

FUNDS POSITIVE ON UAE, EGYPT STOCKS

ASSET MANAGERS CAUTIOUS ON KUWAIT

DUBAI: The United Arab Emirates and Egypt appear the most attractive among major Middle Eastern stock markets in an era of low oil prices, the latest Reuters survey of regional asset managers suggests. The plunge of oil and equity prices over the last several months has stunned managers, and they may therefore invest their 2015 equity allocations to the region only gradually. "I think the next three months will witness a wait-and-see approach by most fund managers, as they wait to see stability in the equity markets after the wild swings of December," said Mohammed Ali Yasin, managing director at Abu Dhabi's NBAD Securities. A key question, he said, is "if the predictions of more stable oil prices in the range of \$65-\$75 materialise - that will be a major defining factor for their investment strategy over the rest of 2015."

However, the Reuters survey of 15 leading Middle East investment professionals, conducted over the past 10 days, shows the markets' tumble has not turned funds away from regional stocks in general. Forty-seven percent expect to raise overall equity allocations in the next three months against 20 percent who anticipate reducing them. Many fund managers note that the markets' slide - Saudi Arabia is down 24 percent from its September peak - has greatly improved valuations, reducing or eliminating big premiums to other emerging markets.

The big difference shown by the latest survey is that funds have become much more selective about which stock markets they plan to buy in coming months. On balance they are still wary of Saudi Arabia, for example; 40 percent expect to lower their equity allocations there and 33 percent to increase them. That is because petrochemical stocks are heavily weighted in the Saudi market and they remain vulnerable to further falls in oil prices, which would reduce the advantage that Saudi companies enjoy over foreign rivals due to cheap feedstock.

"With oil prices expected to remain low and the petchem sector weight big in the index, next year will be very interesting when it comes to stock picking," said Bader Al Ghanim, head of asset management at Kuwait's Global Investment House. Fund managers are also cautious about Qatar, where petrochemical firms such as Industries Qatar are heavily weighted, and Kuwait, which has one of the richest governments in the region but where bureaucracy and political tensions have made it hard for authorities to spend money effectively to offset poor global economic conditions.

UAE, Egypt

But towards the UAE and Egypt, managers are considerably more optimistic. Forty-seven percent expect to raise



KUWAIT: A trader follows market movements at the Kuwait Stock Exchange in Kuwait City yesterday. — Photo by Yasser Al-Zayyat

overall equity allocations to the UAE in the next three months and 20 percent anticipate reducing them. There are two major reasons. Partly because of the contribution of Dubai, economic growth depends less on oil in the UAE than it does in the other wealthy Gulf states. Also, oil and petrochemical firms are weighted only lightly in the Abu Dhabi and Dubai stock markets, which are instead dominated by banks and real estate firms. If cheap oil strengthens the global economy, that could conceivably help Dubai real estate stocks by increasing the amount of money flowing into Dubai property from India, Europe and elsewhere.

Egypt looks like the other big beneficiary of cheap oil, since it is a net energy importer. Low oil prices might cause Gulf governments to become a little less generous in their foreign aid to Egypt - but not enough to offset the

major benefit to its external balance and state finances. A third of managers expect to raise their Egyptian equity allocations and only 7 percent to reduce them. Turkey may also benefit from cheap oil, though that is partly offset by worries about capital outflows from emerging markets due to expected rises in U.S. interest rates next year. Twenty percent of fund managers expect to raise their equity allocations to Turkey, and only 7 percent to cut them.

The latest survey also shows managers becoming increasingly bearish on Middle East fixed income as the start of the cycle of US interest rate hikes approaches; Gulf central banks would probably hike soon after the United States because of their currency pegs to the dollar. Seven percent expect to raise their fixed income allocations and 27 percent to cut them. That is the biggest bearish balance for fixed income since April. — Reuters

News

in brief

Turkey unit of KFH secures \$350m loan

DUBAI: The Turkish subsidiary of Kuwait Finance House (KFH) has secured a \$350 million syndicated Islamic loan, Kuwait's largest lender said yesterday. The dual-currency murabaha transaction for Kuveyt Turk was arranged in two tranches, one maturing after two years for \$300 million, and the other including one- and two-year terms for a combined total of \$40 million (\$48.63 million), KFH said in a statement. Murabaha is a common cost-plus sale arrangement in Islamic finance. ABC Islamic Bank, the Islamic unit of Bahrain-based Arab Banking Corporation, Abu Dhabi Commercial Bank, Barwa Bank, Emirates NBD Capital, the Saudi Arabian subsidiary of Emirates NBD, Noor Bank and Qatar Islamic Bank were the initial mandated lead arrangers and bookrunners to the deal, KFH said. The participating banks were Boubyan Bank, Kuwait International Bank, Saudi British Bank, Ahli United Bank, United Arab Bank and Commerzbank.

Bank Muscat sells brokerage business

DUBAI: Bank Muscat, Oman's largest lender, has sold its brokerage business to Gulf Baader Capital Markets, a brokerage firm based in the sultanate, the lender said. The decision to sell the business was due to the bank's review of "strategic alternatives and operational priorities", it said in a statement on Tuesday. Bank Muscat did not give a figure for the value of the sale. The bank's brokerage unit will stop operating on Feb. 10, with customers being notified of the transition process during the transfer of the unit to Gulf Baader. Bank Muscat said in June it was considering a sale of the unit as one of several options for the business. The lender does not break out the financial performance of the brokerage business in its annual reports. The division provides stock broking services to foreign and domestic clients, including emerging market institutional investors, according to its website. According to stock exchange data, Bank Muscat's brokerage had the third biggest share of Oman securities trading last year with 10.6 percent. The total value of securities trading in 2013 was 239.1 million rials (\$623 million). Gulf Baader Capital Markets manages assets of more than \$140 million and has lead-managed several initial public offers, according to its website.

NBK MOBILE BANKING, ATM, ONLINE SERVICES AVAILABLE DURING HOLIDAY

KUWAIT: National Bank of Kuwait (NBK) has taken all necessary measures to ensure providing customers with the best services during the New Year holiday throughout NBK call center, mobile banking (Android, BlackBerry, iPhone and iPad), online and ATM services.

All NBK branches will be closed starting from today, January 1, 2015 and will resume work on Sunday, January 4, 2015. NBK's ATM Network, NBK call center 1801801, NBK online banking, NBK mobile banking and nbk.com will

be available 24 hours and ready to serve customers.

For customers outside Kuwait, NBK continues to enjoy the widest banking presence with more than 170 branches worldwide. NBK's international presence spans many of the world's leading financial centers including London, Paris, Geneva, New York and Singapore, as well as China (Shanghai). Meanwhile, regional coverage extends to Lebanon, Jordan, Iraq, Egypt, Bahrain, Saudi Arabia, the UAE and Turkey.



CREDIT GROWTH SEEN HEALTHY DESPITE WEAK OCTOBER

KUWAIT: Credit growth fell to its slowest pace since 1Q13 on a weak October, though the pace for 2014 is expected to be healthy. Growth slowed to 5.4 percent year-on-year (y/y) on a KD 244 million net decline in lending during the month. Most of the weakness came from credit to investment companies, loans for the purchase of securities and credit to the real estate sector. Deposits were relatively unchanged on the month, helping to further ease money supply growth. Meanwhile, interest rates remained stable.

Household debt (personal facilities ex-securities) was up by KD 77 million, with growth accelerating slightly to 13.1 percent y/y. Adjusted for the Family Fund settlements, actual household debt growth is estimated to have been stronger, reflecting its resilience this year despite expectations of cooling off. As usual, most of the growth in household debt has been in installment loans, which are used primarily to finance

home purchases. Installment loan growth reached 15.5 percent y/y in October.

Credit to non-bank financials saw a relatively large drop of KD 112 million following a gain last month. The sector, which includes investment companies, has been deleveraging since 2009. The sector has seen credit shrink by 14.9 percent y/y. As a result, the share of loans to non-bank financials has declined to 4.6 percent of total credit. This compares to a pre-2009 high of 13 percent. Its current share is the lowest in over 20 years and further decline is likely.

All remaining credit dropped by KD 209 million, eroding last month's healthy gain. Most of the decline was in lending for the purchase of securities and the real estate sector. Growth in all remaining credit fell sharply to 3.8 percent y/y. Securities lending was down by KD 174 million and real estate credit was off by KD 88 million. While these two sectors accounted for most of the weakness, growth in credit to "produc-

tive sectors" (i.e. excluding real estate and securities) also fell to 5.8 percent y/y.

Private deposits were little changed on the month, helping money supply (M2) growth to ease further in October to 2.5 percent y/y. Most of this weakness appeared in foreign currency deposits, which declined by KD 642 million thus far in 2014. The bulk of this decline took place during the last five months. In October, there was a large movement from site and foreign currency deposits towards KD time deposits, which rose by KD 477 million.

Average customer deposit rates on dinar time deposits were mostly unchanged. The average rates on the 1-month, 3-month, and 12-month time deposits changed by 1 to 3 basis points (bps) to 0.62 percent, 0.81 percent, 1.23 percent. The 9-month time deposit rate remained unchanged at 1.01 percent. KD interbank rates eased on the month, with the 1-month KIBOR offer rate shaving off 2bps to 1.11 percent.

EXCHANGE RATES

AL-MUZAINI EXCHANGE CO.

ASIAN COUNTRIES

Japanese Yen	2.442
Indian Rupees	4.622
Pakistani Rupees	2.923
Sri Lankan Rupees	2.222
Nepali Rupees	2.888
Singapore Dollar	222.800
Hongkong Dollar	37.842
Bangladesh Taka	3.755
Philippine Peso	6.570
Thai Baht	8.927
Irani Riyal transfer	61.555
Irani Riyal cash	121.740

GCC COUNTRIES

Saudi Riyal	78.338
Qatari Riyal	80.706
Omani Riyal	763.320
Bahraini Dinar	780.260
UAE Dirham	80.003

ARAB COUNTRIES

Egyptian Pound - Cash	44.000
Egyptian Pound - Transfer	40.985
Yemen Riyal/for 1000	1.371
Tunisian Dinar	158.730
Jordanian Dinar	414.580
Lebanese Lira/for 1000	1.971
Syrian Lira	2.094
Morocco Dirham	33.143

EUROPEAN & AMERICAN COUNTRIES

US Dollar Transfer	293.650
Euro	359.430
Sterling Pound	458.830
Canadian dollar	253.580
Turkish lira	126.580
Swiss Franc	298.730
Australian Dollar	240.210
US Dollar Buying	292.450

GOLD

20 gram	238.100
10 gram	121.740

UAE EXCHANGE CENTRE WLL

COUNTRY SELL DRAFT SELL CASH

Australian Dollar	231.71	228.71
Canadian Dollar	256.71	257.71
Swiss Franc	302.93	300.93
Euro	362.08	363.08
US Dollar	293.55	296.55
Sterling Pound	461.65	464.65
Japanese Yen	2.49	2.51
Bangladesh Taka	3.761	4.031
Indian Rupee	4.636	4.936
Sri Lankan Rupee	2.220	2.655
Nepali Rupee	2.893	3.428
Pakistani Rupee	2.918	2.790
UAE Dirhams	79.77	80.23
Bahraini Dinar	779.11	781.18
Egyptian Pound	40.93	41.53
Jordanian Dinar	417.10	422.75
Omani Riyal	761.26	768.56
Qatari Riyal	80.83	81.38
Saudi Riyal	78.19	78.59

DOLLARCO EXCHANGE CO. LTD

Rate for Transfer Selling Rate

US Dollar	291.750
Canadian Dollar	260.085
Sterling Pound	456.630
Euro	366.500
Swiss Franc	303.035
Bahraini Dinar	775.760
UAE Dirhams	79.330
Qatari Riyals	80.935
Saudi Riyals	77.975
Jordanian Dinar	411.660
Egyptian Pound	40.707
Sri Lankan Rupees	2.225
Indian Rupees	4.716
Pakistani Rupees	2.867
Bangladesh Taka	3.759
Philippines Peso	6.481
Cyprus pound	715.865
Japanese Yen	3.480

Syrian Pound	2.710
Nepalese Rupees	3.945
Malaysian Ringgit	87.645
Chinese Yuan Renminbi	48.035
Thai Bhat	9.885
Turkish Lira	131.225

BAHRAIN EXCHANGE COMPANY

CURRENCY	BUY	SELL
Belgian Franc	0.007648	0.008648
British Pound	0.451441	0.460441
Czech Korune	0.004893	0.016893
Danish Krone	0.043874	0.048874
Euro	0.351227	0.359227
Norwegian Krone	0.035509	0.040709
Romanian Leu	0.084229	0.084229
Slovakia	0.008600	0.018600
Swedish Krona	0.033898	0.038898
Swiss Franc	0.290089	0.300289
Turkish Lira	0.124870	0.131870

Australasia

Australian Dollar	0.232307	0.243807
New Zealand Dollar	0.223702	0.233202

America

Canadian Dollar	0.247936	0.256436
US Dollars	0.289550	0.294250
US Dollars Mint	0.290050	0.294250

Asia	BUY	SELL
Bangladesh Taka	0.003440	0.004040
Chinese Yuan	0.046134	0.049634
Hong Kong Dollar	0.035776	0.038526
Indian Rupee	0.004387	0.004788
Indonesian Rupiah	0.000019	0.000025
Japanese Yen	0.002377	0.002557
Kenyan Shilling	0.003277	0.003277
Korean Won	0.000260	0.000275
Malaysian Ringgit	0.080545	0.086545
Nepalese Rupee	0.003001	0.003171
Pakistan Rupee	0.002765	0.003045

Philippine Peso	0.006487	0.006767
Sierra Leone	0.000065	0.000071
Singapore Dollar	0.219033	0.225033
South African Rand	0.019355	0.027855
Sri Lankan Rupee	0.001882	0.002462
Taiwan	0.009156	0.009336
Thai Baht	0.008608	0.009158

Arab

Bahraini Dinar	0.772453	0.780453
Egyptian Pound	0.039542	0.042642
Iranian Riyal	0.000081	0.000083
Iraqi Dinar	0.000195	0.000255
Jordanian Dinar	0.410110	0.417110
Kuwaiti Dinar	1.000000	1.000000
Lebanese Pound	0.000145	0.000245
Moroccan Dirhams	0.023945	0.047945
Nigerian Naira	0.001193	0.001826
Omani Riyal	0.756706	0.762386
Qatar Riyal	0.079948	0.081161
Saudi Riyal	0.077670	0.078370
Syrian Pound	0.001741	0.001961
Tunisian Dinar	0.154429	0.162429
Turkish Lira	0.124870	0.131870
UAE Dirhams	0.078969	0.080118
Yemeni Riyal	0.001326	0.001406

AL MULLA EXCHANGE

Currency	Transfer Rate (Per 1000)
US Dollar	293.000
Euro	360.650
Pound Sterling	459.800
Canadian Dollar	254.850
Indian Rupee	4.615
Egyptian Pound	40.965
Sri Lankan Rupee	2.220
Bangladesh Taka	3.740
Philippines Peso	6.555
Pakistan Rupee	2.914
Bahraini Dinar	780.250
UAE Dirham	79.850
Saudi Riyal	78.300

*Rates are subject to change