

## Turkey planning model custom, trade logistical centers

Anadolu Agency, 09.05.2018



Turkey will establish model custom and trade centers in order to boost the country's share of the global logistic market, the country's customs and trade minister said.

"The model will add considerable value to the Turkish economy and business circles through using various innovative approaches in its planning, financing, and management," Bulent Tufenkci told a Custom and Trade Center conference held in Istanbul. Saying that Turkey serves as a natural bridge between Asia and Europe, Tufenkci added that the country has significant advantages for logistics centers globally.

Tufenkci stated that Turkey's advantageous geographical location allows it to take steps to create a global brand in e-trade and logistics. The centers carry great importance for pushing Turkey's potential, he said. "Our models' main approach has principles of comprehensive and professional planning, bringing together all logistic sector shareholders, modern opportunities and multimode transportation infrastructure, incentives and simplified customs transactions, and operating and management models based on public-private partnership," Tufenkci said. The first center will be set in Istanbul for its geographical location, population, and foreign trade volume, he said.

## Turkish Central Bank takes step to support lira

Anadolu Agency, 25.04.2018



Giving extra support to the local Turkish lira, Turkey's Central Bank on Wednesday said it has decided to boost the volume of its daily foreign exchange deposits auction to \$1.5 billion.

"The daily amount of foreign exchange deposits against Turkish lira deposits auctions has been increased from \$1.25 billion to \$1.5 billion," the bank said in a statement. The bank said the maximum outstanding deposit amount in auctions may reach up to \$7.5 billion, from the current level of \$6.25 billion. It also updated the calendar of Turkish lira-settled forward foreign exchange sale auctions to be held.

The auction calendar was given on the Central Bank's website. "During this period, the maximum total amount of forward foreign exchange sale position may increase from its current level of \$5.3 billion to \$7.1 billion," it said. The move came after the U.S. dollar/Turkish lira exchange rate saw its historic high, climbing over 4.3700 at Wednesday's market opening.

## Foreign Ministry slams UN statement questioning Turkey's motives in snap polls

Hurriyet Daily News, 10.05.2018



The Foreign Ministry has slammed the Office of the United Nations High Commissioner for Human Rights (OHCHR) for questioning the Turkish government's motives in calling snap elections on June 24, rescheduled to be held under the state of emergency a year-and-a-half before the original date.

"The state of emergency does not constitute an obstacle to holding democratic elections," a statement released by the ministry read on May 10. Describing the OHCHR's remarks as "unfortunate," the ministry said it would not "take [the] statement seriously" as it was made "on the basis of purely political motives."

"In fact, the High Commissioner should know that the elections were also held in France during a state of emergency. Furthermore, it was confirmed by the international observation missions that the elections in Turkey, including the referendum that took place in April 2017, were held in a democratic, free, fair and transparent manner," it added. The state of emergency, which has been in place since the deadly coup attempt of July, 2016, is a necessity and is "a legal right granted to states by the international law," the ministry stated. "In Turkey, state of emergency measures are implemented only against terrorists and terror related circles. There are no measures restricting the rights and freedoms of our citizens," the statement added. On May 9, the OHCHR had released a written statement titled "Turkey must lift state of emergency restrictions for credible elections to take place."

"On 19 April, a day after the Government of Turkey called for early parliamentary and presidential elections, it announced that it would renew the state of emergency for the seventh time, suspending its obligations under several articles of the International Covenant on Civil and Political Rights, including articles 19, 21, 22 and 25. These articles relate directly to the freedoms of expression, assembly, association and the right to take part in the conduct of public affairs," the statement said. "It is difficult to imagine how credible elections can be held in an environment where dissenting views and challenges to the ruling party are penalized so severely," the statement added, quoting U.N. High Commissioner for Human Rights Zeid Ra'ad al-Husseini. "Elections held in an environment where democratic freedoms and the rule of law are compromised would raise questions about their legitimacy, and result in more uncertainty and instability," al-Husseini said.

“It is in the interests of the people of Turkey that the country’s constitutional order is fully restored, and that human rights and fundamental freedoms are fully respected, in law and practice,” the statement added.

## South Korean giant aims for Canal Istanbul mega Project

Anadolu Agency, 09.05.2018



A leading South Korean contractor is hoping to take a leading role in Turkey’s massive Canal Istanbul project, a top company official told Anadolu Agency.

During Turkish President Recep Tayyip Erdogan’s visit to South Korea last week, the canal project came up, said Seung Soo Lee, senior vice president at SK Engineering and Construction (SK E&G). South Korean President Moon Jae-in said during the visit that his country will be happy to give support to the project, he added. “We took part in Turkey’s Eurasia Tunnel and Canakkale 1915 Bridge projects” said.

He added that the Canal Istanbul is a huge project in terms of both importance and size. “President Erdogan invited our leader to take part in the project and he accepted, so it fell to us,” he said. When details are available, the company wants to lead the project, he added. The planned canal is meant to provide relief to shipping traffic between the Black Sea and the Sea of Marmara, particularly oil tanker traffic passing through the Bosphorus. The 45-kilometer (nearly 28 miles) canal, which will be built in Istanbul’s Kucukcekmece-Sazlidere-Durusu corridor, is to boast a capacity of 160 vessels a day and is scheduled to be completed by 2023. Ahmet Arslan, Turkey’s transportation, maritime and communications minister, had previously said Turkey aims to finish all tender processes and groundbreaking this year.

# Turkey: US decision on Iran deal ‘unfortunate step’

Anadolu Agency, 09.05.2018



Turkey’s Foreign Ministry said Tuesday the United States’ decision to unilaterally withdraw from the Iran nuclear deal was an “unfortunate step”.

“Turkey has always defended the stance that issues regarding Iran’s nuclear program should be resolved through diplomacy and negotiations and has made intensive efforts in this direction,” the ministry said in a press release on its website. “The Joint Comprehensive Plan of Action (JCPOA) accepted in 2015 was an important step taken to prevent proliferation.

The plan in question has shown that even the most difficult of subjects could be resolved through negotiations.” The ministry said Iran’s compliance with the deal has been confirmed by periodic reports of the International Atomic Energy Agency (IAEA). “As such, we consider it an unfortunate step that the U.S. has decided to withdraw from the deal. “The Joint Comprehensive Plan of Action must be protected and continue to be implemented in full transparency, uninterrupted and complete, under the control of the IAEA,” it added. Presidential spokesman Ibrahim Kalin said on his Twitter account that the multilateral agreement would remain in place thanks to the other countries’ participation, while Trump’s decision will cause instability and new conflicts. “Turkey will maintain its resolute stance against all forms of nuclear weapons,” he added.

EU Affairs Minister Omer Celik tweeted that “Unfortunately, the U.S. decision has an approach that will open doors to very bad developments.” “While there is no evidence that Iran is violating the agreement, the U.S taking this decision means to take the exact opposite position of its allies,” Celik said. “We are at a time where more negotiations are needed,” he said Celik added that while serious problems with North Korea are being resolved with diplomacy and while this has become a new hope for diplomacy, it is very wrong trying to damage an agreement that Iran is abiding by and an agreement that is functioning. Bucking pressure from the U.S.’s closest European allies, President Donald Trump on Tuesday pulled the U.S. out of the landmark nuclear agreement that world powers struck in 2015 with Iran. Trump opted not to extend sanctions relief on Iran ahead of a May 12 deadline, vowing instead to re-impose nuclear-related economic penalties.

The 2015 nuclear accord placed unprecedented restrictions on Iran’s nuclear program in exchange for billions of dollars in relief from international sanctions, but Trump has consistently railed against it since he began his bid for America’s highest office, repeatedly claiming it is the “worst deal” he has ever seen. All of the U.S.’s negotiating partners -- the UK, France, Germany, Russia, China and the EU -- agree that maintaining the accord is the best way to reign in Iran’s nuclear program.

# Israel launches one of its heaviest strikes in Syria since civil war began

Reuters, 10.05.2018



Iranian forces in Syria shelled Israeli army outposts across the Syrian frontier overnight, Israel said, prompting one of the heaviest Israeli strikes in Syria since its civil war began.

The attack into the Israeli-occupied Golan Heights marks the first time Iranian forces have hit Israel from Syria, where they have deployed along with Iran-backed Shi'ite militias to support President Bashar al-Assad in the civil war. Syrian state media said dozens of Israeli missile strikes hit a radar station, Syrian air defense positions and an ammunition dump, underscoring the risks of a wider escalation involving Iran and its regional allies.

The Israeli military spokesman said the Iranian attack with around 20 projectiles or rockets was carried out by the Quds Force, an external arm of Iran's Revolutionary Guards. Lieutenant Colonel Jonathan Conricus said that Israel intercepted "a few" of the rockets and there were no reports of casualties and that damage to Israeli positions was "limited." The attack took place at around 12.10 a.m. "We have retaliated but I have no further details about this," he said. Tensions between Israel and Iran had already spilled over in Syria. Iran vowed retaliation after an Israeli air strike last month killed seven of its military personnel in a desert airbase in Syria. Israel regards Iran as its biggest threat, and has repeatedly targeted Iranian forces and allied militia in Syria. Syrian state media reported Israeli missile attacks targeting Baath City in Quneitra, near the border. Further waves of missiles followed. Syrian state media said Israeli missiles had been brought down over Damascus, Homs and Sueda.

"Air defences confronted tens of Israeli rockets and some of them reached their target and destroyed one of the radar sites," Syrian state news agency SANA reported, citing a military source. Another rocket hit an ammunition warehouse, it said. Asked whether Israel had attacked near Damascus or scrambled communications there, an Israeli military spokeswoman said: "I have no comment on that at this time." Syrian state television was broadcasting footage of its air defenses firing, and playing patriotic songs. Damascus residents described explosions in the sky from air defense systems. Israeli media said residents of Metulla, on the Lebanese border, had been instructed to go to bomb shelters. There was no official confirmation. Lebanon's National News Agency, citing Lebanese Army Command, reported Israeli jets circling over Lebanese territory early on Thursday before exiting. The late-night incident followed a surge in tensions between Israel and Syria, where Iranian and Lebanese Hezbollah forces have helped Damascus beat back a 7-year-old rebellion. Israel describes Iran as its biggest threat and Hezbollah as the biggest threat on its borders. Fearing that Iran and Hezbollah are setting up a Lebanese-Syrian front against it, Israel has occasionally struck at their forces. Iran blamed it for an April 9 air strike that killed seven of its military personnel in Syria, and vowed revenge.

Expectations of a regional flare-up were stoked by U.S. President Donald Trump's announcement on Tuesday that he was withdrawing from the Iranian nuclear deal. Hours later, Israeli rocket rockets targeted a military base in Kisweh, a commander in the pro-Syrian government regional alliance said. That attack killed 15 people, including eight Iranians, the Syrian Observatory for Human Rights said, though the commander said there were no casualties. Israel has neither confirmed nor denied responsibility.

## Iran's economy may be headed for a death spiral now that Trump nixed the nuclear deal

CNBC, 10.05.2018



Just a few minutes after President Trump said on Tuesday that the U.S. plans to pull out of the Iran nuclear deal, Hassan Rouhani, the country's president, stood defiantly, flanked by his cabinet, to say that he wanted to work with the remaining countries to keep the deal alive.

While Rouhani may have been sending a message to the U.S., his speech was also designed to reassure his own citizens that America's move wouldn't further damage the country's fragile economy. "He wanted to project calm and predictability," said Suzanne Maloney, a senior fellow at the Brookings Institution's Center For Middle East Policy.

That calm may not last long as renewed sanctions on Iran could, once again, send its economy into a downward spiral. Over the past several weeks, Iran's rial has lost 25 percent of its value against the U.S. dollar, while inflation is hovering at around 8 percent. Iranians are also struggling with a severe credit crisis that has seen several banks go bankrupt. Unemployment is above 11 percent and citizens have taken to the streets to protest mismanagement and government corruption. The country's GDP has also suffered, going from 6.6 percent in 2010 to negative 1.5 percent in 2015, when sanctions were in full force, but it's rebounded since. The IMF was predicting GDP growth of 4.3 percent this year, but that could fall sharply after sanctions are re-imposed. With the nuclear deal off the table now, there are fears that U.S. sanctions will return and that European companies, like automaker Daimler and oil company Total, which rushed into the country after sanctions were lifted in 2015, could pull their investments. That could push the Iranian economy to the brink of disaster, according to the IMF. In a report released two days before Trump's announcement, it said that sanctions could pose a risk to the nation's banking system and may be a threat to its international trade relationships.



U.S. aerospace giant Boeing has an estimated \$20 billion in planned aircraft sales to Iran. The company's Middle East business head told CNBC this week it's following the U.S. government's lead and the company has always mitigated the potential risk to Iranian airline sales in building its broader global production plan. There's another big concern: the impact that an oil export ban could have on government revenue. Iran is OPEC's third-largest producer, exporting about 2.5 million barrels of oil a day. A recent Bloomberg survey forecast that Iran could lose up to 500,000 barrels of oil a day in output if it's not allowed to sell its crude to other countries.

Iran's economy started to falter in 2010, when U.S. sanctions were first imposed. Those sanctions made it extremely difficult for Iran to do business with companies in other countries, and to bring oil revenue back into the country. The financial measures the U.S. put in place made it effectively impossible for Iran to repatriate revenue from oil sales," Maloney said, adding that sanctions also hurt Iran's foreign currency holdings, and made it difficult to import goods and services for its people and industries. Oil exports fell from about 2.4 million barrels a day to 1.4 million barrels a day – it didn't help that oil prices fell by about 60 percent during those years. The Iranian rial plummeted by about 65 percent between 2010 and 2015, and it's fallen even further since. Medicine became difficult to obtain and prices for meat and eggs soared.

Maloney, who has been studying Iran for years, said it was the worst period for Iran's economy in its history. "Never has there been a time where the wages, earnings and purchasing power of Iranians has been as impacted as it was," she said. With the economy slowly coming back to life over the last couple of years, and oil exports picking up, things were getting better. Now, though, Iranians are worried about what might happen next, Maloney said. Other governments, market watchers and economists are also paying careful attention to the country's economic situation. It's expected to take about six months before sanctions are imposed again, but Tom Elliott, a London-based international investment strategist with financial firm deVere Group, doesn't think the economy will be hit nearly as hard as it was a few years ago. First of all, China, which is one of Iran's main oil buyers, is not part of the sanctions. "It's unlikely to show that it will be bossed around by America," he said. Secondly, Europe, which did go along with the sanctions previously, may not follow suit again. Elliott thinks the region will seek a waiver to allow it to continue buying oil from Iran, and if it does that, then it will likely keep doing business with the country in the same way it does now. If Trump does force the European Union to follow the U.S. lead, that could cause a big rift, he said.

Maloney noted that historically Europe and the U.S. have not seen eye-to-eye on Iran. During the 1979 Iranian hostage crisis, Europe and other allies expanded trade with the country. Europe also hasn't taken as hard of a line on Iran's terrorist funding activities as the U.S. has. Coordinated cooperation started during the Bush administration and came to fruition during the Obama years, but Maloney thinks it's unlikely that will continue. If Europe doesn't impose its own sanctions, then Iran's economy may be able to stay afloat. None of this means Iran is out of the woods. If America does flex its muscle, and if Europe does join in on the sanctions, its economy would certainly suffer. In some ways, though, what happens with the economy itself is secondary. If its citizens feel as though things could get worse then they could protest, which is what happened in December, when thousands of people took to Iran's streets.



“The uncertainty is not about the complete shutdown of Iran’s economy, but about whether it exacerbates what’s already a low-level psychological crisis,” Maloney said. “The value of the currency has dropped precipitously over the last couple of weeks alone. Does the panic revive itself and become worse? Do we see a dramatic capital flight from the country? These things can happen even if macroeconomic indicators look OK.” People are also fed up with government corruption, she said. Most aren’t happy that their money goes to fund Hezbollah in Lebanon and the war in Syria, while reports of banks running Ponzi schemes to enrich people in power has infuriated many citizens – especially those who have lost money after banks have gone under. If Iranians do rise up, the government could be forced to fight back with violence, and that would certainly send its economy into a tailspin and spook its Middle East neighbors. “It’s difficult to see how the younger generation maintains the status quo,” Elliott said.

As long as the turmoil is contained within Iran’s borders, global markets shouldn’t falter, Elliott said. Oil prices could rise, and they have climbed in recent days to as high as \$71, but it’s in no one’s interest to see oil prices jump to \$100 a barrel or more, he said. If that happens, then U.S. drilling will increase, supply will climb and, eventually, oil prices will plummet. The real danger, said Elliott, is that Trump’s Iran exit will spark a war in the Middle East. Israel may be taking America’s actions as a sign that it can now attack Iranian bases in Syria, and it did launch a “daring” strike against several Iranian targets in the country last night after rockets were fired into Israel from Syria. If tensions escalate, then Israel, Syria, Lebanon, Iran and maybe even Saudi Arabia — which would likely come to Israel’s defense — could find themselves engaged in battle. That would have a negative impact on economies around the world. “It would raise the price of gold, the dollar and oil and fears of a war spreading could take hold,” Elliott said. “If Russia and Turkey get involved then things could get nasty.”

As of now, markets have not reacted negatively to the deal pullout. The S&P 500 is up about 1.8 percent since the May 8 announcement, while the CBOE Volatility Index has fallen from 16 two days ago to about 13.5 today. That suggests that investors think Iran’s economy won’t suffer more than it already has, Elliott said. “We’ll see the full effects of this in the winter, so we need to wait,” he said. “Unless Trump gets heavy on European allies, then I think Iran can see this through. But if Israel takes it as a blessing that it’s time to hit Iran, then we could see war begin.”

## Russia's Putin, Germany's Merkel discuss Iran deal

Anadolu Agency, 11.05.2018



Russian President Vladimir Putin and German Chancellor Angela Merkel discussed over the phone the U.S. decision to withdraw from the Iran nuclear deal, the Kremlin said on Friday.

The two leaders stressed the need to save the deal, said a statement published on the Kremlin's official website. "The situation around the Joint Comprehensive Plan of Action (JCPOA) after the unilateral withdrawal of the United States was discussed. The fundamental importance of maintaining the JCPOA from the point of view of international and regional security was stressed,".

On May 8, President Donald Trump announced the U.S. withdrawal from the Iran nuclear deal. Merkel also told Putin about her Thursday meeting with French President Emmanuel Macron and Ukrainian President Petr Poroshenko on solving the Ukrainian crisis. Putin and Merkel then exchanged views on sending UN peacekeepers to Donbas, a troubled region in eastern Ukraine, bordering Russia.

## European companies rushed to invest in Iran. What now?

CNBC, 10.05.2018



European companies moved quickly to invest in Iran after it agreed in 2015 to mothball its nuclear weapons program in return for an end to economic sanctions.

Automakers like Daimler and PSA Peugeot Citroën linked up with Iranian partners to sell vehicles. Siemens of Germany struck a deal to deliver locomotives. Total of France began a project to explore offshore natural gas. Yet even before President Trump pulled out of the agreement with Iran, many companies had already tempered their expectations and limited their investment.



Now their prospects look murkier as European leaders try to determine whether there is a path forward without the United States. Officials in Europe want to protect its companies by finding ways to shield them from American sanctions while they continue doing business in Iran. The United States ambassador to Germany, Richard Grenell, did not strike an optimistic note, however, that “German companies doing business in Iran should wind down operations immediately.” With a population of about 82 million and substantial oil reserves, Iran represented a largely untouched market with the potential for fast growth, a rare opportunity for Western companies with global ambitions. While players like General Electric and Boeing lined up orders, many American companies, including oil giants like Chevron and Exxon Mobil, had to watch from a distance; even with the deal in place, they were still effectively blocked by sanctions imposed by the United States from working in Iran. European businesses did not have the same restrictions.

For Europe, Iran was a particularly promising example of the kind of fast-growing emerging country that helped lift the region out of a severe debt crisis in recent years. German companies, for instance, have thrived by selling factory machinery, power grid infrastructure and construction equipment that growing nations need to build modern economies. Despite its potential, however, Iran has largely been a disappointment for European investors. In a dysfunctional economy, many failed to gain traction in a huge bureaucracy rife with political power struggles. Companies have also been stifled by a reluctance of foreign banks to provide financing, and fears — fully justified, as it turned out — that the nuclear détente would not last. Although exports from the European Union to Iran increased by about one-third last year to 10.8 billion euros, or about \$12.8 billion, the country still ranked only 33rd among the bloc’s trading partners, behind the likes of Kazakhstan and Serbia. “German-Iranian economic relations are lagging their potential,” Volker Treier, head of the exports department at the Association of German Chambers of Commerce and Industry, said in an email.

After Mr. Trump’s decision not to extend a moratorium on sanctions, Mr. Treier said, “the moderately positive development in business with Iran comes with a big question mark.” In the end, expectations may simply have been too high. After sanctions were lifted, Airbus of France signed a deal to remake Iran Air’s aging fleet with more than 100 aircraft, including a dozen super jumbo A380s. So far, Airbus has delivered just three jets, none of them super jumbos, a company spokesman said on Tuesday. Two of the three have been leased. In 2016, Daimler signed an agreement with Iran Khodro, a vehicle maker based in Tehran, to distribute Fuso brand trucks. Demand has been limited, however, because of Iran’s weak economy, Daimler spokesman Florian Martens said Tuesday. Even the Iranian oil industry was having trouble attracting foreign investors — the only significant deal the country signed after sanctions were lifted was with Total for an offshore natural gas development. “Even in advance of today’s announcement, we saw Iran struggling to get the kinds of investment they had anticipated,” said Richard Mallinson, an analyst at Energy Aspects, a London-based research firm.

Whether Total can stay in the deal is now open to question. Patrick Pouyanné, the company’s chief executive, recently said that the company would argue that because it had signed its Iran deal before Mr. Trump’s decision, Total should benefit from a “grandfather clause” and would ask for a waiver from the United States to continue. Total also might turn its share over to its minority partner CNPC, a Chinese state-owned oil company. Total’s experience will most likely be taken as a bad sign for other prospective investors in the Iranian energy industry. “This is not an environment in which other big companies will see any reason to commit capital,” Mr. Mallinson said.



European Union officials said on Tuesday that they were making plans to blunt the impact of Mr. Trump's withdrawal — presumably helping insulate companies like Total. It was unclear what measures they might have in mind. "We are working on plans to protect the interests of European companies," Maja Kocijancic, a spokeswoman for the European Commission, told reporters Tuesday. "At this stage, I am not in a position to offer any further details."

Mr. Trump's decision to pull out of the deal with Iran may not automatically prompt governments to choke off trade. Having ripped up an international deal, the president may have trouble recruiting allies and cutting off exports of Iranian oil, the country's most valuable product. Iran's crude exports have risen to about 2.4 million barrels a day in recent months, after being around 1 million barrels a day in the months before sanctions were lifted. "It is going to be hard to get people on board," said Richard Nephew, a former State Department official who was the lead sanctions expert in the Iran negotiations under President Barack Obama and who successfully persuaded other customers of Iran to stop buying its oil in the years leading up to the eventual nuclear deal. Mr. Nephew, now a senior research scholar at Columbia University's Center on Global Energy Policy, forecast that of Iran's major customers, Japan and South Korea would most likely cooperate on sanctions because they are worried about Washington's negotiations with North Korea. He said European customers, however, would probably be slower to come around. And China and India, which in some months have been buying more than 1 million barrels a day from Iran, may continue to buy Iranian crude in the same quantities.

All told, the impact of renewed sanctions would be an estimated loss of 300,000 to 500,000 barrels a day of Iranian exports, Mr. Nephew said. That would be a significant amount, but much less than the 1.4 million barrels a day or so that Mr. Obama's sanctions achieved. In the meantime, Iran is running its oil industry at full tilt, analysts say. "It is obvious that they are anticipating potential new sanctions and running full speed before it happens," said Antoine Rostand, president of Kayrros, a Paris-based market research firm. But the sanctions would nonetheless create major complications. Iran has quickly pumped up oil production in existing fields, but these will eventually become tapped out. It won't be able to bring new fields online without partners and capital. Still, giant oil corporations have not given up on Iran. "We continue to be interested in exploring the role Shell can play in developing Iran's energy potential within the boundaries of applicable laws," Royal Dutch Shell said in an emailed statement on Tuesday. The same principle applies to other investors, provided they are big enough — and wealthy enough — to handle the risk, said Andreas Schweitzer, managing director of Arjan Capital Ltd., a firm in London that advises companies on investing in Iran. "Those who want this 80 million-person market and have a long-term strategy," he said, "will go there with or without Mr. Trump."

## 9th round of Astana talks to be held on May 14-15

Anadolu Agency, 09.05.2018



**Whistleblowers** The ninth round of Astana talks on Syria will take place on May 14-15.

According to a written statement by the ministry, the talks will be attended by the three guarantor countries -- Turkey, Russia and Iran -- and representatives of the Syrian regime as well as opposition groups. The statement also said observer countries, the U.S. and Jordan, were invited to the meeting. The latest developments in the de-escalation zones and humanitarian issues are among the main topics expected to be discussed, it added.

During the eighth round of peace talks aimed at ending the Syria conflict on December 21-22, 2017, the delegations agreed on the release of detainees and mine cleaning in historical sites in the country.

## Pakistan gets new foreign minister

Anadolu Agency, 11.05.2018



Defense Minister Khurram Dastagir Khan has been appointed the country's new foreign minister following the disqualification of his predecessor Khawah Asif, state-run Pakistan Television (PTV) reported on Friday.

Khan, a senior parliamentarian from the northeastern Gujranwala district, will likely hold the top diplomat's post for less than three weeks, as the current government of the right-wing Pakistan Muslim League (Nawaz group) is set to complete its five-year tenure on May 31.

For the remaining period he will continue to hold the defense ministry portfolio as well, PTV reported. Asif was disqualified by the Islamabad High Court earlier this month for failing to disclose a United Arab Emirates work visa.

## China says last month's trade surplus with the US was nearly \$7 billion more than March's surplus

CNBC, 20.04.2018



Last month saw major growth in China trade. China's April imports jumped 21.5 percent and its exports grew 12.9 percent against the prior year-ago period.

A Reuters poll had predicted 16 percent import growth and 6.3 percent export growth. Overall, China's April trade balance was a positive \$28.78 billion, topping a Reuters poll prediction of \$24.7 billion. Of note, the country's trade surplus with the U.S. expanded to \$22.19 billion in April — compared with a surplus of \$15.43 billion in March, customs data showed.

For January-April, China's trade surplus with the United States was \$80.4 billion. That news comes against the backdrop of intensive conversations between Donald Trump's administration and Beijing about trade issues, including a demand from the American side to close the trade gap between the two countries. The world's two largest economies have threatened each other with tens of billions of dollars' worth of tariffs in recent months, leading to worries that Washington and Beijing may engage in a full-scale trade war that could damage global growth and roil markets.

## Argentina looks to be headed for another economic storm

CNBC, 09.05.2018



Argentina has started talks with the International Monetary Fund seeking financial rescue once again, as inflation soars and the currency sinks.

Buenos Aires looks to be going through another economic nightmare, with prices rising rapidly while the Argentine peso drops. The central bank announced last week another increase in rates to 40 percent as the 12-month inflation rate hit 25.4% above its 15% target. At the same time, since the start of the year, the peso is down by more than 20% against the U.S. dollar. "Argentina is still a difficult country and unless they do reforms then it's going to be having issues,"



According to Gesualdi, the lack of reforms in the country has deepened the economic problems. "There was a lot of excitement involving (President Mauricio) Macri, and frankly we were involved for example in the first two years. But then the risk reward wasn't very compelling in fixed income, it was a bit better in equities, but increasingly over the last few quarters Macri has been disappointing investors in terms of not doing the reforms he promised," Gesualdi said. Macri, from the center-right Republican Proposal, was elected in 2015 on a reformist agenda. However, it seems he has struggled to deal with economic issues left by his predecessors and has turned to the IMF for help. Graham Stock, an emerging markets senior sovereign strategist at BlueBay Asset Management, said that the decision to turn to the IMF was a "positive step." "It is certainly a good thing ... The central bank has faced challenges in managing the currency and in keeping inflation under control ... and the Macri administration has been pursuing a very gradual approach to fiscal adjustment," Stock told CNBC's "Street Signs" Wednesday.

Asking for help from the Fund is a contentious issue for the country. Back in 2001, Argentina defaulted on \$132 billion of foreign debt. The Washington-based institution, which was helping the country at the time, admitted shortly after the intervention that its support to keep the peso's peg against the dollar prolonged the crisis in the country. Following Macri's announcement Tuesday, several people protested against a new IMF intervention, still traumatized by the economic collapse at the start of the century, Reuters reported. "The IMF has a terrible reputation among Argentinians, and so this is a big political gamble for the government," Fiona Mackie, regional director for Latin America at the Economist Intelligence Unit, told CNBC via email. "At present, though, (the government) clearly sees the need to regain the confidence of markets as more pressing, and is hoping that its program of adjustment gets back on track in time for the presidential election late next year," she added. Meanwhile, Christine Lagarde, managing director of the IMF, said in a statement Tuesday that Argentina is a "valued member" of the Fund. "Discussions have been initiated on how we can work together to strengthen the Argentine economy and these will be pursued in short order," she said.

In its latest economic assessment of Argentina, the IMF said in December that the country was experiencing a "solid recovery." "Even in the face of planned fiscal consolidation and ongoing efforts at disinflation, growth is expected to consolidate in the coming years," the IMF report said at the end of last year. However, the lack of economic reforms and an increasingly tough global environment have complicated the economic issues of Argentina. "And that gradualism (in fiscal reforms) depended very much on access to external financing. Now in a world of tighter global liquidity, a stronger dollar, that external financing is no longer assured," Stock from BlueBay Asset Management explained. The dollar has strengthened over the last weeks on political developments and on the back of rising interest rates. A strong dollar is usually negative for emerging markets like Argentina. This is because their currencies are not as competitive and borrowing in dollars will grow their debt pile. The details of how much the IMF might lend and how that lending will take place are still yet to be finalized.

# Recession won't come until at least 2021, Bank of America predicts

CNBC, 08.05.2018



Bank of America's investment arm has offered some soothing words to investors fretting about an imminent meltdown in global equities and a resulting slowdown.

The investment community have been busy watching the recent trend in bond yields this year, with many commentators predicting that the current economic cycle could be reaching a peak. The "flattening of the yield curve" — where short-term interest rates get closer to the long-term rates — has sparked some fears that a recession is around the corner.

In a normal functioning economy, short-term lending has fewer risks — the underlying thought is that you can more easily predict what's happening tomorrow rather next month. Prior to previous recessions, the gap between these two rates has narrowed, thus every time the two get closer some investors prepare for the worst. But, according to Bank of America Merrill Lynch, we are not there yet. "The yield curve may be flattening but our rates strategists do not expect it to invert in 2018," the research note Tuesday said. An "inversion" of the yield curve takes place when lending in the short-term is perceived as more risky than lending in the long term. This means that investors believe the economy is doing much worse in the present than it will do in the future, i.e. we are in the middle of an economic slowdown.

"Given the average lag between inversion and recession is 27 months that would put a recession at the earliest in 2021," the strategists added, suggesting that it will take many months for sentiment to translate into the real economy" "Of course history is only a guide and there continue to be risks care of possible trade wars and survey data," they also warned. Bond yields have continued to creep higher this year on the back of unwinding stimulus packages from central banks and the belief that inflation is starting to pick up. Equities have also had the occasional rocky patch. The investment firm Brooks Macdonald said Tuesday it would be making changes to its equities portfolio with bond yields continue to trend higher. Higher interest rates usually hurt the equity market because they represent higher costs for companies and thus less room for investment and dividends. Nonetheless, the investment firm is still more confident on the equity market rather than on the bond market. "Equities should also benefit from robust earnings growth and technical support provided by share buyback activity," Brooks Macdonald said in a note. "Overall we are marginally overweight equities as we continue to favor the asset class relative to fixed income, but we will look to shift our exposure within equity markets as higher yields have various implications for sectoral, geographic, quality and stylistic allocation decisions," Brooks Macdonald added.

# Trump welcomes freed Korean-Americans' return to US

Reuters, 10.05.2018



Staging a flag-waving, still-of-the-night arrival ceremony, President Donald Trump welcomed home early on May 10 three Americans freed by North Korea and declared their release a sign of promise toward his goal of de-nuclearizing the Korean Peninsula.

Trump called it a “great honor” to welcome the detainees to the U.S. and added, “The true honor is going to be if we have a victory in getting rid of nuclear weapons.” Joined by the former detainees, Trump thanked North Korea’s Kim Jong Un for releasing the Americans.

And said he believes Kim wants to reach an agreement on denuclearizing the Korean peninsula. “I really think he wants to do something,” the president said. First lady Melania Trump, Vice President Mike Pence and a host of senior administration officials joined Trump to celebrate the occasion at Joint Base Andrews near Washington. The men, Kim Dong Chul, Kim Hak Song and Tony Kim, had been released Wednesday amid a warming of relations between the longtime adversaries. The president and first lady boarded the medical plane on which the men traveled to take a private moment with them, then appeared at the top of the airplane stairway with the three and applauded as the men held up their arms in what appeared to be gestures of triumph. “This is a special night for these three really great people,” Trump told reporters as he stood on the tarmac with the former detainees. On the U.S. relationship with North Korea, Trump declared, “We’re starting off on a new footing.”

The freed prisoners appeared tired but in excellent spirits, flashing peace signs as they emerged from the aircraft. They were joined by a translator who said “it’s like a dream” and that the men were “very, very happy” to be freed. As the men entered into view, U.S. service members on the tarmac burst into applause and cheers. After Trump’s remarks, the three men boarded a bus for Walter Reed National Military Medical Center. The White House said earlier they would be evaluated and receive medical treatment at the Washington-area facility before being reunited with their families. Secretary of State Mike Pompeo had secured their release in Pyongyang after meeting with North Korean leader Kim Jong Un on final plans for the Trump-Kim summit. The Americans had boarded Pompeo’s plane out of North Korea without assistance and then transferred in Japan to the Boeing C-40 outfitted with medical facilities for the trip back to the U.S. Shortly after they touched down on American soil in Alaska - for a refueling stop Wednesday afternoon - the State Department released a statement from the freed men. “We would like to express our deep appreciation to the United States government, President Trump, Secretary Pompeo, and the people of the United States for bringing us home,” they said. “We thank God, and all our families and friends who prayed for us and for our return. God Bless America, the greatest nation in the world.”



Singapore has emerged as the likely host of the summit, late this month or in early June, as Trump seeks to negotiate denuclearization of the Korean peninsula in his highest-stakes foreign policy effort yet. Trump announced Wednesday that the demilitarized zone between the Koreas would not host the summit. Pompeo said the meeting would last one day and possibly a second. Trump made a point of publicly thanking North Korea's leader for the prisoners' release - "We want to thank Kim Jong Un" - and hailed it as a sign of cooling tensions and growing opportunity on the Korean peninsula. Kim decided to grant amnesty to the three Americans at the "official suggestion" of the U.S. president, said North Korea's official news agency, KCNA. North Korea had accused the three Korean-Americans of anti-state activities. Their arrests were widely seen as politically motivated and had compounded the dire state of relations over the isolated nation's nuclear weapons. Trump entered office as an emboldened North Korea developed new generations of nuclear weapons and ballistic missiles capable of hitting the continental U.S. Those advances were the subject of President Barack Obama's starkest warning shortly before Trump took office, and this is a crisis he's convinced his negotiating skills can resolve.

Crediting himself for recent progress, Trump has pointed to Kim's willingness to come to the negotiating table as validating U.S. moves to tighten sanctions - branded "maximum pressure" by the president. The wee-hours ceremony Thursday was to be an early celebration for an issue that has already put the prospect of a Nobel Peace Prize on Trump's mind. "Everyone thinks so, but I would never say it," he said Wednesday when asked if the award was deserved. The release capped a dramatic day of diplomacy in Pyongyang. After Pompeo's 90-minute meeting with Kim Jong Un, he gave reporters a fingers-crossed sign when asked about the prisoners as he returned to his hotel. It was only after a North Korean emissary arrived a bit later to inform him that the release was confirmed. The three were the latest in a series of Americans who have been detained by North Korea in recent years for seemingly small offenses and typically freed when senior U.S. officials or statesmen personally visited to bail them out.

The highly public and politically tinged arrival ceremony for the former prisoners organized by the White House was in stark contrast to the low-key and very private reception that the State Department had envisioned and carried out from the moment they took custody of them. Department officials took great pains on their release in North Korea, as well as on their flights to Japan and Alaska, to keep them sequestered not only from the two journalists traveling with Pompeo but also from staffers not immediately involved in their cases. The trio, along with medical personnel, including a psychiatrist, were cloistered in the middle of Pompeo's plane in a small section of 12 business class-sized seats that was cordoned off by curtains on both ends. State Department officials refused to discuss anything but the most basic details of their conditions, citing privacy concerns in keeping with the minimal amount of information they had released since the men were imprisoned. The last American to be released before this, college student Otto Warmbier, died in June 2017, days after he was repatriated to the U.S. with severe brain damage. Warmbier was arrested by North Korean authorities in January 2016, accused of stealing a propaganda poster and sentenced to 15 years in prison with hard labor. His parents, Fred and Cindy Warmbier, have filed a wrongful death lawsuit, accusing the government of torturing and killing their son. "We are happy for the hostages and their families," the Warmbiers said in a statement Wednesday. "We miss Otto."

Of the newly released detainees, Kim Dong Chul, a South Korean-born U.S. citizen, had been held the longest. The former Virginia resident was sentenced in April 2016 to 10 years in prison with hard labor after being convicted of espionage. He reportedly ran a trade and hotel service company in Rason, a special economic zone on North Korea's border with Russia. The other two detainees hadn't been tried. Kim Hak Song worked in agricultural development at an experimental farm run by the Pyongyang University of Science and Technology, or PUST. The university is the only privately funded college in North Korea and was founded in 2010 with donations from Christian groups. He was detained last May for alleged anti-state activities. Tony Kim, who also uses the name Kim Sang-duk, was detained in April 2017 at the Pyongyang airport. He taught accounting at PUST. He was accused of committing unspecified criminal acts intended to overthrow the government.

On Capitol Hill, Senate Democratic leader Chuck Schumer celebrated the detainees' return but warned that "we'll see many more hostages" if the administration provides an incentive for imprisoning Americans. "We are happy they've returned, but North Korea shouldn't gain by taking Americans and then releasing them," he said. After the release of the detainees Thursday, North Korea's state-run media explicitly mentioned plans for the summit for the first time Thursday. Pyongyang has been exceptionally cautious about its public framing of Kim's recent diplomatic moves, which are a major shift from the more aggressive focus on missile launches and nuclear development that heated tensions to a boil last year.

## Commerce Secretary Ross: We're trying to get China to buy more US goods

CNBC, 10.05.2018



Trade negotiations between U.S. and Chinese leaders are focused in part on getting China to buy more goods rather than getting it to ship less.

Fresh from a high-level meeting in China between members of both nations, Ross said there was progress made but that barriers remain. "The Chinese are very good at the rhetoric of free trade, but in fact they are probably the most protectionist country of the major countries," he told Tyler Mathisen during CNBC's Capital Exchange breakfast in Washington, D.C. Despite the criticism, he was at least pleased with China's willingness to listen and respond to U.S. concerns.

It is over a growing trade gap that President Donald Trump has pledged to bridge. "It was the right level of people," Ross said. "There's a considerable gap between what they put on the table and what we feel we need. But that's OK, you sort of expect that at this stage in the game." The U.S. has provided a list of products, such as soybeans, that it wants China to buy more of. Before leaving for the trip, the U.S. delegation had set a list of demands, which the Chinese officials had responded to by the time Americans arrived. While Ross said that much is progress, more remains to be done.

“Us selling more to them has more bang for the buck for our economy to begin with, and it’s probably less intrusive into their economy,” he said. The China trade situation was part of a broader discussion. He also discussed the recent tariffs the U.S. has threatened to impose globally, particularly on aluminum and steel. While the U.S. has delayed implementation as it continues negotiating with affected parties, a June 1 deadline approaches. Ross cautioned countries, particularly those in the European Union, to get serious about resolving the issue. “The president is not a man of great patience, and so I wouldn’t count on further extensions,” he said.

## **Jamie Dimon: Economy is ‘strong’ but odds for another recession are ‘100 percent’**

CNBC, 08.05.2018



J.P. Morgan Chase Chairman and CEO Jamie Dimon thinks the U.S. economy is doing well for now.

“America looks pretty good. ... It looks like this [economic growth] may have legs to go. Maybe a year, maybe two, maybe more,” Dimon said in an interview Monday on Bloomberg Television from Beijing. Dimon cited the strong job numbers, the lower level of leverage in the financial system, and consumer and bank liquidity as positive signs for growth. He noted the shortage in housing supply, which will likely lead to more economic activity.

Dimon said economic growth in other countries in Asia and Europe is improving. But he also cautioned that the good times will not last forever. “Someone asked me once, what’s the odds of a recession? I said it’s 100 percent. But the question is when. Right now the American economy in a very broad-based way is strong,” he said. On another matter, Dimon is optimistic that trade negotiations between the U.S. and China will have a positive outcome. “Make it a win-win for everybody. I think it’s achievable,” he said.

# The Fed has ‘time to wait’ while hiking rates, former vice chair Fischer says

Washington Post, 09.05.2018



Inflation continues to be pretty much as subdued as it was when Stanley Fischer stepped down from the Fed, the former central bank vice chairman said Wednesday.

As his former colleagues plan to continue what has been a steady rate-hiking cycle, Fischer said they have “some time to wait” as conditions unfold. “When I left, which was only six or seven months ago [in October 2017], all the concerns were we’re not seeing any inflation,” said told CNBC’s Leslie Picker during an interview on the sidelines of the Context Leadership Summit in Las Vegas.

“I don’t think we’re seeing a whole lot more inflation than we saw at that time.” Indicators on one of the Fed’s key economic points have been mixed lately. The personal consumption expenditures index, which is the Fed’s preferred measure, rose 1.9 percent excluding food and energy, in March, and was up 2 percent on a headline basis. The Fed considers 2 percent inflation to be an ideal level. However, wage growth has remained below what policymakers would like to see. Still, the Fed has continued to raise interest rates, with the next hike widely expected to happen in June. Officials have worried that continuing to keep rates low runs the risk of creating financial imbalances like asset bubbles, and gives the Fed little wiggle room to handle the next crisis. “Central banks who don’t look at inflation and don’t worry about inflation can make more mistakes than they should,” Fischer said.

He stated that the Fed has “done a pretty good job” at achieving its goals of full employment and price stability and expects “they’ll find their way to good policy.” At an earlier panel talk with Mohamed El-Erian, the chief economic advisor at Allianz, Fischer said the Fed “will have some room to move” in the next downturn, though maybe not as much as normal. He also said the current members should prepare to handle some kind of emergency. “My advice is to get ready, you will experience a crisis,” he said. “Almost every central banker experiences a crisis at some time ... Bernanke got it, Yellen avoided it through excellent management and some good luck.” Investors have been watching both the Fed with its target rate, currently at 1.5 percent to 1.75 percent, as well as the path of the 10-year Treasury note, which again touched 3 percent Wednesday. Whether the benchmark government debt instrument will hit 4 percent will be a function both of the market and economic conditions, El-Erian said. “The technical argument will tend to support the economical argument to moving up from where we are,” he said.

# World reacts to US withdrawal from Iran nuclear deal

Anadolu Agency, 09.05.2018



Reactions poured in from around the globe Wednesday following U.S. President Donald Trump's decision to pull out of the Iran nuclear deal.

Trump on Tuesday pulled the U.S. out of the landmark nuclear agreement that world powers struck in 2015 with Iran. He opted not to extend sanctions relief on Iran ahead of a May 12 deadline, vowing instead to re-impose nuclear-related economic penalties. As a leading party of the Obama-era nuclear agreement, Iran said in response that it would negotiate with countries remaining in the deal to see "if it's still good" for Tehran.

In a televised speech, Iranian President Hassan Rouhani said that there was a "short time" to negotiate, adding that he had instructed his Foreign Ministry to negotiate with the countries that did not withdraw from the nuclear agreement. "The nuclear deal will continue if we see we can meet the demands of the Iranian people with the cooperation of five countries in the short period," Rouhani added. All of the U.S.'s negotiating partners -- the U.K., France, Germany, Russia, China and the EU -- agree that maintaining the accord is the best way to reign in Iran's nuclear program. Russia said it would not abandon the Joint Comprehensive Plan of Action (JCPOA), adding it was open to talks with other participants of the Iran nuclear deal.

'Important for our shared security'. "We are extremely concerned that the United States is once again acting contrary to the opinion of the majority of states and exclusively in its own narrow-minded and opportunistic interests, in flagrant violation of international law," read a Foreign Ministry statement. In a joint statement, British Prime Minister Theresa May, French President Emmanuel Macron and German Chancellor Angela Merkel emphasized their countries' ongoing commitment to the Joint Comprehensive Plan of Action (JCPOA). "This agreement remains important for our shared security," the U.S.'s closest European allies said. Separately, French Foreign Minister Jean-Yves Le Drian expressed concern about the political stability of the region after the U.S. withdrawal from the Iranian nuclear agreement.

In a written statement, the minister said Emmanuel Macron would meet with Rouhani Wednesday afternoon. "No, this agreement is not dead. There is a U.S. withdrawal from the agreement but the agreement exists," Le Drian said. China, one of the countries that signed the deal, also regretted the U.S. decision. In a news conference, China's special envoy to the Middle East, Gong Xiaosheng said Beijing "will maintain a dialogue with all parties, continue to preserve and implement the comprehensive agreement on Iran's nuclear program". "Having a deal is better than no deal. Dialogue is better than confrontation," the envoy said, according to state media.



Turkey, for its part, called the decision to unilaterally withdraw from the Iran nuclear deal an “unfortunate step”. “Turkey has always defended the stance that issues regarding Iran’s nuclear program should be resolved through diplomacy and negotiations and has made intensive efforts in this direction,” the Turkish Foreign Ministry said in a press release. “As such, we consider it an unfortunate step that the U.S. has decided to withdraw from the deal,” the Turkish statement added. The Egyptian Foreign Ministry expressed its “hope” that Trump’s decision “would not lead to any armed conflicts in the region that threaten its stability and security”. Egypt called on Iran to abide by the nuclear Non-Proliferation Treaty and cooperate with the International Atomic Energy Agency (IAEA) to secure the rights it has obtained through negotiation.

Kuwaiti Deputy Foreign Minister Khaled al-Jarallah, in a press release, stressed the importance of Iran’s nuclear deal, saying Kuwait “welcomed the agreement, because it contributes to the achievement of security and stability in the region”. “The existence of this agreement is better than no agreement,” al-Jarallah added. Unlike European countries and other parties to the deal, Saudi Arabia, Bahrain, Israel and United Arab Emirates welcomed Trump’s decision. Saudi Arabia “supports and welcomes” Trump’s decision and “supports reinstating economic sanctions on the Iranian regime, which have been suspended under the nuclear deal”, according to the official SPA news agency. Riyadh said Iran “took advantage of the economic benefits afforded by the lifting of sanctions and used them to continue its destabilizing activities in the region”. Bahrain also supported the move, according to the official Bahrain News Agency. “This decision reflects the commitment of the United States to confront Iranian policies and Iran’s continuous attempts to spread terrorism in the region in full violation of international norms and laws,” said a statement by Bahrain’s Foreign Ministry. The statement added: “Bahrain affirms its solidarity with the decision taken by President Trump, noting its support for the efforts of the United States that aim to end terrorism at both the regional and international levels.”

Israel also hailed Trump’s move. “Donald Trump took a courageous decision to cancel the deal with Iran,” Israeli Prime Minister Benjamin Netanyahu said in a televised statement. Israeli President Reuven Rivlin described the decision as a significant step in ensuring the security of Israel, the region and the entire free world. The Emirates News Agency reported that the United Arab Emirates also “welcomed President Trump’s strategy”. The UAE Foreign Ministry called on the international community and the other states that are party to the agreement to support Trump, the agency said.

# US producer price index rose 0.1% in April, vs 0.3% increase expected

Reuters, 09.05.2018



**U.S. producer prices barely rose in April after strong gains in the first quarter, held down by a moderation in the cost of both goods and services, which could ease fears that inflation pressures were rapidly building up.**

**The slowdown in wholesale price growth reported by the Labor Department on Wednesday is likely temporary as manufacturers have been reporting paying more for raw materials. Economists also expect oil prices to surge after President Donald Trump on Tuesday pulled the United States out of an international nuclear deal with Iran. “Inflation isn’t breaking out”**

“Although with Trump exiting the Iran nuclear deal, higher energy prices could kick-start a new round of inflation at the producer level,” said Chris Rupkey, chief economist at MUFG in New York. The Labor Department said on Wednesday its producer price index for final demand edged up 0.1 percent last month after increasing 0.3 percent in March. That lowered the year-on-year increase in the PPI to 2.6 percent from 3.0 percent in March. Economists polled by Reuters had forecast the PPI gaining 0.2 percent last month and rising 2.8 percent from a year ago.

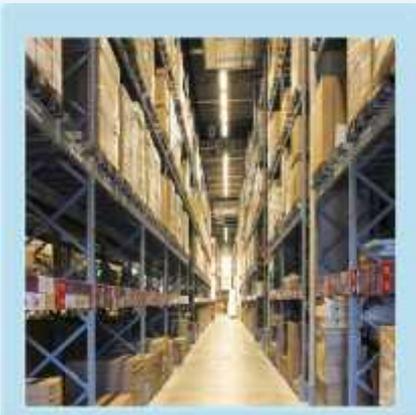
A key gauge of underlying producer price pressures that excludes food, energy and trade services also nudged up 0.1 percent last month. The so-called core PPI had increased by 0.4 percent in each of the past three months. In the 12 months through April, the core PPI rose 2.5 percent after jumping 2.9 percent in March. Core goods prices increased 0.3 percent in April, matching March’s gain. Stocks on Wall Street were trading higher, with shares of energy companies getting a boost from surging oil prices after the United States exited the Iran nuclear deal and imposed the ‘highest level’ of sanctions against the OPEC member. Oil prices rose more than 2.5 percent. U.S. Treasury yields rose while the dollar fell against a basket of currencies. Inflation is flirting with the Federal Reserve’s 2 percent target. The U.S. central bank’s preferred inflation measure, the personal consumption expenditures (PCE) price index excluding food and energy, increased 1.9 percent year-on-year in March and is expected to breach its target in the coming months.

This comes as last year’s big declines in prices of cell phone service plans drop out of the calculation. Fed officials have in recent days signaled they would not be too concerned if inflation overshoot the central bank’s target, reiterating a message in a statement issued at the end of a two-day policy meeting last Wednesday. In that statement, policymakers said they expected annual inflation to run close to its “symmetric” 2 percent target over the medium term. The U.S. central bank left interest rates unchanged last week. The Fed hiked rates in March and has forecast at least two more increases for this year. “This report should help calm Fed hawks,” said Chris Low, chief economist at FTN Financial in New York. In April, the price of services ticked up 0.1 percent. That followed two straight monthly increases of 0.3 percent.

Services were restrained by a 3.2 percent drop in the cost of hotel accommodation, which was the biggest decline since September 2009. The cost of healthcare services fell 0.2 percent after increasing 0.3 percent in March. Those costs feed into the core PCE price index. Prices for goods were unchanged last month after rising 0.3 percent in March. Wholesale food prices declined 1.1 percent last month, the largest drop since August 2016, after surging 2.2 percent in March. Gasoline prices fell 0.4 percent in April after dropping 3.7 percent in the prior month. In a separate report on Wednesday, the Commerce Department said wholesale inventories increased less than initially estimated in March amid declines in the stocks of motor vehicles and a range of other goods. Stocks at wholesalers rose 0.3 percent instead of the 0.5 percent gain it reported last month. They increased 0.9 percent in February. The component of wholesale inventories that goes into the calculation of gross domestic product — wholesale stocks excluding autos — rose 0.4 percent in March.

## Wholesale inventories up 0.3% in March, vs 0.5% gain estimate

CNBC, 09.05.2018



A measure of U.S. wholesale trade continued its growth streak in March, though its gains fell below expectations.

The U.S. Census Bureau's gauge of wholesale inventories in March increased 0.3 percent from the prior month, totaling about \$627 billion. The latest reading fell short of the 0.5 percent increase expected from a survey of Reuters analysts. The metric posted significant gains in January and February. The ratio of inventories to sales for merchant wholesalers was 1.26 in March, meaning it would take merchants 1.26 months to clear shelves of their inventories. It's a slight tick downward from the year-ago ratio of 1.28.

The monthly survey tracks merchants in various businesses, including exporters and industrial distributors.



# Announcements & Reports

## *The Role of Investors in Promoting Sustainable Infrastructure*

**Source** : Chatham House

**Weblink** : <https://www.chathamhouse.org/sites/files/chathamhouse/publications/research/2018-05-11-role-investors-sustainable-infrastructure-belt-and-road-hoare-hong-hein.pdf>

## *Implications for the Russian Armed Forces and Military Capabilities to 2027*

**Source** : Chatham House

**Weblink** : <https://www.chathamhouse.org/sites/files/chathamhouse/publications/research/2018-05-10-russia-state-armament-programme-connelly-boulegue.pdf>

# Upcoming Events

## *HR Dbriefs webcast: 2018 Global Human Capital Trends*

**Date** : 11 May 2018

**Place** : London

**Website** : <https://www2.deloitte.com/us/en/pages/dbriefs-webcasts/series/hr-executives.html>

## *Iranian Foreign Policy: Prospects for Change*

**Date** : 12 May 2018

**Place** : London

**Website** : <https://www.chathamhouse.org/event/iranian-foreign-policy-prospects-change>

## *Russian Media and Journalism in Putin's Fourth Term*

**Date** : 12 May 2018

**Place** : London

**Website** : <https://www.chathamhouse.org/event/russian-media-and-journalism-putin-s-fourth-term>



## *Africa and Europe: From Common Interests to Transformative Cooperation on Governance*

**Date** : 14 May 2018  
**Place** : London  
**Website** : <https://www.chathamhouse.org/event/africa-and-europe-common-interests-transformative-cooperation-governance>

## *Equality by 2030: The Press for Progress*

**Date** : 16 May 2018  
**Place** : London  
**Website** : <https://www.chathamhouse.org/event/equality-2030-press-progress>

## *Assessing the Impact of Sanctions on the Russian Defence Sector*

**Date** : 23 May 2018  
**Place** : London  
**Website** : <https://www.chathamhouse.org/event/assessing-impact-sanctions-russian-defence-sector>

## *Future of Work 2018*

**Date** : 24 May 2018  
**Place** : London  
**Website** : <https://www.chathamhouse.org/event/assessing-impact-sanctions-russian-defence-sector>