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Bush and Bernanke calm market fever

By **Sam Fleming**

FEDERAL Reserve chief Ben Bernanke pledged to shelter the US economy from the storm engulfing world markets, raising expectations of a rate cut later this month.

His promise came as a leading forecaster warned there is now a significant danger of a US recession, derailing the strongest world economic expansion since the beginning of the 1970s.

Opening a meeting of central bankers in Jackson Hole, Wyoming, he said the Fed 'continues to monitor the situation and will act as needed to limit the adverse effects on the broader economy that may arise from the disruptions in financial markets'.

Shortly afterwards President George Bush said he would help sub-prime borrowers to hold on to their homes and tighten safeguards against predatory lending.

The twin pledges helped restore some confidence to febrile financial markets, which have been buckling under fears of a global credit crunch.

The FTSE 100 index finished up 91.3 at 6303.3, while the Dow Jones rallied 150 points to 13388 in early trading.

Traders took Bernanke's comments as a signal that the Fed's main rate is likely to be lowered at its forthcoming September meeting. Two weeks ago the Fed cut half a point off the rate it charges on emergency loans to banks. In a report the Economist Intelligence Unit said there is a 30pc chance of the US tumbling into recession. It warned: 'This would have a substantial fall-out for the rest of the world.'

European governments are also scrambling to stem the crisis. EU officials are due to meet in Brussels on Wednesday next week to discuss the market maelstrom.

Their discussions will also cover the institutional arrangements for coping with the collapse of a major European lender. The forum will prepare the ground for a ministerial gathering later in the month.

Bernanke signalled he is ready to provide further cheap credit to the banking system if needed 'to provide liquidity and promote the orderly functioning of markets'.

Bush said he would allow the Federal Housing Administration to guarantee loans for borrowers who are behind on their payments, allowing them to avoid repossession.

Jackson Hole, Wyoming, where Bernanke told bankers he would help the wider US economy

Barclays bails out client with £793m loan as crisis deepens

THE turmoil at Barclays deepened after the bank was forced to rescue one of its clients.

Its Barclays Capital division will lend £793m to a fund run by Cairn Capital because the vehicle could no longer raise money on the credit markets.

The move is intended to prevent Cairn from being forced to sell assets in a falling market.

Cairn funds investments in long-term debt instruments through shorter-term loans, but the credit markets have collapsed, pushing up borrowing costs.

Funds that invest in US mortgage-backed securities have been badly hit by the fallout from the US sub-prime mortgage fiasco.

BarCap helped to set up the Cairn fund, and it would have badly damaged the bank's reputation if it had been allowed to go under.

Several high-risk structured investment vehicles developed by Barclays have been pushed to the brink of collapse. Last week saw the resignation of Ed Cahill, one of BarCap's leading lights in the field.

Worries about Barclays' exposure to the US loans meltdown have been heightened after it was forced to borrow nearly £2bn on two occasions from the Bank of England last month.

On Thursday night it put out a statement saying it is 'flush with liquidity' and deploring the 'dramatisation' of its BoE loans.

But City players have questioned why a bank with Barclays' weight should need to resort to an emergency BoE facility rather than borrowing from other banks.

Barclays' shares have been hard hit during the August markets rout, shedding nearly 10pc over the month.

But yesterday some confidence appeared to return, pushing the stock up 16p to 613½p.

Corbet leaves S&P as credit crunch bites

By **Brian O'Connor**

THE credit crunch has claimed the scalp of a ratings agency chief executive.

Standard & Poor's president Kathleen Corbet is 'leaving to pursue other opportunities' after a torrent of criticism hit the agencies for failing to see the sub-prime crisis coming.

McGraw-Hill, S&P's parent company, said her departure was not related to the criticism.

But its own shares have plunged from \$72 to \$50 in two months. Its board includes ex-Schroders boss Sir Win Bischoff and ex-Cable & Wireless chief James Ross.

Politicians from German Chancellor Angela Merkel to US Senate Banking Committee chairman Chris Dodd have berated the agencies and questioned the real extent of their independence, since they are paid hefty fees by the companies they rate.

S&P and Moody's downgraded sub-prime bonds in July, nearly a year after the first warnings.

Corbet, 47, said: 'I look forward to spending more time with my family and pursuing new opportunities'.

She is replaced by 51-year-old Deven Sharma, who was paid £1.6m last year. Corbet's pay is not disclosed.

Shell on back foot as 'gripe site' alleges safety concerns

By **Sam Fleming**

ROYAL Dutch Shell is getting rattled by a 'gripe site' that alleges there are safety problems with its North Sea oil platforms.

An internal Shell email admits the firm has been thrown 'on the back foot' because of claims put forward on the Royaldutchshellplc.com website.

John Donovan, who established the site with his father Alfred, has teamed up with former Shell employee Bill Campbell to highlight North Sea maintenance worries.

In recent weeks Campbell has emailed hundreds of MPs alleging Shell hasn't yet properly tackled health and safety failings. Shell's email, which was written in March, highlights that it needs to make sure it is 'on solid ground' when trying to stop negative publicity.

And it appears to acknowledge there could still be issues at its North Sea installations.

'Do we fully understand our own position. Are there on-going issues that we need to know about/fix,' asks the memo.

Shell was lashed for its safety record following two deaths at its Brent Bravo platform in 2003.

A Shell spokesman said: 'Safety is Shell's foremost priority at all times. Shell strongly disputes any suggestion that we would compromise safety offshore. No fatalities are acceptable.'

The Royaldutchshellplc.com site has served as a forum for disgruntled current and ex-employees and campaigners.

Shell has sought to wrest the Royaldutchshellplc.com domain name away from Donovan, but the site remains active.

The spokesman added: 'Although Shell disagrees fundamentally with the factual basis and interpretation of much of the information on which the Donovans base their various allegations, the company has always refrained from commenting on specific issues raised by the Donovans and will continue to do so.'

Read more on Shell at thisismoney.co.uk/rdsb

The Shell emails admitting the firm's concern at the claims

Molins finds the going tough after warning

BACK in the 1990s, Molins fought off three takeover bids in a £350m battle.

Today it is valued at just £36m after a long decline and string of profit warnings. The latest came yesterday and hammered the shares by 21p to 181½p.

Once a world leader in cigarette-making machines, Molins has moved most manufacturing to the Czech Republic and Brazil and spread into packaging machinery and scientific testing. But problems in Canada pulled packaging down to break-even in the first half while the science side lost £0.2m. Pretax profits finished at £1.9m, down from £2.2m. There is a 2p dividend.

Read more on Molins at thisismoney.co.uk/mlin

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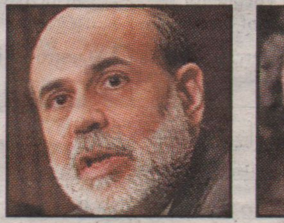

FOR all his faults, US Federal Reserve chairman Ben Bernanke, left, has tried to address the markets during the August crisis to soothe investors and ensure they aren't wrong-footed by central bank policies.

Where is Bank of England Governor Mervyn King? Rumours are swirling about which financial group is going to come a cropper yet we haven't heard a peep out of King since the Inflation Report on August 8.