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US JOBLESS CLAIMS AT EIGHT-WEEK LOW; HOUSING STARTS FALL

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China govt hopes to stem rundown on forex reserves

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WASHINGTON: The US Federal Reserve building in Washington, DC. Stocks were edging slightly higher in midday trading as investors waited for news about interest rates from the Federal Reserve. — AFP

GULF MARKETS DROP ALONGSIDE OIL

INVESTORS SELL SAUDI BANKING STOCKS ON BINLADIN GROUP FEARS

DUBAI: Most Gulf equity markets fell yesterday as volatile oil gave up early gains and slid on weak Japanese data, while concerns about a major Saudi Arabian construction firm also weighed on the Riyadh stock exchange. The main Saudi stock index fell 0.7 percent with Alinma Bank, down 5.1 percent, one of the main drags.

Another lender, Al Rajhi, fell 0.9 percent while National Commercial Bank, the kingdom's biggest bank, dropped 2.7 percent. Analysts said there could be concerns about banks' exposure to construction giant Saudi Binladin Group, which has been suspended from new contracts this week following the collapse of a crane in Mecca's Grand Mosque, which killed 107 people.

"I think there are worries from the Binladin investigation," said a Saudi analyst who asked not to be named due to the sensitivity of the issue. "Binladin is a major contractor and it has exposure to several, if not most, banks in the kingdom. It's a sentiment reaction ... and I personally doubt that it will be removed from the construction scene," he added. "There might be redistribution of work, maybe new contractors will pick some of its work, but I don't think it will collapse." Other Gulf markets also edged down with the exception of Dubai whose index climbed 0.8 percent. Developer DAMAC , the most traded stock, rose 1.4 percent and its larger competitor Emaar Properties climbed 0.6 percent. DAMAC shareholders this week approved its first cash dividend since the firm listed in Dubai in January.

Abu Dhabi's benchmark closed 1.2 percent lower as heavyweight telecommunications firm Etisalat fell 1.7 percent. The stock had surged ahead of opening up to foreign and institutional investors on Sept.15 and investors have since been booking profits.

Qatar's market fell 1.2 percent as Qatar National Bank pulled back 2.4 percent and petrochemicals giant Industries Qatar dropped 2.3 percent. Egypt's market closed nearly flat after rising for four sessions in a row, ahead of a monthly central bank meeting to determine interest rate policy.

Also, most markets in the Middle East will be closed from Wednesday next week for the Muslim holiday of Eid al-Adha and investors may be staying in cash in the meantime.

HIGHLIGHTS

SAUDI ARABIA
The index edged down 0.7 percent to 7,470 points.

DUBAI
The index rose 0.8 percent to 3,625 points.

ABU DHABI
The index fell 1.2 percent to 4,479 points.

QATAR
The index slid 1.2 percent to 11,419 points.

EGYPT
The index inched up 0.02 percent to 7,268 points.

KUWAIT
The index slipped 0.3 percent to 5,714 points.

OMAN
The index edged down 0.6 percent to 5,745 points.

BAHRAIN
The index rose 0.7 percent to 1,284 points.

—Reuters

WORRIES OVER GROWTH AS FED MULLS RATE HIKE

WASHINGTON: The Federal Reserve began meeting yesterday to decide on a crucial interest rate increase that has left global markets and economic policy makers on edge for weeks.

After locking its benchmark interest rate at zero percent for nearly seven years, the Fed must decide whether the US and global economies are strong enough to weather a modest hike. A decision is expected at 1800 GMT, after which Fed Chair Janet Yellen will take the podium in front of media to explain the decision, with analysts focused on how the Fed sees the US and world economies going forward. The Fed has been flagging an increase in the federal funds rate for months, but the turmoil that China's slowdown has generated across global markets has made Yellen's policy team on the Federal Open Market Committee take pause.

Supporters of an increase say the US economy has gained enough strength to begin moving the Fed away from its extraordinary crisis-era policy of easy money to a more normal policy stance. But so-called rate doves say the economy, and especially the labor market, still display weaknesses and that the global slowdown poses risks to the US that merit keeping the federal funds rate where it has stood since 2008, at 0-0.25 percent. Jim O'Sullivan, chief economist at High Frequency Economics, said he "expect officials to be risk-averse and to hold off on tightening for now" because of the challenges to world economic growth. —AFP