

Tesco moves closer to full banking

The supermarket group is expected to make rapid inroads into the banking market now that rivals are foundering. Fiserv is one of the world's leading providers of retail banking software, which will help turn Tesco from a provider of a collection of financial products into an integrated, full-service bank.

However, the company urged patience at a meeting of investors. David McCreadie, commercial director at Tesco Bank, said it would take time to develop the right proposition on current accounts and that expansion into mortgage lending would require a broader source of funding.

On Tuesday, Benny Higgins, chief executive of the bank, said he planned to introduce a Tesco current account and possibly also mortgages over the next couple of years. He has also talked down suggestions that Tesco might buy assets from Northern Rock or other lenders, saying the company is focused on organic growth.

The supermarket has made a big push into banking since buying Royal Bank of Scotland out of a financial joint venture in July 2008 and unveiling plans to double profits from its retail services businesses, including banking, to £1b over the coming years.

Tesco told investors that its banking business would initially target its most loyal shoppers — the 15m members of its clubcard scheme. Just 10pc of clubcard holders have a Tesco credit card, currently its biggest financial business, while only 4.2 percent have Tesco car insurance and 2.2 percent a Tesco savings product, it said.

Tesco said it has 6m customer accounts, with its credit card business growing at an annual rate of about 10pc, personal loans growing at 19 percent and instant access savings accounts at 28 percent. Transactions at its travel money business have more than doubled, it added.

(Source: Telegraph)

Blackstone bids to take control of Gala Coral

Private equity giant Blackstone is gambling on an audacious eleventh hour intervention in the massive £2.5b debt restructuring at beleaguered bookmaker-to-bingo group Gala Coral.

Blackstone has been allowed to conduct due diligence at the company, which at its height employed 19,000 people and had been given the moniker of Britain's biggest private business, valued at £5b.

A deal with the American buy-out house could see Blackstone make a £250m to £300m cash injection into the business for a majority stake.

It would enable the senior lenders, who are owed £2b, to keep their debt intact and offer the mezzanine debt holders — who are on the verge of launching their own deal for control of the group — a minority equity stake going forward.

Blackstone's involvement would usurp an agreement between Gala's current private equity owners — Cinven, Permira and Candover — and its junior lenders designed to keep the company's bingo and gaming divisions together. It was agreed in principle just weeks ago.

(Source: Telegraph)

To lower interest rates, Citi customers must spend

NEW YORK (AP) — For Citibank credit card holders, there is one way to escape the bank's rate hikes currently under way: Meet a monthly spending requirement. Those who meet the spending minimum — in some cases \$750 a month — will be able to get a rebate on their total interest charges for that month. The rebate could cover some or all of the interest rate hike. Customers also need to make payments on time to qualify for the rebate.

Without giving specifics, Citi said the monthly spending requirements and interest rate hikes will vary depending on the cardholder's credit history.

About half of its customers will be able to erase 50 percent to 100 percent of their rate increases through the rebates. Citi said its rebates will be based on interest charges for an entire balance, not just monthly charges.

With 92 million credit cards in circulation last year, Citi was the second largest card issuer in the country, according to CreditCards.com. Chase was the largest with 119.4 million cards, and Bank of America was third with 80.2 million cards.

The change by Citi comes as the industry rushes to adjust to sweeping reforms to start in February that will limit when and how much card issuers can hike interest rates. In a statement, Citi said the actions were necessary given elevated losses from souring loans and "regulatory changes that eliminate repricing for that risk."

The bank also noted that "customers who do more business with us will have the most opportunity to reduce their rates." Of course, consumers could need to spend more than they otherwise would to qualify.

That's the case for Lindsey Pappas, a



25-year-old public relations professional in San Francisco. She received a letter from Citi Wednesday that her interest rate was being hiked to 19.99 percent, up from 14.99 percent.

If she spends \$750 a month, however, she can get a refund for part of the higher interest rate charges.

The problem is that Pappas is trying to pay off a \$5,000 balance on the card, so she tries not to charge any money on it.

"I'm just going to have to deal with the higher interest rate. Spending that much would be irresponsible," she said. Her best option now is trying to pay off the balance quickly, she said. Citi's move is just the latest in a series of rate hikes, lowered limits and other term changes credit card customers have seen in the past year. Customers who never carry a balance, and therefore don't incur financing charges, have not been spared.

Last month, for example, Bank of

America said it used "risk and profitability" in selecting accounts on which to test annual fees of between \$29 and \$99.

Citi's move, meanwhile, is likely intended to generate greater interchange fees, which banks reap from merchants when customers use credit or debit cards, said Ben Woolsey, director of consumer research for CreditCards.com. If customers spend more to qualify for lower rates, Citi will benefit from the additional transactions.

Most customers who choose to refuse Citi's new terms will be allowed to continue under their old interest rates until their cards expire. Other accounts will be deactivated.

While Citi is raising interest rates across much of its credit card portfolio, select customers will be offered lower rates. To qualify, however, they will need to transfer a balance from another credit card onto their Citi cards.

U.S. newspaper ad revenue down nearly 28 percent

WASHINGTON (AFP) — U.S. newspaper advertising revenue fell by nearly 28 percent in the third quarter, continuing a slide which has led to layoffs, bankruptcies and the closure of several dailies.

Print and online advertising revenue declined to 6.4 billion dollars in the third quarter from 8.9 billion dollars in the same quarter a year ago, according to figures released by the Newspaper Association of America (NAA).

Print advertising revenue fell 28.95 percent to 5.8 billion dollars with classified advertising revenue down 37.9 percent to 1.46 billion dollars. Classified ad revenue at U.S. newspapers has collapsed in recent years faced with competition from free online classified sites such as Craigslist.

The online advertising picture was not much brighter. Online advertising revenue declined by 16.92 percent in the quarter to 623.1 million dollars.

D.R. Horton sees 26 percent spike in 4Q orders

Homebuilder D.R. Horton Inc., saw new home orders spike 26 percent from a year ago in the latest quarter as buyers raced to close deals and take advantage of a federal tax credit. But a wider-than-anticipated loss fueled by write-downs sent shares tumbling more than 15 percent Friday.

The surge in orders came as many first-time homebuyers sought to qualify for an \$8,000 tax credit that was set to expire at the end of this month before Congress extended it into next year.

D.R. Horton, which caters primarily to first-time buyers, and other builders have seen home orders improve thanks to the incentive. But the tax credit also has raised concerns that it has merely pulled sales forward.

Some builders noted recently that customer traffic began to slow in September and October as would-be buyers realized they might not be able to close on a home by the tax-credit deadline. And new home sales in September dropped 3.6 percent nationwide — the first decline since March.

D.R. Horton CEO Donald Tomnitz told Wall Street analysts orders began to slow this month, but predicted that completed sales would rise from now on.

"We strongly believe our closings in 2010 will be greater than in 2009 and that we will continue this growth in the upcoming years," Tomnitz said.

Still, the builder cautioned that foreclosures, high levels of unsold homes and rising unemployment remain a challenge for the industry.

"These headwinds continue to impact our business both in our

NAA president and chief executive John Sturm said "given the depressed state of the overall economy" the third quarter figures should "come as no surprise." "Rather, these numbers are in line with most expectations, and even show some modest directional improvement in key categories like retail and national," Sturm said in a statement.

"There may not be great visibility into 2010 and beyond, but the broad consensus is that the worst has passed," he said.

Newspapers across the United States have been grappling with a slide in advertising revenue, steadily declining circulation and the migration of readers to free news online.

Average daily circulation for 379 daily newspapers was down 10.62 percent in the April-September period compared with the same period last year, according to Audit Bureau of Circulations figures

released last month.

Print advertising revenue at US newspapers has now fallen for 13 quarters in a row, according to NAA figures, while online ad revenue has dropped for the past six quarters.

The industry has been hit by a wave of bankruptcies, job cuts and closures, including a bankruptcy filing by the Tribune Co., owner of the Chicago Tribune, The Los Angeles Times and other major papers. The 100-year-old Christian Science Monitor went online-only earlier this year and two major dailies, the Rocky Mountain News of Denver, Colorado, and the Seattle Post-Intelligencer, have shut down in recent months.

With advertising revenue evaporating, top U.S. newspaper executives led by News Corp. chairman Rupert Murdoch have been looking at ways to begin charging readers for news on the Web.



sales volumes and operating margins," the executive told analysts.

The fallout from the sluggish economy and still-weak housing market continues to squeeze homebuilders, and D.R. Horton is no exception. The company, based in Fort Worth, Texas, hasn't reported a quarterly profit since 2007.

For the fiscal fourth quarter ended in September, D.R. Horton posted a loss of \$231.9 million, or 73 cents per share, compared with a loss of \$799.9 million, or \$2.53 per share, a year earlier.

Revenue plunged 42 percent to \$1.01 billion.

While the company stemmed its quarterly loss, it racked up \$192.6 million in costs due to write-downs on the value of unsold homes, land and other assets. "We were looking for them to not have to write down as much inventory this quarter," said Robin Diedrich, an analyst with investment firm Edward Jones.

That contributed to the wider-than-expected loss. On average, analysts surveyed by Thomson Reuters forecast a quarterly loss of 30 cents per share on revenue of \$1.11 billion.

The disappointing results drove the company's shares down \$1.88, or 15.4 percent, to close at \$10.37 Friday.

The write-downs are necessary because foreclosures continue to escalate in many markets, driving down home values, which in turn forces builders to adjust the value of their assets.

The homebuilder, which operates in 27 states, said homes closed during the quarter totaled 4,810, down about 30 percent from the same quarter of fiscal 2008. The average sales price slipped 4 percent to \$205,100.

(Source: AP)

Dollar strengthens as equities drop, short-term treasuries rise

The dollar rose against most of its major counterparts and posted its first weekly gain versus the euro in November as investors sold shares and bought short-term Treasuries to guard against losses before year-end.

The yen gained versus the euro as stock indexes in the U.S., Germany and Japan dropped, discouraging demand for riskier assets. The greenback completed its fourth straight weekly loss versus the yen on bets the Federal Reserve, due to release minutes of its Nov. 4 meeting next week, will keep borrowing costs at virtually zero through the first half of 2010.

"The markets have been getting a little tougher," said Nick Bannenbroek, head of currency strategy at Wells Fargo & Co. in New York.

"The Fed introduced conditionality in its policy, and it will be interesting to see the rationale and reasons for that in the minutes."

The dollar strengthened 0.3 percent to \$1.4862 per euro from \$1.4903 on Nov. 13. The 16-nation currency touched \$1.4802, the lowest level since Nov. 4. The yen appreciated 1.2 percent to 132.09 per euro, from 133.63. The U.S. currency fell 0.9 percent to 88.88 yen, after touching 88.64 on Nov. 19, the lowest level since Oct. 9.

The Fed reiterated at its meeting this month that it will keep the target lending rate at zero to 0.25 percent for "an extended period" and specified for the first time that policy will stay unchanged as long as inflation expectations are stable and unemployment fails to decline. The minutes are due Nov. 24.

The Bank of Japan left its benchmark interest rate unchanged at 0.1 percent at the end of its policy meeting and raised its monthly assessment, saying the economy is picking up.

"The yen won't materially sell off until we see a rise in U.S. interest rates," Adam Cole, London-based global head of currency strategy at Royal Bank of Canada, said in a Bloomberg Television interview.

New Zealand's dollar slid 3.5 percent to 64.36 yen and Sweden's krona dropped 1.3 percent to 6.9306 per dollar as the drop in stocks discouraged carry trades, in which investors buy higher-yielding assets with amounts borrowed in nations with low interest rates. Benchmark rates in the U.S. and Japan, among the lowest in the industrialized world, make their currencies popular for funding such transactions.

The Standard & Poor's 500 Index fell 0.2 percent this week, and the MSCI World Index of shares dropped 1.1 percent. The Nikkei 225 Stock Average slid 2.8 percent, capping its fourth straight weekly loss.

Treasury two-year note yields fell yesterday to the lowest level this year on concern the rally in riskier assets has outpaced U.S. growth prospects. Three-month bill rates turned negative on Nov. 19 for the first time since last year's credit freeze as the 64 percent rally in the S&P 500 from a 12-year low in March pushed valuations to about 22 times its companies' reported earnings, the highest level since 2002.

"If you've been long all these asset classes and all these things that have done well, performed well, it's the end of the year," said David Ader, the head of government bond strategy at CRT Capital Group LLC in Stamford, Connecticut. "You do not get fired at the end of a calendar year for booking some profits. Now is not the time when people are going to add to risk."

(Source: Bloomberg)

Boeing starts work on second Dreamliner assembly site

NEW YORK (AFP) — U.S. aerospace giant Boeing broke ground Friday for the second assembly plant for its new 787 Dreamliner aircraft scheduled for its first test flight by the end of the year.

The facility at North Charleston, South Carolina also will have the capability to support the testing and delivery of airplanes, officials said.

Jim Albaugh, president and chief executive of Boeing Commercial Airplanes, said Friday's launch "marks the beginning of an expansion plan that will strengthen the 787 program."

"Locating the second line in North Charleston will allow Boeing to successfully compete in the aerospace market and grow for the long-term benefit of many stakeholders," he said.

Boeing said last week that its 787 Dreamliner aircraft remains on track for its first test flight by the end of the year.

It had announced on June 23 a fifth delay in the 787 Dreamliner program to fix a structural problem.

Boeing launched the Dreamliner program in April 2004 and initially had planned to deliver the first airplane to Japanese carrier All Nippon Airways in the first half of 2008.

It claims the 787 Dreamliner will be more efficient, quieter and have lower emissions than other airplanes.

Fifty-five customers around the world have ordered 840 787s since the program was launched in April 2004, making the Dreamliner the fastest-selling new commercial jetliner in history, Boeing says.