Machinery orders up

Japan’s core private-sector machinery orders increased in August from a month earlier, the government said in a report on Wednesday.

IMF: ‘Dangerous undercurrents’ threaten global economy

One of the most comprehensive studies of the state of banking and markets since the financial crisis warns that ‘dangerous undercurrents’ are a rising threat to the world economy.

The International Monetary Fund’s Financial Stability Report said that although banks are far safer than they were in 2008 there are new risks, BBC wrote.

Trade tensions are growing, the IMF said, and inequality has risen.

Further moves towards a trade war could “significantly harm global growth”.

Other threats to trade, such as a disorderly Brexit, could also “adversely affect market sentiment”, the IMF argued.

The US-based organization said that a ‘no-deal’ departure from the European Union could lead to fragmentation in European money markets, meaning that finance cannot flow around the system so efficiently.

The body urged the Bank of England to be ready to provide more quantitative easing — money printing — if it is required.

In a separate report, the IMF said the UK had historically weak public finances with high levels of debt and low levels of assets. Britain sold off many of its assets in the privatizations of the 1980s and 1990s and also did not create a sovereign wealth fund from its oil revenues, which Norway did.

Of leading industrialized countries, only Portugal’s ‘net worth’ was in a poorer position, the IMF said.

That could mean that Britain will have to raise more taxes in the future because government-owned asset growth will not provide as much support to the economy.

The Financial Stability Report is the second time in 24 hours the IMF has published sober warnings about the state of global finance.

On Monday, it downgraded world growth forecasts for next year, blaming new trade barriers.

Tuesday’s report said governments should resist attempts to roll back banking regulations put in place in 2008 to stop a similar financial crisis happening again.

Complacent

President Donald Trump has already pushed through laws repealing banking rules in America for smaller institutions, saying they were holding back bank lending to businesses.

The IMF also warned market investors, who have seen the largest upward bull run in stocks in history.

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The report said they are in danger of becoming complacent about the chances of an economic shock to the system.

One could be the ending of ‘easy money’.

Central banks are starting to withdraw the stimulus that was put in place at the time of the financial crisis.

Interest rates are rising and quantitative easing — money printing — being dialed back.

The IMF fears this could lead to sharp falls in markets.

The risks of a government funding crisis in Italy, where the country’s banks are under pressure, is also highlighted.

“Looking ahead, clouds appear on the horizon,” the report, published at the body’s annual meeting in Bali, Indonesia, said.

“Support for multilateralism has been waning, a dangerous undercurrent that may undermine confidence in policymakers’ ability to respond to future crises.

“Nonetheless, despite trade tensions and continued monetary policy normalization in a few advanced economies, global financial markets have remained buoyant and appear complacent about the risk of a sudden, sharp tightening in financial conditions.”

Contagion risk

The IMF’s warnings will increase fears that the present buoyancy in global growth may not last.

The American economy has been performing strongly, encouraging international investors to move capital there and invest in the dollar.

To cool inflationary pressure, the American central bank, the Federal Reserve, is raising interest rates, which acts as a further attraction to global capital because returns are higher.

That puts pressure on emerging market economies such as Turkey and Argentina, which have large amounts of debt which concerns investors.

The IMF said there is a ‘risk of contagion’ as investors become increasingly nervous about the strength of emerging markets, with the risk of capital flows towards the US accelerating.

The report said that outflows could hit $100 billion (£76.4 billion) over a year, about 0.6 percent of emerging market economies’ gross national income.

That would be ‘of a magnitude’ similar to the financial crisis.

Main Indices of TSE

Index	Value	Change	Percent
Total Index	181066.9	219.3	0.12
Industry Index	164746.4	531.9	0.32
Free Float Index	194085	5605	2.88
First Market Index	136753.2	-23.5	-0.01
Second Market Index	344654.4	1503.7	0.43

Overall Index details on 20181010

First	180847.6	Change end of year(%)	702.04%
High	181621.7	Historical highest	89500.6 (20140105)
Low	180847.6	Historical lowest	100 (1369/1/6)
Close	181066.9	Base Value	100 (1369/1/6)
Change	2522.5		

Industry Index details on 20181010

First	164214.5	Change end of year(%)	954.15%
Max Value	165122.4	Historical highest	75181.9 (20140105)
Max Value	161413.6	Historical lowest	1226.8 (1377/8/25)
Closing	164746.4	Base Value	
Closing	2306.2		

Free Float Index details on 20181010

First	188480	Change end of year(%)	
Max Value	168409	Historical highest	105040 (20140105)
Max Value	127866	Historical lowest	
Closing	194085	Base Value	
Closing	3826		

Main Board Index details on 20181010

First	136776.7	Change end of year(%)	895.67%
Max Value	137298.9	Historical highest	67441.4 (20140105)
Max Value	101786.9	Historical lowest	
Closing	136753.2	Base Value	4740.4 (1381/6/2)
Closing	2388.7		

Secondary Index details on 20181010

First	343150.7	Change end of year(%)	1317.58%
Max Value	344925.2	Historical highest	181353 (20170522)
Max Value	241894.2	Historical lowest	
Closing	344654.4	Base Value	4740.4 (1381/6/2)
Closing	2235.2		

Improving infrastructure planning in developing countries

Infrastructure investment is necessary, but hardly sufficient to enable developing countries to transform their economies to achieve sustainable prosperity, according to this year’s UNCTAD Trade and Development Report: Power, Platforms and the Free Trade Delusion (TDR 2018), released in late September.

For various reasons, infrastructure projects in developing countries are receiving broad endorsement. Multilateral financial institutions — such as the Asia Infrastructure Investment Bank — are scaling up investment, and several international initiatives — such as the ‘Belt and Road Initiative’ of China — prioritize infrastructure. Yet, such efforts may still not accelerate industrialization, IPS reported.

Nevertheless, most recent discussions still tend to ignore how infrastructure was central to successful industrialization, from eighteenth century Britain to twenty-first century China. The crucial link between infrastructure and industrialization has been largely lost in a discourse focusing on the bankability of projects, viewing infrastructure as a financial asset for international institutional investors.

JEFFREY MOYO/IPS

Infrastructure as business opportunity

UNCTAD’s analysis of over 40 developing countries’ national development plans suggests too much emphasis on infrastructure projects — which appeared in 90 percent of them — as business opportunities. But, there was too little emphasis on accelerating structural transformation.

Despite infrastructure spending being likened to traditional public goods such as highways, ports and schools, recent policy debate typically denigrates the public sector, instead favoring private finance. The prevailing bankability approach tends to avoid addressing how infrastructure can enhance productivity, structural transformation as well as economic and social change in much of the developing world.

But bankability will not close the financing gaps for infrastructure investment. The total annual financing needs for needed infrastructure were recently estimated at between $4.6 trillion and $7.9 trillion, requiring far more government investment than is currently the case.

Most developing countries must double current infrastructure investment levels of less than three percent of gross domestic product to around six percent for significant transformational impact.

Infrastructure investment needs have been estimated at 6.2 percent against actual spending of 3.2 percent of the GDP of Latin America and the Caribbean in 2015.

Projected needs in Africa are around 5.9 percent of regional GDP in 2016-2040, more than the current 4.3 percent. Current and projected investment needs in Asia during 2016-2030 are estimated at around five percent of GDP.

Major Currencies

Currency	To USD	Currency	To USD
Turkish Lira	0.1633	Japanese 100 Yen	0.8839
Euro	1.1488	Chinese Yuan	0.1445
British Pound	1.3162	UAE Dirham	0.2722
Australian Dollar	0.7108	Kuwaiti Dinar	3.2925
Canadian Dollar	0.7721	Iraqi 100 Dinar	0.0839

Major Commodities

Crude Oil	$74.74	Silver	$14.39
Gold	$1191.00	Platinum	$827.10
Copper	$2.80	Wheat	$516.00

South Korea, Mexico agree on enhancing economic cooperation

South Korea and Mexico agreed on Wednesday to further boost economic cooperation in fields such as fintech and work together to fight growing global trade protectionism, Seoul’s finance ministry said.

The agreement came at their first deputy prime minister-level meeting earlier in the day between Seoul’s finance minister, Kim Dong-yeon, who also serves as deputy prime minister, and his Mexican counterpart, Jose Antonio Gonzalez Anaya, according to Yonhap.

At the meeting, the two sides discussed ways to boost economic cooperation and enhance conditions facilitating greater bilateral trade, it added.

Mexico is South Korea’s second-largest trading partner in the American region after the US.

The two also agreed to work together to fight growing trade protectionism through cooperation at the G-20 Finance Ministers and the International Monetary Fund (IMF) meetings.

The economic chiefs of the two countries also shared the view that the two sides should cooperate in the fintech industry, which is viewed as a future growth engine.

The South Korean minister, meanwhile, thanked Mexico for its support for Seoul’s associate membership for the Pacific Alliance (PA).

South Korea has been in talks with members of the PA for associate membership in the Latin American trade bloc.

The PA members are Mexico, Chile, Colombia and Peru.

As South Korea has already signed free trade agreements with the other three nations but not Mexico, its PA membership would be tantamount to a similar trade deal with Mexico — the largest economy within the alliance.

Last year, Singapore, Australia, New Zealand and Canada were accepted as associate members by the PA, which accounts for about 2.5 percent of the world’s gross domestic production.

YONHAP