "tense on some issues", but added that "it was very good to reengage" after the challenging pandemic period.

Breton said that the world's largest single market, which

he represents, was preparing to participate in a summit with the world's second-largest economy, China, in Beijing next month.

"In all my meetings... I have been very frank and very direct because if we want to create reciprocity, new opportunities... and an open market for companies, trade and investment, we should not shy away from difficult discussions," Breton told a press conference.

## British economy stalls in third quarter

AFP | London, United Kingdom

Britain's economy stagnated in the third quarter, official data showed yesterday, weighed down by elevated inflation and interest-rate hikes.

Gross domestic product showed no growth in the July-September period, the Office for National Statistics (ONS) said in a statement.

That beat market expectations for a contraction of 0.2%, but followed 0.2-percent expansion in the second quarter.

The data comes one week after the Bank of England froze interest rates at a 15-year high of 5.25% to tackle high inflation, and forecast the economy



Jeremy Hunt

would flatline next year.

Reacting to Friday's data, UK finance minister Jeremy Hunt warned that "high inflation was the single greatest barrier to economic growth".

Hunt added that his budget statement on November 22, would "focus on how we get the economy growing healthily again".

## Canada police probe video warning not to fly Air India

AFP | Ottawa, Canada

Canada's federal police are investigating a warning in videos circulating online not to fly Air India starting November 19, the transportation minister said Thursday.

"We take every threat seriously, especially when it concerns airlines," Transportation Minister Pablo Rodriguez told reporters in Ottawa.

The Royal Canadian Mounted Police, he added, "is doing an investigation."

The videos, posted online in the last week, feature Gur-

patwant Singh Pannun, the general counsel for the US-based Sikhs for Justice.

He warns Sikhs in the video: "Don't fly Air India after November 19, your lives may be in danger."

He told Canadian media this was not a threat, but rather a call to boycott Indian businesses.

India dismissed as "absurd" the bombshell accusation.

Relations between India and Canada have plunged over the unsolved slaying, and Indian unhappiness over how Ottawa has handled Sikh separatists.

# US arm of China mega-lender ICBC hit by ransomware attack

AFP | Washington, United States

The US arm of China's largest bank said Thursday that it was hit by a ransomware attack, forcing clients to reroute trades and disrupting the US Treasury market.

Ransomware attacks typically access vulnerable computer systems and encrypt or steal data, before sending a ransom note demanding payment in exchange for decrypting the data or not releasing it publicly.

The Industrial and Commercial Bank of China Financial Ser-



Last year, LockBit was "the most deployed ransomware variant across the world and continues to be prolific in 2023," according to the US Cybersecurity and Infrastructure Security Agency.

VICES (ICBC FS) said Thursday it "experienced a ransomware attack that resulted in disruption to certain (financial services) systems."

"Immediately upon discovering the incident, ICBC FS discon-

nected and isolated impacted systems to contain the incident," the New York-based bank said, adding that it was investigating the attack and working on recovery.

ICBC FS said it had success-

fully cleared US Treasury trades executed Wednesday and repurchasing (repo) financing trades Thursday.

Bloomberg reported that some trades handled by ICBC FS on Thursday were transported across Manhattan on a USB stick as messengers manually relayed required settlement details.

China's foreign ministry said Friday that "the business systems and office systems of the head office of ICBC and other domestic and foreign branches and subsidiaries within the

group are normal."

"As far as we know, ICBC has paid close attention to this matter, and has done a good job in emergency handling and supervision and communication, striving to minimize the impact of risks and losses," foreign ministry spokesman Wang Wenbin said at a regular news briefing.

"At present, the business systems and office systems of the head office of ICBC and other domestic and foreign branches and subsidiaries within the group are normal."

US media reported that the hack was executed using software created by Lockbit, the Russian-speaking hacking group known for scrambling files on a host's computer and flashing up messages demanding cryptocurrency payment to resolve the issue.

US aircraft manufacturer Boeing was hit with an attack from Lockbit last week.

The US Justice Department said in May that LockBit ransomware had been used in more than 1,400 attacks globally.