

Banks Step Up Battle

The Federal Reserve joined two European central banks on Friday in expanding programs to spread more cash through the banking system in hopes of restoring confidence in credit markets. The Fed said it would increase the size of cash auctions to banks, while the European Central Bank and the Swiss National Bank will boost their auctions of US dollar funds, Reuters wrote.

In addition, the Fed said it would widen one of its lending programs to allow big bond market firms to swap a broader array of hard-to-trade securities for top-rated and liquid US Treasury debt.

"They're trying to target their actions," said Rick Meckler, president of LibertyView Capital Management in Jersey City, New Jersey. "I don't think this will be the last move either. They'll continue to look to restore markets to the conditions they were before the crisis."

Credit markets have not operated normally since rising defaults on US subprime mortgages touched off a full-blown credit crisis in August, as banks shrank from lending to each other because they were worried about taking on toxic collateral.

China to Become Biggest Gold Producer

China will become the world's largest gold producer this year, overtaking South Africa, the official Xinhua News Agency reported, citing Hou Huimin, vice chairman of the China Gold Association.

Production may reach 300 metric tons this year, up from 270.5 tons in 2007, the report said, citing data from the association. South Africa produced 272 tons in 2007, the report said.

China added 650 tons of proven underground gold deposits in 2006, and has established five big gold mines since 2007, the report said, without giving further details.

China produced 60.64 tons of gold in the first three months of this year, representing an increase of 7.94 percent from the same period last year, while the country's gold output in March alone stood at 22.37 tons, according to the China Gold Association's latest announcement.

China's gold mining enterprises produced a consolidated 51.29 tons of gold (gold bullion and compound gold) in the first three months.



Microsoft Ups Yahoo Offer

Microsoft Corp. finally dangled a higher takeover bid in front of Yahoo Inc. Friday, hoping to reach a friendly deal after weeks of saber rattling. The Redmond, Wash.-based software maker upped its offer beyond the original value of \$44.6 billion, or \$31 per share, according to a person familiar with the matter, AP wrote.

The specifics of the new offer weren't known by this person, who didn't want to be identified because the negotiations are still confidential. The New York Times, reported Microsoft boosted the offer by "by several dollars" per share, lending weight to the assertion by many market analysts that Microsoft can afford to pay up to \$35 a share.

The talks were expected to continue into the weekend.

In an intriguing twist, Microsoft Chairman Bill Gates and Yahoo President Susan Decker were both expected to be in Omaha, Neb. this weekend to attend Berkshire Hathaway Inc.'s annual meeting. Both Gates and Decker are on the board of the company led by famed investor Warren Buffett.

Brazil Safer for Investment

The Brazilian stock market index traded higher than 70,000 points for the first time on Friday thanks to the country's new credit rating.

The benchmark Bovespa index has been rising since Wednesday when the country was deemed a safer place to invest, BBC reported.

At its highest point the Sao Paulo-based index reached 70,973 before falling back. The upgrade is expected to attract much more foreign investment into the Latin American country.

The ratings agency Standard & Poor's raised Brazilian debt to BBB-, which is the lowest investment grade. This is significant because many funds are only allowed to buy investment grade bonds.

The Bovespa rose more than 6 percent on Wednesday to close at 67,853.9 while the currency, the real, rose 2.5 percent against the US dollar.

Brazilian markets were closed on Thursday for the May Day holiday.



News in Brief

Drought Affects Aussie Families

The number of farming families in Australia has fallen 10 percent because of drought, the Australian Broadcasting Corp. said on its website, citing figures from the Australian Bureau of Statistics.

In the five years between 2001 and 2006, 10,636 families sold their properties or found other work, the ABC said, citing figures prepared for the broadcaster. That compares with the previous census period when 2,500 families stopped farming, it said. The number of farming families in Australia has fallen 30 percent over the past 20 years, the ABC said.



Parmalat Reaches Deal With Investors

Failed Italian food giant Parmalat said on Friday it had reached a deal with investors who had filed a "class action" suit against it in a US court. Parmalat said the settlement of the claim "was in the best interest of shareholders," with press reports saying it was worth about 20 million euros (\$31 million), AFP reported.

The class action suit—which brings together claimants in one case so as to speed up and simplify the legal process—was filed last year in New York as investors sought damages and interest of some five billion euros following Parmalat's collapse in 2003.

The company meanwhile still faces legal action in Italy, with the main trial in Parma currently adjourned until Tuesday.

Toyota Recalls 90,000 SUVs

Toyota Motor Corp is recalling 90,000 model year 2008 Highlander and Highlander hybrid sport utility vehicles due to potential problems with securing child safety seats in third row seats.

The locking mechanism on the seat belts apparently cannot secure properly when certain rear-facing child safety seats are used, which could cause the child seats to move, the National Highway Traffic Safety Administration reported on Friday, Reuters said.

"As such, this could discourage the use of a child restraint and in the event of a crash, the child may not be adequately protected, possibly resulting in injury," the NHTSA said in a statement on its website, www.nhtsa.dot.gov.



Tata Eying Indonesian Steel

India's Tata Steel could bid for a stake in Indonesia's largest steel maker PT Krakatau Steel, according to a report in Jakarta on Saturday. "Tata (Steel) has also expressed their interest in finding out more details in the Krakatau Steel privatization," the industry ministry's director general for metal, Ansari Bukhari, told state-run news agency Antara.

He said a representative of Tata Steel would meet Industry Minister Fahmi Idris early next week. Tata Steel is the world's sixth largest steel company with an existing annual crude steel capacity of 28 million tons, the company says on its website. Bukhari's office confirmed Idris will receive a representative of Australian firm Bluescope Steel Ltd. next week.

No US Recovery This Year

Slowdown in Europe Growth

International Monetary Fund chief Dominique Strauss-Kahn said Friday that he does not see the US economy recovering from its current doldrums this year. Describing a US government labor report Friday that showed fewer than expected job losses as a "flash in the pan," the IMF managing director said "the medium-term trend remains what has been forecast and the US economy would not be on the road to recovery before the end of the year." The IMF has forecast a "mild recession" in the United States, with annual growth a paltry 0.5 percent, AFP wrote.

Strauss-Kahn, speaking to reporters after meeting with French Prime Minister Francois Fillon at IMF headquarters in Washington, cautioned that "one must wait to see the next US data."

The US Labor Department reported US employers cut 20,000 nonfarm jobs in April, far fewer than private economists' forecasts of 75,000. The jobless rate fell a tenth of a percentage point to 5.0 percent, the department said, instead of the expected rise to 5.2 percent.

While still a weak number, it reinforced the view that the US economy is stabilizing and that the Fed may therefore take a pause



French Prime Minister Francois Fillon (c) accompanied by Agriculture Minister Michel Barnier (l) walks with IMF Managing Director Dominique Strauss-Kahn (r) before their meeting at the IMF headquarters building in Washington on May 2.

in its rate-cutting campaign. Strauss-Kahn said the numbers were "not bad but I fear that is only a flash in the pan."

The US Commerce Department this week estimated the economy grew at an annual 0.6 percent in the first quarter, the same pace as in the fourth quarter. The expansion was stronger than economists' consensus forecast and helped ease fears that the world's largest economy was slumping amid a se-

vere housing downturn and credit crisis.

French Prime Minister Francois Fillon, for his part, insisted that the French and European economies are sound, but that the US economic slowdown will affect Europe's growth. "Our fundamentals are globally sound in the eurozone," Fillon said on the second day of his US trip.

"But the slowing down of growth in the United States, the overvaluation of the

euro and the rising energy and food prices will weigh on European growth."

"It is obvious that when the American economy is not going well, all of the world economy feels it, particularly the European economy," said Fillon, whose country takes over the EU's rotating presidency for six months on July 1.

> Stop the Turmoil
He stressed the need to stop the turmoil in the financial markets.

"It is absolutely essential to bring an end to the current financial turbulence," he said, in reference to the US subprime mortgage crisis that has sent waves across the globe.

The French minister called for implementing measures recommended by the G7 industrial economies—which include France—and the International Monetary Fund at their meetings in Washington in early April. The G7 called on financial institutions around

the world to account for the extent of their exposure to subprime securities within 100 days.

Fillon also expressed concern over the possible effects of the US problems on trade, pointing out that US-European trade constituted 40 percent of the world's total and supported 14 million jobs. "It is a worrisome situation," he said. "The American crisis has repercussions on growth in the eurozone."

On the euro's sharp climb against the plummeting dollar, the French leader said that the eurozone "cannot support by itself the adjustment of all currencies. The strong volatility of currencies represents a danger for Europe, for the United States, for the global economy," he said.

Fillon arrived in Washington this week to meet US Treasury Secretary Henry Paulson and Federal Reserve chairman Ben Bernanke to discuss the credit crunch sparked by the US subprime crisis and the dollar-euro exchange rate.

A US Treasury official said after the meeting Paulson "reaffirmed our support for the FSF (the G7's financial stability forum) Report and international cooperation to tackle financial turmoil."