# International WEDNESDAY, JANUARY 9, 2019



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Satya Nadella, CEO, Microsoft @satyanadella

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# Quick View

## Sika to buy French firm Parex in deal valued at \$2.6 bn

SWISS CHEMICALS company Sika has agreed to buy French rival Parex in a 2.5 billion Swiss franc (\$2.6 billion) deal, the latest in a wave of consolidation in the construction materials sector. The global market for construction chemicals, whose products are used to waterproof and strengthen cement in projects such as the Gotthard Base Tunnel under the Alps, is worth around \$70 billion, analysts estimate.

### Apple faces 'informal boycott'in China

CHINESE CONSUMERS MAY be staging an 'informal boycott' of US products that is hitting Apple iPhones, according to analysts at Bank of America Merrill Lynch. If that's the case, it would help explain Apple's warning last week that revenue from the world's second-largest economy was taking a hit even as Chinese rivals post steady shipments.

#### Citigroup to end Chinese securities JV for own setup

CITIGROUP HAS AGREED to sell its stake in its Citi Orient Securities joint venture to its Chinese partner, paving the way for the US bank to set up its own brokerage in the world's secondlargest economy. In December, Citigroup Global Markets Asia informed Orient Securities that the bank intended to sell all of its shareholding, the Chinese company said in an exchange filing on Tuesday.

### China smartphone shipments seen fell 12-15.5%

SMARTPHONE SHIPMENTS IN China fell between 12-15.5% last year, market data indicated, suggesting a bleak outlook for the sector at a time when behemoths Apple and Samsung Electronics have already issued dour

## MetLife names Khalaf CEO, replacing Kandarian

METLIFE APPOINTED MICHEL Khalaf president and chief executive officer, succeeding Steven Kandarian. Khalaf, 54, will take over on May 1, the company said Tuesday in a statement. He is currently president of the company's US and Europe, Middle-East and Africa businesses, based in New York.

#### Man injures 20 kids with hammer in China school

children with a hammer on Tuesday inside a primary school in China's capital, officials said. Three of the children have serious but non-lifethreatening injuries, the Xicheng district government said.

A 49-YEAR-OLD MAN injured 20

## ESTIMATED 29% DROP

# Weak chip demand hits Samsung's Q4 profit

**REUTERS/BLOOMBERG** Seoul, January 8

SAMSUNG ELECTRONICS SURPRISED the market on Tuesday with an estimated 29% drop in quarterly profit, blaming weak chip demand in a rare commentary issued to 'ease confusion' among investors already fretting about a global tech slowdown.

The South Korean firm also said profit would remain subdued in the first quarter due to difficult conditions in memory chips, but that the market is likely to improve in the second half of the year as customers release new smartphones.

Weaker earnings at the world's biggest

maker of smartphones and semiconductors adds to worries for investors already on edge after Apple last week took the rare move of cutting its quarterly sales forecast, citing poor iPhone sales in China. China boasts the world's biggest smart-

phone market, but a slowing economy, exacerbated by a trade war with the United States, has seen demand for gadgets drop across the tech sector. Growing support for domestic champions has also impacted foreign brands, with Samsung's market share falling to 0.9% from a high of 18.2% in 2013.

Still, the South Korean firm's chips power the handsets of most major makers, including Apple and China's market leader Huawei Technologies. Its memory and processor chips account for over three-quarters of overall profit and about 38% of sales.



A woman is seen at the Samsung's office building in South Korea on Tuesday

mated operating profit of 10.8 trillion won (\$9.67 billion), missing the 13.2 trillion won average of 26 analyst estimates in an I/B/E/S Refinitiv poll. It also estimated an 11 percent fall in revenue at 59 trillion won.

Samsung routinely releases estimated earnings figures before posting detailed results and elaboration toward the end of the month. For the just-ended quarter, however, it issued its first commentary since late 2014, when mobile phone profit dropped. It said weaker-than-expected demand

from data centre customers adjusting For October-December, Samsung esti-inventories drove down chip prices and hurt

earnings in the face of rising macro uncertainty. It did not disclose the customers or elaborate on the macro uncertainty.

Data centre demand — mostly from the United States — currently accounts for as much as nearly 30% of demand for Samsung's DRAM chips compared with 5% five years ago, said analyst Kim Yangjae at KTB Investment & Securities.

"Smaller investment from data centres, a really bad smartphone market in China, and impact from the US-China trade war have all hit Samsung's chip business," Kim said.

On the whole, analysts expect Samsung's

## LG Electronics says Q4 profit likely fell 80%

**SOUTH KOREA'S** LG Electronics said on Tuesday its fourth-quarter operating profit likely fell 80% from the same period a year earlier, far below analyst expectations.

The world's second-biggest television set maker, behind compatriot Samsung Electronics, estimated profit of 75.3 billion won (\$67.03 million) for October-December last year. That would compare with the 387 billion won average of 11 analyst estimates in an I/B/E/S Refinitiv poll. Revenue likely fell 7% to 15.8 trillion

analysts' 16.3 trillion won estimate. LG did not disclose further details of fourthquarter operations and will announce full results at the end of January. Analysts said earnings were likely weighed down by higher year-end bonuses and marketing expenses for new smartphones. LG held a 3% share of the global smartphone market in the

second quarter of last year, showed lat-

won, LG said in a regulatory filing, versus

est data from market tracker Counter-

point Research.

- REUTERS

profit to decline through 2019, with a slowing Chinese economy eroding demand.

"Second- and third-tier Chinese smartphone makers saw drastic drops in their sales, which also took a toll on chip demand," said analyst Kim Young-woo analyst at SK Securities.

Prices for DRAM chips, which provide devices with temporary workspaces and allow them to multi-task, fell 10% in the fourth quarter, showed data from industry tracker DRAMeXchange. Prices of NAND flash memory chips, which hold be priced. data permanently, slipped 15%.

Electronics giant shows off robots for health care, retail stores

Samsung Electronics showed off

robots at the CES technology conference in Las Vegas, including one for retail stores and another in the health-care space.

The Bot Care can measure blood pressure and heart rate, detect falls and administer medicine, the South Korean technology giant said. It's designed for in-home use. Bot Retail communicates with consumers in stores, while the Bot Air robot detects air quality.

Samsung didn't say when it intends to release the robots or how they would Rival Amazon.com is working on a

home robot, Bloomberg News reported last year, while Apple has developed health-care offerings via software and hardware on the Apple Watch.

# Ghosn professes innocence in first appearance since arrest

THE NEW YORK TIMES Tokyo, January 8

**IN HIS FIRST** public appearance since his arrest nearly two months ago, Carlos Ghosn pushed back on Tuesday against the accusations that toppled him from the top of a global automotive empire, declaring he was innocent of all allegations.

"I have always acted with integrity and have never been accused of any wrongdoing in my several-decade professional career," Ghosn planned to say, according to prepared remarks distributed as a hearing began in Tokyo district court."I have been wrongly accused and unfairly detained based on meritless and unsubstantiated accusations." Ghosn, who until recently was head of

the vast car-making alliance of Nissan, Renault and Mitsubishi, was arrested in Japan in November on allegations of financial wrongdoing and has been jailed with limited contact to the outside world ever since. On Tuesday, he was led into court handcuffed, with a rope around his waist. He wore plastic slippers and a dark suit without a tie, according to pool reports, and looked thinner than he had in photos taken before his incarceration.

He was appearing in a packed courtroom to defend himself against allegations that he improperly transferred personal losses to Nissan's books and withheld millions of dollars in income



Nissan chairman Carlos Ghosn in a courtroom at the Tokyo district court in Tokyo on Tuesday

from Nissan's financial filings for years as chairman and chief executive.

"Contrary to the accusations made by the prosecutors, I never received any compensation from Nissan that was not disclosed, nor did I ever enter into any binding contract with Nissan to be paid a fixed amount that was not disclosed," Ghosn, 64, said in his prepared remarks. Pool reports largely confirmed he delivered those remarks as planned.

Judge Yuichi Tada declared on Tuesday that Ghosn was being detained because he could be a flight risk and was at risk of concealing evidence.

# Kim visits China in push against Trump sanctions

**BLOOMBERG** Seoul, January 8

KIM JONG UN is making his fourth visit to China, in a sign that the North Korean leader is seeking Chinese President Xi Jinping's counsel ahead of a possible second summit with Donald Trump.

Kim left Pyongyang Monday for a visit slated to end Thursday, North Korean and Chinese state media reported. Kim was invited by Xi and accompanied by his wife Ri Sol Ju and several top officials on his train journey across the border, the staterun Korean Central News Agency said. Xi and Kim met for an hour and began

a dinner before 7 pm local time, South Korea's Yonhap News Agency reported, without citing anyone. It was Kim's 35th birthday, according to South Korea's unification ministry, although the date hasn't been confirmed by Pyongyang. The trip — Kim's fourth to China since

March — suggests negotiations over North Korea's nuclear arsenal are gaining momentum after months without high-level diplomatic exchanges. Trump is seeking a second summit with Kim to reenergize talks that have made little headway since their first meeting in June, saying Sunday a date would be announced 'in the not-too-distant future'

Kim could be looking to leverage his relationship with Xi, who Trump has accused of relaxing pressure on North

The trip — Kim's fourth to China since March — suggests negotiations over North Korea's nuclear arsenal are gaining momentum

Korea, to push the US to make concessions in nuclear talks. The North Korean leader said in his New Year's address that he might take a 'new path' in negotiations if Trump didn't ease trade, travel and investment restrictions.

"For China, North Korea is something that it cannot give up, if it wants to maintain its leverage on the Korean Peninsula," said Lee Sang-sook, a professor at the Korea National Diplomatic Academy. "But for North Korea, China is its strongest foothold when it pushes forth with its campaign to lift sanctions."

Kim travelled to China — his most important security and trade partner before meetings last year with Trump and South Korean President Moon Jae-in. Trump complained after a similar China trip in May that Xi might have emboldened Kim to take a harder line before their own eventual meeting in Singapore.

Foreign ministry spokesman Lu Kang told a regular news briefing Tuesday that China had no reason to use North Korea as a bargaining chip in US trade talks occurring elsewhere in Beijing.

## US court rejects Rajat Gupta's bid to overturn conviction



New York, January 8

Goldman Sachs director Rajat Gupta, a US court here has rejected his bid to throw out his 2012 insider-trading conviction, affirming a lower court's ruling in the case. The Second Circuit Court of Appeals, in an order issued on Monday, said "we have considered all of Gupta's arguments on this appeal and have found them to be without merit. The judgment of the district court is affirmed." Gupta, 70, is a free man now after com-

**IN A FRESH** setback to India-born former

pleting a prison term in 2016 on insider trading charges but has been fighting to overturn his conviction, arguing that he served two years in jail for conduct that is not criminal even though the government lacked evidence to show he "received even a penny" for passing confidential boardroom information to now jailed hedge-fund manager Raj Rajaratnam. Gupta's team of lawyers had argued in papers before the Second Circuit Court of Appeals that the judgement of the Manhattan district court finding Gupta guilty of insider trading "should be reversed" and his "conviction should be vacated".

In its ruling, the appeals court said that "Gupta's convictions of engaging in and conspiring to engage in an insider trading schemewere based on evidence that on several occasions Gupta, while serving on boards of directors of various companies, disclosed material nonpublic information about those companies to his friend and business associate Raj Rajaratnam, founder of the Galleon Group, a family of hedge funds that invested billions of dollars for its principals and clients."

# Toyota plans to share life-saving driving technology with rivals

**BLOOMBERG** 

Southfield (Michigan), January 8

**TOYOTA MOTOR** — **IN** an unusual move for the cut-throat car business — has decided to share with rivals an automated safety system that uses self-driving technology to keep cars from crashing.

Known as the Guardian System, the technology will take control of a car and steer it around an impending crash or accelerate out of the path of an oncoming vehicle that is running a red light.



The system, due to hit the road early next decade, has the potential to save so many lives that Toyota felt compelled to share it with any company that would like to use it, Gill Pratt, head of the automaker's Research Institute, said at CES in Las Vegas on Monday.

"We were thinking about what would be good for society," Pratt said at a press conference at the trade show formerly known as the Consumer Electronics Show, which has become a showcase for driverless cars. "We will not keep it proprietary to ourselves only. But we will offer it in some way to others, whether that's through licensing or actual whole systems."

Self-driving cars and related mobility services could become a \$10 trillion market, according to Ford Motor chief executive officer Jim Hackett. Toyota's seemingly selfless act could pay off in fat royalties and potentially burnish its reputation as a safety and technology leader just as those attributes become critical to the autonomous age. Toyota insists it's

about saving lives in a world where 1.3 million people die on the highway each year.

"This is a super advanced driver assist system," said Ryan Eustice, senior vice president of automated driving at the Toyota Research Institute. "There's a real opportunity to have a near-term impact on saving lives."

The technology, which Toyota has been developing for three years, can take over and guide a car out of harm's way when the human driver becomes drowsy, distracted or drunk, Pratt said.

**SELECTIONS FROM** 

## The **Economist**

EVERY YEAR BERRY BROS & Rudd, Britain's oldest wine merchant, issues a pocket-sized price list. Reading old copies makes amateurs of quality quaff want to time-travel. In 1909 a case of 12 bottles of Domaine de la Romanée-Conti 1891, Burgundy's most famous Grand Cru, cost 180 shillings (about £1,000, or \$1,300, in today's money). In its historic London store, which opened in 1698, a single 18year-old bottle of similar quality now sells for £25,000.

Fine wine is expensive to store, and its rarity and high transaction costs make it — oddly enough — an illiquid asset. Even so, its appreciation with age and perceived ability to diversify portfolios have made it popular with investors over the past two

decades. The value of wine exchanged yearly between consumers, connoisseurs and collectors — the secondary market has quadrupled to \$4bn since 2000, says Justin Gibbs of Liv-ex, a wine-trading platform. He reckons that just 15% of those buying wine on his website are doing so to drink it. The rest see it as a store of value. Fine wines are traded privately, at auc-

tions or through exchanges like Liv-ex, where members bid for listed crus. The equivalent of an initial public offering comes when estates release their latest vintages. The wine world also has asset managers, which buy and sell hundreds of cases on behalf of clients in the hope of turning a profit. Britain is a big trading hub, notably because it offers the ability to store wine free of customs and VAT provided it is kept in one of the few taxman-approved warehouses. Many professional buyers thus hold their stock under the same huge vaults. Updating records is sometimes all it

takes to transfer ownership. Investing in wine has long meant buying Bordeaux. But that is changing: the FINANCE AND ECONOMICS **SMOKING BARRELS** 

# Amateur buyers of fine Burgundy fear a speculative bubble

Investors are looking beyond Bordeaux

French region now accounts for 60% of secondary transactions, down from 95% in 2011. The new picks have star appeal. Bordeaux prices have done well in the past three years, rising by a third. But the value of fine Burgundy has more than doubled, according to the Liv-ex 1000 index.

One reason is that greater price transparency has boosted buyers' confidence. Fine wines, which do not generate cash

flows, cannot be valued using financial metrics such as price-to-earnings ratios. But exchanges and websites like Wine Searcher, which gathers merchant quotes from around the world, provide reference points. Apps that collect reviews from critics and consumers also help; so do gadgets to improve traceability (though fakes remain a problem). Some of this cash finds its way to new terroirs.



Investors are becoming more sophisticated, too. Chinese buyers, whose thirst for Bordeaux kept prices afloat through the financial crisis, fled the region after 2012, when a crackdown on corruption meant demand for luxury goods dried up. Many have since turned to Burgundy. Most wineinvestment funds, which in the 2000s managed €350m (\$396m), almost all of it invested in Bordeaux, went bust when the market tanked. Such outfits have since reformed, trying harder to diversify. Recent currency shifts have made top

crus a relative bargain. Burgundy was already cheaper than Bordeaux, and a dollar rally after 2015 has put the region on American and Asian buyers' radars (the Hong Kong dollar is pegged to the greenback). Italian, Californian and other French regions have also become fashionable, says Philip Staveley of Amphora, a wine-portfolio manager. But the best Burgundy is produced in tiny volumes. Chateau Margaux, a Bordeaux star, puts out 11,000 cases a year; Domaine de la Romanée-Conti makes 450. That amplifies price movements.

Experts fear a bubble. "Everyone tells us it's getting absurd," says Philippe Masset, a wine scholar. Younger vintages have become pricier than older ones — the wine equivalent of a yield-curve inversion. The Burgundy region gained 8% in November, while all others plateaued. Whether that lasts may depend on the value-for-money of the vintage released this month. But for now, investors see the glass half-full. ©The Economist Newspaper Limited