Alibaba Group considers sale of consumer assets including Freshippo, RT-Mart

HONG KONG — Chinese internet giant Alibaba Group is looking to sell a number of consumer sector assets, including grocery business Freshippo and retailer RT-Mart, three sources with knowledge of the situation said.

The sale plan comes as Alibaba, under chairman Joe Tsai and newly appointed Chief Executive Eddie Wu, has shifted focus back to its core profitable e-commerce business model while divesting noncore, loss-making units, said one of the people.

Alibaba has been in talks with strategic and financial investors about these assets, said the sources, who declined to be named as the discussions were confidential. The assets also include shopping mall operator Intime, one of the sources said.

Bloomberg reported on Thursday that Alibaba is considering selling InTime and has reached out to several firms to gauge their interest in acquiring its department store arm.

Alibaba, RT-Mart, and InTime did not immediately respond to Reuters' requests for comment.

A spokesperson for Freshippo denied that Alibaba was planning to sell the company and declined to comment further.

The divestment efforts also come amid Alibaba's broad restructuring and China's tightened scrutiny over initial public offerings in a already challenging capital markets that have hampered startups' ability to raise funds. — ***Reuters***

China's tumbling prices push some exporters to the brink

BEIJING/HONG KONG — When Kris Lin, who owns a lighting factory in China, received this year's first order from a close overseas client, he faced a distressing choice: take it at a loss, or tell workers not to come back after the Lunar New Year.

"It was impossible for me to lose this order," said Mr. Lin, who plans to re-start his factory in the eastern city of Taizhou at around half its capacity after the Feb. 10-17 holiday break.

"I could have lost this client forever, and it would have endangered livelihoods for so many people. If we delay resuming production, people might start doubting our business. If rumors spread, it affects the decisions of our suppliers."

Prolonged factory deflation is threatening the survival of smaller Chinese exporters who are locked in relentless price wars for shrinking business as higher interest rates abroad and rising trade protectionism squeeze demand.

Producer prices have been falling for 15 straight months, crushing profit margins to the point where industrial output and jobs are now at risk and compounding China's economic woes, which include a property crisis and debt crunch.

About 180 million people work in export-related jobs, commerce ministry data from 2022 shows.

Raymond Yeung, chief China economist at ANZ, says fixing deflation should be a higher policy priority than reaching the expected growth target of around 5% for this year.

"Companies cut product prices, then staff salaries. Then consumers won't buy — this could be a vicious cycle," he said.

Profits at China's industrial firms fell 2.3% last year, adding to the 4% drop in COVID-hit 2022. An official survey showed manufacturing activity contracting for a fourth straight month in January, while export orders shrank for a 10th month.

For Mr. Lin, that has meant the $1.5-million order his client placed was 25% below a similar one last year. It was 10% below production cost.

Sluggish exports mean policy makers need to pull other levers to reach their growth target, increasing the urgency of stimulating household consumption, analysts say.

"The more 'rebalanced' growth is, the faster that downward pressure on prices and margins will dissipate," said Louis Kuijs, Asia-Pacific chief economist at S&P Global.

'RAT RACE'

China has been funneling financial resources into the manufacturing sector, rather than consumers, exacerbating overcapacity and deflation concerns, even in booming higher-end sectors, such as electric vehicles.

An executive at an automotive moulds factory from the eastern Zhejiang province, who asked not to be named due to the sensitivity of the matter, expects the firm's output and exports to rise, but earnings to fall, describing the intensifying competition in the industry as a "rat race."

As China's central bank unleashes liquidity into the financial system to spur growth, banks are chasing factories with cheap loan offers.

But squeezed out by bigger rivals, smaller firms are unwilling to take on loans to finance new business, in what economists see as a broken link in China's increasingly inefficient monetary policy.

Investment by private companies, which according to state officials provide 80% of urban jobs, dropped 0.4% last year, while state investment rose 6.4%.

"Many bank managers call me and they sound very anxious when they can't lend money," said Miao Yujie, an e-commerce clothing exporter.

Even after halving his workforce to about 20 people last year, he cannot turn a profit as bigger firms elbow him out of the market.

"But you only need to borrow when you want to expand," said Mr. Miao, adding he mulls closing his business.

THIS TIME IS DIFFERENT

China also went through a deflationary scare in 2015, when it faced overcapacity in primary industries, such as steel, dominated by state-owned enterprises. Authorities downsized these companies to reduce supply and accelerated infrastructure and property construction to boost demand.

"This time it's more of a private sector surplus," said Hwabao Trust economist Nie Wen, singling out electronics, chemicals and machinery makers. These firms employ large numbers of people, a sensitive spot for China's policy makers.

"It is therefore difficult to shrink supply, so more effort should be made on the demand side this year," Mr. Nie said.

Factory owners say the pressure to cut jobs is intense, even if some are reluctant to do so.

Yang Bingben, whose company makes industrial-use valves in the eastern city of Wenzhou, said he had thought of shutting down the business, but keeps it running as he feels indebted to his workers, most of whom are close to retirement age.

Still, he doesn't know how long the factory can survive.

"This year will be the best of the next decade," Mr. Yang said. — ***Reuters***

UNSPLASH

Toyota to outshine rivals as more consumers opt for hybrids amid EV slowdown

TOKYO/SAN FRANCISCO — When Tony Le set out with his wife to buy a new car last year, he looked at Tesla and other all-electric models.

In the end, the 37-year-old Modesto, California, tech worker opted for a Toyota RAV4 Hybrid due to worries over getting stranded with a purely electric vehicle (EV), a dead battery, and no charging station in sight.

Mr. Le is among the growing number of consumers accelerating hybrid vehicle sales, leaving long-time hybrid maker Toyota Motor in pole position to lap rivals who have been making a rapid transition toward full electrification and now grapple with weakening EV demand.

High interest rates and an uncertain economic outlook have also prompted many EV makers to cut their production targets and warn of slowing sales growth in recent weeks.

Toyota, however, is expected to offer a more upbeat outlook when it reports its earnings on Tuesday, helped by its heavy reliance on hybrids, which accounted for around one-third of its total sales of more than 10 million vehicles last year.

Toyota has already said the next generation of the Camry will come only as a hybrid, its boldest move yet to push the technology it pioneered with the Prius, introduced more than a quarter century ago.

Despite the near-term sales boost Toyota is expected to report, analysts warn a major risk facing the world's top-selling carmaker is that it remains a laggard in pure battery EVs, which are widely viewed as making up the long-term future of the auto industry.

Toyota sold just 104,000 battery EVs last year, less than 1% of its total sales, including of its luxury Lexus brand. It plans to boost shipments to 1.5 million EVs by 2026, below Tesla's 2023 shipments of 1.8 million vehicles.

US hybrid sales have been rising as consumers balk at high EV prices and are anxious about the range of electric cars, especially in more rural areas, where there could be long distances between charging stations. — ***Reuters***

Gold slides as US jobs data dampen bets of early rate cut

GOLD PRICES fell on Monday, as the US dollar and Treasury yields surged after a robust jobs report crushed expectations of near-term interest rate cuts from the US Federal Reserve.

Spot gold was down 0.5% at $2,029.03 per ounce by 0556 GMT. US gold futures fell 0.4% to $2,045.50 per ounce.

"Large speculators and managed funds trimmed long exposure to gold futures for a fourth week... and with Jerome Powell reiterating three rate cuts for the year, it remains debatable as to whether gold can rally from here," said Matt Simpson, a senior analyst at City Index.

Traders are betting on four-quarter-point Fed rate cuts for 2024, down from six last Monday, according to LSEG's interest rate probability app IRPR.

The odds for a cut in May have also lengthened. Lower interest rates boost non-yielding gold's appeal by decreasing the opportunity cost of holding bullion.

The dollar index hit an eight-week high, making bullion more expensive for other currency holders, while yields on benchmark 10-year Treasury notes rose to more than 4%.

Data from the US Labor department showed on Friday that nonfarm payrolls increased by 353,000 jobs in January, almost double the 180,000 forecast by economists polled by Reuters.

Fed Chair Jerome Powell last week dismissed the idea of lowering interest rates in the spring but voiced confidence that inflation would return to the central bank's 2% target.

Spot silver fell 0.5% to $22.56 per ounce; palladium dropped 0.8% to $939.26; while platinum rose 0.5% to $894.99. — ***Reuters***

SPOT PRICES

FRIDAY, FEBRUARY 2, 2024

METAL	
PALLADIUM free $/troy oz	944.95
PALLADIUM JMI base, $/troy oz	958.00
PLATINUM free $/troy oz	901.26
PLATINUM JMI base $/troy oz	909.00
KRUGGERAND, fob $/troy oz	2,030.00
IRIDIUM, whs rot, $/troy oz	4,990.00
RHODIUM, whs rot, $/troy oz	4,440.00
GRAINS (February 1, 2024)	
(FOB Bangkok basis at every Thursday)	
FRAGRANT (100%) 1st Class, $/ton	898.00
FRAGRANT (100%) 2nd Class, $/ton	883.00
RICE (5%) White Thai- $/ton	655.00
RICE (10%) White Thai- $/ton	654.00
RICE (15%) White Thai- $/ton	635.00
RICE (25%) White Thai- $/ton (Super)	635.00
BROKER RICE A-1 Super $/ton	489.00
FOOD	
COCOA ICCO Dly (SDR/mt)	3,704.07
COCOA ICCO $/mt	4,922.35
COFFEE ICA comp '2001 cts/lb	185.24
SUGAR ISA FOB Daily Price, Carib. port cts/lb	22.92
SUGAR ISA 15-day ave.	22.67

LIFFE COFFEE

New Robusta 10 MT - $/ton

	High	Low	Sett	Psett
March	3,319	3,225	3,237	3,287
May	3,184	3,103	3,116	3,151
July	3,084	3,013	3,027	3,052
Sept.	2,990	2,931	2,944	2,962

LIFFE COCOA

(Ldn)-10 MT-£/ton

	High	Low	Sett	Psett
March	4,048	3,961	4,040	3,975
May	3,980	3,893	3,973	3,904
July	3,877	3,781	3,868	3,805
Sept.	3,758	3,677	3,750	3,703

COCONUT

MANILA COPRA (based on 6% moisture)

Peso/100kg		Buyer/Seller
Lag/Qzn/Luc	23	3,300.00/3,350.00
Philippine Coconut Oil - Crude		
CIF NY/NOLA		58.75
FOB RAIL/NOLA		61.75
COCONUT OIL (PHIL/IDN),$ per ton, CIF Europe		
Oct./Nov.'23		0.00/1,080.00
Nov./Dec.'23		0.00/1,060.00
Dec./Jan.'24		1,010.00/1,050.00
Jan./Feb. '24		1,015.00/1,060.00

LONDON METAL EXCHANGE

LME FINAL CLOSING PRICES, US$/MT

	3 MOS.
ALUM. H.G.	2,247.00
ALUM. Alloy	1,820.00
COPPER	8,534.50
LEAD	2,151.50
NICKEL	16,230.00
TIN	25,803.00
ZINC	2,478.00

Oil inches up as US plans more strikes in Mideast

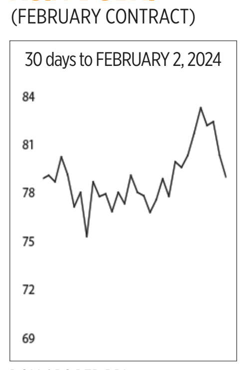
BEIJING/SINGAPORE — Oil prices nudged higher on Monday, recovering from sharp falls last week, after Washington pledged to launch further strikes on Iran-backed groups in the Middle East and as Ukrainian drones struck southern Russia's largest refinery.

Brent crude futures rose 36 cents or 0.5% to $77.69 a barrel by 0511 GMT, while US West Texas Intermediate (WTI) futures were at $72.53 a barrel, up 25 cents or 0.4%.

Both benchmarks ended last week down about 7%. They fell 2% on Friday after stronger-than-expected US jobs data suggested interest rate cuts could be further out than expected, and on progress in ceasefire negotiations between Israel and Hamas.

Investors remained wary of any escalation in the Middle East conflict, after the US signaled further strikes on Iran-backed groups in the Middle East in response to a deadly attack on US troops in Jordan.

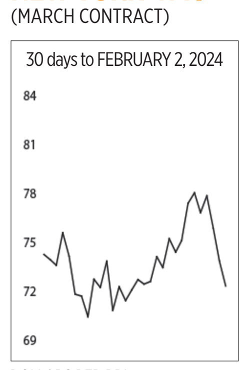
ASIA-DUBAI
(FEBRUARY CONTRACT)



DOLLARS PER BBL

Feb.	29	30	31	1	2
$/bbl	83.25	82.15	82.39	80.30	78.95
Average (February 1-2)				**$79.63**	
Average (January 2-31)				**$78.84**	

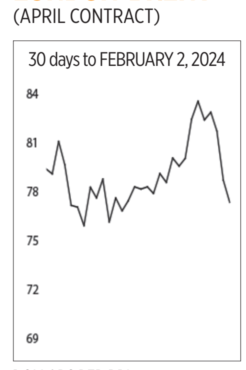
NEW YORK-WTI
(MARCH CONTRACT)



DOLLARS PER BBL

Feb.	29	30	31	1	2
$/bbl	76.78	77.82	75.85	73.82	72.28
Average (February 1-2)				**$73.05**	
Average (January 2-31)				**$73.76**	

LONDON-BRENT
(APRIL CONTRACT)



DOLLARS PER BBL

Feb.	29	30	31	1	2
$/bbl	82.40	82.87	81.71	78.70	77.33
Average (February 1-2)				**$78.02**	
Average (January 2-31)				**$79.15**	

Source: REUTERS

The US also continued its campaign against the Iran-backed Houthis in Yemen, with 36 strikes on Saturday against the groups whose attacks on shipping vessels have disrupted global oil trading routes, although supply has been largely unaffected.

On Friday, the US Department of Justice announced sanctions-evasion charges and seizures linked to an oil trafficking network that it says finances Iran's Islamic Revolutionary Guard Corps.

It seized more than 520,000 barrels of sanctioned Iranian oil aboard the crude tanker Abyss, which had been anchored in the Yellow Sea en route to China.

Iran's budget targets oil sales of 1.35 million barrels per day (bpd) for the Iranian year starting March 2024, about 1.3% of the 103.5 million bpd global supply forecasted by the International Energy Agency.

In Russia, two Ukrainian attack drones struck the largest oil refinery in the country's south on Saturday, a source in Kyiv told Reuters, the latest in a series of long-range attacks on Russian oil facilities which has reduced Russia's exports of naphtha.

Lukoil, which owns the 300,000 barrels per day Volgograd refinery, later said the plant was working as normal.

In the US, power at BP's 435,000-bpd oil refinery in Whiting, Indiana, had been restored by midday on Friday, but sources said BP had not yet set a date for restarting the plant. — ***Reuters***

Asian stocks slump as traders temper rate cut bets

SINGAPORE — Asian shares eased on Monday and the dollar was firm after a robust US jobs report dashed expectations of a near-term interest rate cut from the US Federal Reserve, while stocks in China were volatile as investor sentiment remained shaky.

Oil prices surged following fresh strikes on Iran-aligned factions in Iraq, Syria and Yemen by the United States, with rising tension in the Middle East keeping risk appetite in check.

MSCI's broadest index of Asia-Pacific shares outside Japan fell 0.21% having dropped more than 1% earlier in the session.

European bourses looked set for a muted open, with Eurostoxx 50 futures down 0.09%, German DAX futures down 0.19%, and FTSE futures up 0.07%.

The focus in Asia has been on slumping Chinese stocks as investor sentiment remains rock-bottom on lack of policy support and broad stimulus.

China's securities regulator vowed to prevent abnormal market fluctuation on Sunday, but announced no specific measures.

China's blue-chip index was up 1% on Monday afternoon after dropping 2% earlier in the session, having touched a fresh five-year low last week. Hong Kong's Hang Seng Index was up 0.5%.

State-backed investors — dubbed the "national team," have stepped up buying blue-chip funds to support the market in recent weeks, but so far have failed to arrest a slump.

Global markets have been focused on the timing of when the Fed would start cutting rates since the central bank surprised markets with its dovish tilt in December.

Traders initially priced in March as the starting point of the central bank's easing cycle but a slate of strong economic data along with resistance from central bankers have led to investors scaling back their bets on an early rate cut.

Markets are currently pricing in an 80% chance of the Fed standing pat on rates in March, compared with a 33% chance at the start of the year, the CME FedWatch tool showed. Traders are now pricing in just below 120 basis points (bps) of cuts this year.

Data on Friday showed US job growth accelerated in January and wages increased by the most in nearly two years, signs of persistent strength in the labor market that could push the Fed to start its easing cycle a bit later in the year than markets anticipated.

Fed Chairman Jerome Powell said the US central bank can be "prudent" in deciding when to cut interest rates, with a strong economy allowing central bankers time to build confidence inflation will continue falling.

"We have to balance the risk of moving too soon... or too late," he said in an interview with CBS news show *60 Minutes* that aired Sunday evening in the United States.

The strong payrolls report pushed Treasury yields higher, with the yield on 10-year Treasury notes at 4.066%. Other regional bond yields took the cue and were higher on Monday, with yields on Australia's 10-year bond and South Korea's 10-year Treasury bond rising 11 bps.

The dollar index, which measures the US currency against six major rivals, scaled a fresh eight-week peak of 104.18, pinning the Japanese yen near a two-month low. — ***Reuters***