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GE to move US jobs overseas in fight over export credits
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TEHRAN: An Iranian woman shops for clothes at a Benetton store in the north of the capital Tehran on August 19, 2015. Experts say the expected lifting of sanctions imposed over Iran's disputed nuclear programme will open the door to a potential retail bonanza, especially for imported Western goods. — AFP

Fed meets on rate hike amid global pressure

World Bank warns developing economies of turmoil

WASHINGTON: The US Federal Reserve opens a two-day meeting yesterday to weigh what could be a historic interest rate increase amid global calls for caution as world economic growth slows. The World Bank has warned developing economies to prepare themselves for more capital and currency market turmoil while the OECD urged the Fed to move slowly and make its policy plans clear, whatever it decides. Most analysts saw the Fed again putting off the long-awaited increase to the benchmark federal funds rate, which has been locked at zero since the 2008 crisis, giving the world a massive supply of cheap dollars. While US growth has been strong, still-weak inflation and the recent China-driven turmoil in global markets "most likely mean that the FOMC will leave rates unchanged at this week's meeting," said Harm Bandholz of UniCredit. The Fed has not raised rates in more than nine years, and what would probably amount to an increase of 0.25 percentage point would represent a momentous break with the extraordinary crisis stance it has adopted since the 2008-2009 recession.

Global stock markets higher

It would begin what is expected to be a slow series of rate hikes towards a "normal" monetary policy stance of around 3 percent in the next two years. But it would also make the dollar more expensive and hike borrowing costs for developing economies around the world.

The policy-setting Federal Open Market Committee, led by Fed Chair Janet Yellen, will announce a decision at 1800 GMT today. Yellen will then address the media, with analysts saying her justification will be as crucial to markets as the decision itself.

Having jumped back and forth in recent weeks, world stock markets were mostly higher yesterday, with the Japanese Nikkei average adding 0.81 percent, the pan-Europe Euro Stoxx 50 adding 1.09 percent, and New York's S&P 500 edging up 0.48 percent.

The dollar slipped to $1.1300 against the euro but rose against the yen, to 120.54 yen. By most assessments the US economy, with unemployment at 5.1 percent and moderate growth, is strong enough now that holding the rate at zero percent is no longer warranted.

But to many economists, the slowdown of global economic activity, particularly in China, now poses a risk to US growth and an interest rate hike could set the economy back. The World Bank warned Tuesday of a "perfect storm" of dangers, including a freeze in capital flows, for developing countries as the Fed tightens policy. "Given the substantial risks involved, they would do well to buckle their seatbelts in case the ride gets bumpy," said Carlos Arteta, lead economist in the Bank's Development Prospects Group.

Earlier yesterday the Organisation for Economic Cooperation and Development, the policy club of 34 advanced economies, said the strength of the US economy "warrants an upward interest rate path." "The timing of the first rate hike is of secondary importance compared to the pace of increase. Clear communication of that pace will help to minimise financial market volatility."

Still, having already endured substantial turmoil and capital outflows, a number of leaders from emerging markets economies have urged the Fed to end the suspense and make the hike.

But the FOMC also has to be concerned with whether an unexpected slowdown in the US economy could then force it to backtrack, undermining its credibility. Yesterday's US consumer price index report showed inflation still very weak. However, noted Chris Low of FTN Financial, "While some of us think inflation is too low and likely to remain that way, most of the FOMC strenuously disagrees." — AFP

NEW YORK: Traders smoke cigars while they take a break outside the New York Stock Exchange, yesterday. Stocks edged higher in midday trading yesterday as investors wait to hear from the Federal Reserve and work through company news, including a possible deal between two giant beer makers. Energy stocks rose sharply following a more than 5 percent jump in the price of oil. — AP

Arab investors hunt for bargains in Egypt

DUBAI: Most Gulf stock markets rose yesterday, moving in line with oil prices and global equities. Egypt's bourse extended its rally as investors bought beaten-down stocks, hoping that the market had bottomed out.

Dubai's index climbed 1.8 percent and property developer DAMAC was the most traded stock, jumping 2.0 percent after its shareholders approved the firm's first cash dividend since it listed in Dubai in January.

DAMAC will pay investors 0.1 dirham per share in cash and make a 10 percent bonus share issue. Abu Dhabi's index rose 0.7 percent with most stocks positive. Energy firms Dana Gas and Abu Dhabi National Energy Co. jumped 6.0 and 2.0 percent respectively after oil prices rose on an unexpected US stockpile draw.

Qatar's bourse added 0.5 percent and leading lender Qatar National Bank (QNB) was the main support, rising 1.8 percent to 190.00 riyals. QNB this week became the first Qatari lender to secure a license from Saudi Arabia allowing it to open a branch in the kingdom.

Also, QNB has emerged as a potential buyer of the Malaysian business of Kuwait Finance House. "QNB remains our top pick in Qatar given its ongoing superior profitability, better earnings visibility, and advantage in terms of its ability to control the cost of funds," NBK Capital said in a note, recommending the stock as a "buy" with a target price of 222.80 riyals.

SAUDI, EGYPT

Saudi Arabia's main index had also risen in line with oil initially, but gave up all gains by the end of the day and closed 0.3 percent lower. The cement sector fell 0.6 percent after local investment firm NCB Capital said in a report that cement sales could fall 5 percent next year due to government spending cuts.

Meanwhile, telecommunications operator Etihad Etisalat (Mobily) jumped 3.3 percent after Bloomberg reported that it planned to sell its towers for at least $1.7 billion in the first quarter of 2016. The company has not made any official announcements on the report. It said in July it was still studying a potential sale.

Egypt's benchmark index climbed 1.3 percent and Telecom Egypt surged 8.3 percent after brokerage Prime Holding said the stock had an upside potential of 115 percent, recommending it as a "buy".

Most other stocks also advanced, and bourse data showed that non-Egyptian Arab investors were the main net buyers on the market.

Some analysts have said they expected Egypt's central bank to cut interest rates at a meeting on Thursday, but three of five economists surveyed by Reuters on Tuesday said it would leave rates unchanged, balancing efforts to control inflation with attempts to stimulate its struggling economy.

On the other hand, two economists expected the central bank to cut rates by 50 basis points. — Reuters

YESTERDAY'S HIGHLIGHTS

SAUDI ARABIA
The index edged down 0.3 percent to 7,525 points.

DUBAI
The index rose 1.8 percent to 3,597 points.

ABU DHABI
The index climbed 0.7 percent to 4,535 points.

QATAR
The index edged up 0.5 percent to 11,558 points.

EGYPT
The index rose 1.3 percent to 7,266 points.
KUWAIT
The index slipped 0.02 percent to 5,733 points.

OMAN
The index inched up 0.08 percent to 5,778 points.

BAHRAIN
The index was flat at 1,275 points.