Fed chair Powell ready to support half-point rate hike in May if necessary

FEDERAL Reserve Chair Jerome Powell said the central bank is prepared to raise interest rates by a half percentage-point at its next meeting if needed, deploying a more aggressive tone toward curbing inflation than he used just a few days earlier.

Policy makers raised the benchmark lending rate by a quarter point at their meeting last week — ending two years of near-zero borrowing costs — and signaled six more hikes of that magnitude this year, based on the median projection. Mr. Powell indicated that half-point hikes may be on the table when policy makers next gather May 3-4 and at subsequent sessions.

"If we conclude that it is appropriate to move more aggressively by raising the federal funds rate by more than 25 basis points at a meeting or meetings, we will do so," Mr. Powell said in a speech titled "Restoring Price Stability" to the National Association for Business Economics on Monday.

Following his formal remarks, Mr. Powell was asked by the moderator if there was anything stopping policy makers from hiking by a half point in May, which would be the first increase of that magnitude since 2000.

"What would prevent us? Nothing: Executive summary," he said, drawing laughs from the audience. He added that such a decision had not been made, but acknowledged it was possible if warranted by incoming data.

"My colleagues and I may well reach the conclusion that we'll need to move more quickly and if so we will do so," he said.

Mr. Powell was more hawkish on Monday than at the press conference following last week's meeting, indicating that if inflation continues to run hot he would favor a more aggressive pace of tightening. Last week he had to speak for the range of views among the 16 policy makers currently on the Federal Open market Committee.

Markets heard the chair's message and moved sharply in response, sending Treasury yields spiking higher as investors increased bets that the Fed will raise interest rates by a half point in May to confront the hottest inflation in 40 years.

The rate is anticipated to reach 2.8% in 2023, beyond the so-called neutral rate of about 2.4% that neither speeds up nor slows down economic activity.

"And if we determine that we need to tighten beyond common measures of neutral and into a more restrictive stance, we will do that as well," Mr. Powell said.

The Fed chief — who reiterated and elaborated on many of his key comments from last week's press conference — said Russia's invasion of Ukraine is aggravating inflation pressures by boosting prices on food, energy, and other commodities "at a time of already too high inflation."

He said central banks typically look through event-driven commodity price shocks. But this time won't necessarily be typical.

"The risk is rising that an extended period of high inflation could push longer-term expectations uncomfortably higher, which underscores the need for the committee to move expeditiously as I have described," he said.

The comments suggest that Mr. Powell sees even higher inflation as a greater risk to the economy than any near-term slowdown resulting from consumption due to fuel costs and rising uncertainty.

Discussions on when and how quickly to start winding down their $8.9 trillion balance sheet are still ongoing, policy makers say, but a decision is expected soon. On that topic, Mr. Powell reiterated a comment from last week's press conference, saying that action to reduce the balance sheet "could come as soon as our next meeting in May, though that is not a decision that we have made."

Despite the aggressive tone of Mr. Powell's remarks, he said he remained optimistic about soft-landing the economy to some sustainable growth rate. — ***Bloomberg***

China reserves of cash at record levels, belying stimulus pledges

CHINA'S government stockpiled a record amount of cash in the first two months of the year instead of spending it, despite numerous pledges by top officials to speed up fiscal stimulus to boost the economy.

Government deposits, which are listed under liabilities on the central bank's balance sheet, rose by a combined 1.17 trillion yuan ($184 billion) in January-February, according to Bloomberg calculations of official figures. That was the biggest increase for the two-month period since comparable data going back to 2000.

The figures suggest the government is spending far less than the income it's getting from sources such as local bond sales and tax revenue. It also contradicts the messages from senior leaders and pledges from the government's own work reports to "front load" stimulus to bolster a faltering economy.

The build-up in savings means authorities have plenty of financial ammunition to deploy when they push up spending.

Xing Zhaopeng, senior China strategist at Australia and New Zealand Banking Group, attributed the record deposits to the fast pace of local government bond issuance, saying he expects a jump in expenditure soon.

"There will be plenty of room for further fiscal stimulus, and fiscal spending will be significantly accelerated from March," he said.

China's top leaders have pledged to "properly advance infrastructure investment" as part of efforts to bolster an economy besieged by a housing market slump, a resurgence in domestic COVID cases, and spiking energy prices due to the Russia-Ukraine war.

Even though the economy got off to a stronger-than-expected start to 2022, concerns remain over whether Beijing's ambitious growth target of around 5.5% growth for this year can be achieved. Bank lending slumped in February, pointing to still sluggish corporate demand for loans while home mortgages declined for the first time in at least 15 years.

Those risks make infrastructure spending, with its knock-on effect on construction and other sectors, even more important as an engine of growth in a politically sensitive year in which the Communist Party is making economic stability a top priority.

A key source of funding for infrastructure investment is local governments' issuance of new general and special bonds, which climbed to more than 950 billion yuan in the first two months of the year. Aside from the pandemic-hit year of 2020, that was the highest amount of bonds sold ever in the two-month period, Bloomberg calculations show.

"Supporting infrastructure construction with fiscal money will remain the key to stabilizing economic growth," said Qi Sheng, an analyst at Orient Securities Co. "Government deposits will drop in the coming months as fiscal spending accelerates while income growth slows." — ***Bloomberg***

Ether outperforms Bitcoin as excitement builds for software

ETHER is outperforming its better-known-rival Bitcoin once again as optimism over a long-sought update that promises to reduce the carbon footprint of the world's most-used blockchain appears to be getting closer to fruition.

Ether, the native cryptocurrency of the Ethereum blockchain, has rallied nearly 14% in the past seven days, while Bitcoin's rose 5.9%. So far this year, Ether is down about 20% and Bitcoin has slumped around 10%.

The latest bout of outperformance is happening as anticipation builds for the biggest software upgrade in Ethereum's eight-year history. Called the Merge and expected within months, it will change how transactions on Ethereum are ordered, helping the network consume less electricity and run more efficiently. Developers have been promising the upgrade for years. The last test of this software before the Merge is triggered began on March 15, and after some initial glitches such as error messages, appears to be running smoothly.

"The ETH merge on 'Kiln testnet' caused ETH to outperform the market," said Teong Hng, co-founder and chief executive officer of Hong Kong-based Satori Research. "It is regarded as an upgrade in terms of the transactions' validations in Ethereum. The merge was successful with no major issue reported."

Not only will the new software likely make Ethereum more attractive for environmentally-conscious investors, but it could also reduce the supply of Ether in circulation.

After the merge, Ethereum's network will stop using millions of powerful servers called miners to order transactions on the blockchain. Instead, people will be able to place their Ethers into special staking wallets, which will be used to order transactions — a system called Proof of Stake. The stakers won't be able to take their coins out at least until another software upgrade, expected about six months after the Merge.

They are also going to be less likely than miners to sell newly minted coins they receive as rewards for being stakers, as they don't have as high operating costs as energy-thirsty miners, said Kyle Samani, co-founder of Multicoin Capital. After the Merge, Ethereum's energy consumption should drop 99%. — ***Bloomberg***

Republic of the Philippines
Departmentof Transportation
CIVIL AERONAUTICS BOARD

CAB Case No.: EP-000569-P-AORD-022022

14 March 2022

MRS. GLAIZALIN GARCIA
Airport Duty Officer
Gulf Air
4th & 6th Floors
Citibank Center Paseo
De Roxas
Makati City
Metro Manila
Philippines 1226

Dear **Mrs. Garcia,**
Please be informed that your request on behalf of Gulf Air for AUTHORITY to operate Summer schedule flight/s (Passenger and Cargo) is hereby APPROVED. Details are as follows:

Request Version	Carrier IATA code	Flight number	Effective From	Effective To	DOP	DepApt	Dep Time (LT)	Arr Apt	Arr Time (LT)	Seat	Aircarft Code	Service Type	Code Share
O	GF	0155	27-MAR-22	29-OCT-22	1234567	MNL	1245	BAH	1705	281	789/26000	J	PR
O	GF	0154	27-MAR -22	29-OCT-22	1234567	BAH	2055	MNL	1130+1	281	789/26000	J	PR

Please note that under current aviation regulations to stem the spread of COVID 19, any incoming international flights to Manila shall have an additional operations clearance from the Manila International Airport Authority (MIAA); in compliance with the directives of the National COVID-19 Task Force, inbound flights are subject to seal allocations granted by the MIAA from time to time.

Gulf Air is hereby reminded that this approval is ad hoc in nature because of the changing face of the pandemic and the continued adjustments that have to be made by the National Task Force to curb the spread of COVID-19, and in no case not beyond air traffic rights agreed to in the Air Services Agreements.

This approval is issued on the basis of the runway and terminal capacity slot clearance issued by the NAIA Slot Coordinator and pursuant to the authority delegated to the Executive Director and the Deputy Executive Director under CAB Resolution No. 95, Series of 2003 and also conditioned on full compliance with Joint DOTC-DT I Administrative Order No. 1.

All approvals issued by this Office in favor of any carrier may be suspended and/or withheld without prior notice pending the payment of any penalties which may have been assessed by this Office. All air carriers with any unpaid penalties are hereby reminded to settle the same.

Very truly yours,

CARMELO L. ARCILLA
Executive Director