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Business & Finance

Business Outlook

The economy has been in a gala mood through much of this year, with a crowd of officeholders in Washington gleefully wearing the lampshade.

Yet the nation's manufacturing sector sits glumly near the punch bowl. Reports show softening not only for exports, but in the key category of business capital spending.

Chicago economist Brian Wesbury says Friday's report on July orders for durable goods will show a downturn of 1.2 percent, the second month in a row that orders have declined.

But Wesbury, of Griffin, Kubik, Stephens & Thompson, an investment firm, says that still would leave orders significantly above the year-earlier level. "The economy appears to have slowed a bit, but it is still growing moderately," he says. Which means Americans can party on, right into this fall's elections.

As recently as a month ago, Tuesday was expected to be a red-letter day. Economists were nearly unanimous that the Federal Reserve Open Market Committee, which sets the

tenor of short-term interest rates, would bump them skyward.

But, thanks to a series of sluggish statistics, the experts now are nearly unanimous in the other direction: Fed policymakers will do nothing.

Chicago banker Kenneth Skopec says there is a possibility the Fed will boost rates, but not until after the election.

Skopec, president of Mid-City Financial Corp., says an immediate concern for policymakers must be "the huge growth in consumer lending and credit card debt."

Government officials rarely point with pride to the massive and growing trade deficit, and Tuesday's report on the shortfall for June is unlikely to provide anyone with a place to hide. In May, the global gap widened to \$10.9 billion, up nearly \$1.3 billion from a month earlier.

Analysts blamed car dealerships stoking up supplies of imports for this fall's new model rollouts, as well as yet another surge in goods from China.

Second-quarter earnings reports for the nation's retailers continue to

come out, with giant Dayton Hudson Corp. scheduled to provide numbers Tuesday.

In general, discount--and department-store results depict a slow-growth economy, hardly the rip-roaring activity indicated by the government's 4.2 percent growth rate for gross domestic product.

But Wall Street analysts are warning to retailers' prospects going into the holiday shopping season. Last week's most dismal earnings news emanated from J.C.

Penney Co., which reported its quarterly profit fell nearly 20 percent, depressed by a stunning rise in write-offs forced by customers' personal bankruptcies and delinquent payments.

It has been an unusually cool summer in Detroit, at least when it comes to rhetoric between the United Auto Workers union and the Big Three automakers.

All that could change Thursday, however, when labor leaders meet to announce a target company for critical contract negotiations; the current agreement expires Sept. 14.

Hughes Mexican satellite

Hughes Space and Communications International Inc. and Telecomunicaciones de Mexico (Telecomm) signed a contract this week for a high-power satellite, Morelos III, that Hughes will deliver in 1998.

Mexico's Secretary of Communications and Transportation, of which Telecomm is a part, judged Hughes' offering as technically best and lowest-priced in a three-way competition. Los Angeles-based Hughes thus continues as the sole builder of Mexico's satellites.

The previous spacecraft are Morelos I and II, launched in 1985, and Solidaridad I and II, launched in 1993 and 1994, respectively.

Morelos I has been taken out of service, and Morelos II is due for retirement in 1998.

The new satellite, an HS 601 HP model, will be one of the most powerful Hughes has built. By using gallium arsenide solar cells, Morelos III will offer nearly 8 kilowatts of payload power. The satellite will reach not only all of Mex-

ico, but also most of North and South America, from its orbital position of 116.8x West longitude. Morelos III doubles the available communications capacity at that location, now occupied by Morelos II. The new satellite will carry 24 active transponders in both C-band and Ku-band, delivering such general communications services as voice, fax, business communications, television distribution and educational programming.

Telecomm plans to equip all schools in Mexico with satellite dishes.

Morelos III is to operate for 15 years. Telecomm will make its own arrangements for launch.

Morelos III will carry three reflectors, one for C-band and one for each of two Ku-band beams.

The 24 C-band transponders are powered by 36-watt traveling-wave tube amplifiers (TWTAs).

Twelve Ku-band transponders will use 110-watt TWTAs, and the other 12 will have 132-watt TWTAs.

BUSINESS BRIEFS

Stocks mixed on Wall Street

Stocks are mixed on Wall Street as investors remain cautious ahead of tomorrow's meeting of the Federal Reserve's rate-setting committee. In mid-day trading, the Dow Jones industrial average was up 4.44 points to 5,693.89. In the broader market, advancing and declining issues were about even on light volume of 171 million shares on the New York Stock Exchange.

AT&T President departs

A communications giant is losing its president and CEO. AT&T announced today that Alex Mandl will leave the company to become the chairman and chief executive officer of a new communications venture, Associated Communications. Mandl, 52, was the architect of AT&T's 1994 acquisition of McCaw Cellular Communications. He also headed AT&T's long distance, wireless, on-line and multimedia service businesses before being appointed AT&T's president and chief operating officer.

US moves against Mexican firm

The United States is moving to punish a Mexican company because of its links with Cuba. The State Department says the action against Mexican telecommunications company Grupo Domos comes under a new U.S. law aimed at sanctioning foreign companies that do business in Cuba.

Will taxes choke internet?

State and local tax collectors are training their cross hairs on the Internet world as a source of revenue. Internet companies fear high taxes and paperwork could stifle the computer network and price it out of reach of some users.

Japan trade surplus down

The Japanese Finance Ministry says Japan's trade surplus dropped in July as foreign imports continued to surge into the nation's economy. For the 17th consecutive month, Japan's surplus with the United States fell.

Mobil to sell oil, gas fields

Mobil says it will sell its interest in 13 oil and gas producing fields in the Gulf of Mexico. Flores & Rucks Inc. is buying the fields for \$139.3 million. Fairfax, Va.-based Mobil has operated many of the fields, which include more than 280 wells, since the early 1950s.

US Showdown for Lloyd's

Lloyd's of London faces a crucial showdown today in a court in Richmond, Va. A group of 100 U.S. investors contends that Lloyd's sold them a security and therefore should be subject to securities laws in the United States.

PointCast to sell news software

Pointcast Inc. says it plans to ship a retail version of its news software product to more than 5,000 stores nationwide by early October. The software enables computer users to view customized news as they surf the Internet. The Cupertino, Calif.-based company says the software will remain free to anyone who downloads it from PointCast's Web site.

Equality of opportunity for people with disabilities

Executive Summary and Policy Conclusions

1. Disability, as referred to in this Communication, takes many forms—physical, sensory, mental and intellectual. At any point in time, the number of people in the European Community directly affected by some form of disability is estimated at around one tenth of the total population, which at present amounts to approximately 37 million. About half of them are of working age.

2. Our societies are, in many ways, organized for an "average" citizen without any disability, and, therefore, a great number of citizens are excluded from the rights and opportunities enjoyed by the vast majority:

• **in education:** some young people

continue to have problems of access to mainstream education including suitable, good quality training;

• **at work:** people with disabilities are two or three times more likely to be unemployed and to be so for longer periods than the rest of the population;

• **mobility and access:** many transport systems and public buildings continue to be inaccessible or accessible only with difficulty;

• **housing:** adapted or adaptable accommodation is often scarce or prohibitively expensive;

• **welfare systems:** these systems generally provide a minimum of support which is often insufficiently tied in to the goal of facilitating participation.

Dollar ends mixed

The dollar was mixed against major currencies Monday, awaiting the outcome of a Federal Reserve meeting and a Bundesbank meeting later this week.

The Fed is widely expected to leave short-term interest rates unchanged in the United States. There is less certainty about whether the German central bank Thursday will lower its 14-day securities repurchase rate, or repo rate, currently fixed at 3.30 percent.

"What the market is focusing on right now is the upcoming Bundesbank meeting," said Dorit Ronnen, a foreign exchange trader at Bank Leumi Trust Co. of New York.

"We have the Federal Reserve meeting tomorrow as well, but most market participants have pretty much decided that the Federal Reserve is not going to raise interest rates," Ronnen said. "Therefore, they're hoping the Bundesbank will lower interest rates."

A reduction of short-term interest rates in Germany would likely boost the dollar by making bank deposits denominated in the U.S. currency more attractive.

French oil deal

French oil group Total SA said on Monday that Malaysia's Petronas had taken a 30 percent stake in a disputed project to develop two oil and gas fields in Iran.

The announcement, ending a search of more than a year for risk-sharing partners on the \$600 million projects, comes exactly two weeks after U.S. President Bill Clinton signed a bill into law which would sanction foreign companies which trade with Iran and Libya which the United States accuses of supporting international terrorism.

DuPont Co unit Conoco Inc had to dissolve an earlier deal with Iran after pressure from the White House.

Total, which has always said its dealings with both Iran and Libya were within French and international law, said earlier this month that the U.S. sanctions, championed by Republican Senator Alfonse d'Amato, would not apply to Sirri.

Some investors, betting the Bundesbank might in fact decide not to cut the repo rate, purchased marks and sold dollars.

"We've seen some pretty good buying of Deutschmarks by some of our customers," said Dan O'Connell, a vice president of institutional foreign exchange at First Chicago NBD Bank. "I think they're probably anticipating steady policy from the Bundesbank."

However, by the afternoon in New York, O'Connell said some customers began to take profits by selling marks for dollars.

In late New York trading, the dollar settled at 1.4880 German marks, down from 1.4930 marks Friday. The dollar rose slightly to 107.80 Japanese yen from 107.70 yen.

Whether the Bundesbank reduces its repo rate this week might very well hinge on whether growth slows in German M3 money supply—cash, short-term time deposits and most savings deposits. The central bank monitors the money supply figure as

a barometer of future inflation. Ideally, the Bundesbank targets growth of 4 percent to 7 percent. But the money supply has exceeded this range, growing at 9.6 percent in June. A report on M3 growth in July is due out this week.

"We haven't seen any M3 data yet and they're looking for that before the (Bundesbank) meeting," said Kevin Harris, an international economist at MCM CurrencyWatch. "That will really tell us more."

In Asia, both the dollar and the mark had gained against the yen after the Ministry of Finance reported that Japan's trade surplus shrank 37.7 percent in July to 504.03 billion yen, or \$4.66 billion, compared with a year ago.

Nevertheless, the dollar and the mark gave back much of the gains chalked up against the Japanese currency by late in the New York session.

In other trading, the dollar edged lower to Canadian \$1.3728 from Canadian \$1.3735.



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