UK's Phoenix Group in talks to buy Guardian Financial

LONDON: Phoenix Group Holdings, Britain's largest owner of life assurance funds closed to new customers, is in talks to buy Guardian Financial Services, it said yesterday, although analysts say uncertainty over new capital requirements for European insurers could delay any agreement. The move comes as life insurers in the UK are also having to adapt to an overhaul of taxation rules which effectively give retirees more control over their pension pots, no longer compelling them to buy annuities on retirement.

Shares in Phoenix, which makes money by buying up closed life books and running them more efficiently, rose as much as 4.8 percent to 902.5 pence after it confirmed a media report on Wednesday, before slipping back to trade at 867.5 pence by 1215 GMT. The company said it was evaluating a bid for Guardian Financial, currently owned by private equity firm Cinven , as one of a number of further "consolidation opportunities" in the UK closed life sector. It has in the past paid around 70-80 percent of embedded value (EV) for acquisitions, analysts said, implying a price tag of between 1.89 billion pounds and 2.16 billion pounds for Guardian Financial, which last reported an EV of 2.7 billion pounds, similar to that of Phoenix.

EV is a standard industry measure that includes the net present value of estimated future profits from an insurance portfolio and the net asset value attributable to shareholders. If finalised, this could be the third big deal this year in the UK life insurance market after Aviva's acquisition of Friends life and the merger of Just Retirement and Partnership Assurance.

"We view Guardian Financial as well managed and would represent a transformational deal for Phoenix ... the issue is whether Cinven would accept the level of discount implied in the current rating of Phoenix," Shore Capital analysts said in a client note. A takeover of Guardian would bring assets worth about 18 billion pounds to Phoenix, adding to its assets under management of 52 billion pounds, according to its website. The deal would also boost its cash generation, substantially lift its dividend and buys back assets it was forced to sell to Guardian in 2012 when it had to reduce its debts.

However, the conclusion of any talks are expected by analysts to have to await clarification from regulators on the precise impact of the European Union's new Solvency II capital adequacy rules on providers of savings products which promise certain levels of return. "I think (Solvency II is) part of the reason Phoenix sold annuities to Guardian Assurance in the first place. So why would they want to buy it back if the Solvency II treatment is quite harsh?" Canaccord Genuity analyst Ming Zhu said. "To get something solid done on the deal, I think, in terms of the timeline, they would really have to have more clarity on Solvency II," she said. — Reuters

Oil slides as Japan data outweighs US stock draw

US oil inventories show unexpected draw

LONDON: Oil prices fell yesterday after weak Japanese data sounded alarm bells over the prospects for global growth, outweighing the bullish impact of a bigger-than-expected decline in US crude oil stocks. Japan's exports slowed for a second straight month in August in a sign China's economic slowdown could be damaging the world's third-biggest economy.

The data follows worrying figures from other Asian economies including South Korea and Taiwan - which are increasing anxiety over the consequences of a sharp slowdown in China.

North Sea Brent crude was down 65 cents at $49.10 a barrel by 1020 GMT, after hitting an early high of $50.14. US light crude oil was down 60 cents at $46.55 a barrel.

Both global benchmarks had rallied sharply over the last three days as the dollar weakened on expectations that the US central bank, the Federal Reserve, would maintain interest rates at their current, very low, levels. The Federal Reserve is due to issue a policy statement at 2 pm EDT (1800 GMT) on Thursday and economists now see about a one-in-four chance of a US rate increase.

Higher US interest rates would be likely to boost the US currency, making dollar-denominated oil more expensive for importers holding other currencies. This week's rally has made a further sharp sell-off in oil less likely, said Robin Bieber, a technical analyst and director of London brokerage PVM Oil Associates.

"It's out of dump-danger at the moment," Bieber said. US oil data this week suggested the world's biggest oil market may be beginning to tighten. The US Energy Information Administration on Wednesday reported the largest crude drawdown since February 2014 at the Cushing, Oklahoma, delivery point.

"This is a result of higher refining activity and lower US crude production, which is helping the US inventory glut to ease off," Daniel Ang, analyst at Singapore brokerage Phillips Futures, said. US oil output has begun to ease after six years of sharp increases. EIA data shows US crude and condensate output peaked at 9.612 million barrels per day (bpd) in April and had declined by 316,000 bpd by June.

But the world is still awash with oil, with global production still running at more than 2 million bpd above demand, filling oil stockpiles around the world. — Reuters

SYDNEY: This general view shows residential property along the harbourfront in Sydney yesterday. Australian real estate prices, particularly in Sydney and Melbourne, have soared in recent years, with concerns growing that cashed-up foreigners, particularly from China, have helped inflate the market. —AFP

Egyptian pound stable at dollar sale, stronger in exchange bureaux

CAIRO: The Egyptian pound was held steady by the central bank at a dollar sale yesterday, as it sold $37.8 million at a cut-off price of 7.7301 pounds per dollar, but strengthened on the parallel market.

The official cut-off price remained unchanged from Tuesday's dollar sale but one trader said the dollar changed hands at 8.03 pounds in the parallel market while another said it changed hands at 7.95 pounds, compared with 8.05 pounds to the dollar on Tuesday. Egypt has sought to tame a once-thriving currency black market with measures such as a cap on dollar-denominated bank deposits.

The central bank gave permission in January to trade dollars up to 0.10 pounds above or below the official rate, with currency exchange bureaux allowed to trade at 0.15 pounds above or below the official rate. The central bank had kept the pound at 7.5301 for five months until July, when it was allowed to slide to 7.6301. On July 5, the bank let it slip a further 0.10 pounds. Allowing the pound to weaken in a controlled way could boost exports and attract further investment, but it also raises Egypt's already large bill for imported fuel and food staples. — Reuters

US jobless claims at eight-week low; housing starts fall

WASHINGTON: The number of Americans filing new applications for unemployment benefits fell last week to the lowest level in eight weeks, suggesting the labor market continued to strengthen despite the recent tightening in financial market conditions. While other data yesterday showed housing starts fell for a second straight month in August, they remained above the one million-unit mark, which signals a housing market growing at a solid clip. In addition, building permits rose last month.

The signs of a firming economy are supportive of an interest rate hike by the Federal Reserve at a meeting that concludes yesterday. But the case for higher borrowing costs has been undermined by global financial markets turmoil. The decision whether to raise the Fed's short-term interest rate from near zero is seen as a close call.

Initial claims for state unemployment benefits dropped 11,000 to a seasonally adjusted 264,000 for the week ended Sept 12, the Labor Department said yesterday. That was the lowest reading since the week ended July 18, when claims hit their lowest level since 1973. It marked the 28th straight week that claims remained below the 300,000 threshold, which is usually associated with a strengthening labor market. Economists had forecast claims holding at 275,000 last week.

US stock index futures slightly extended losses after the data, while Treasury debt prices pared gains and the dollar rose against the yen. The four-week moving average of claims, considered a better measure of labor market trends as it irons out week-to-week volatility, fell 3,250 to 272,500 last week. The claims data covered the period during which the government surveyed employers for the nonfarm payrolls portion of the September employment report. Claims fell 13,000 between the August and September survey weeks, suggesting some pick-up in job growth. The economy added 173,000 jobs in August, a step down from July's gain of 245,000 positions that was dismissed by economists as an aberration given that job openings are at a record high, which suggests solid labor demand in the near term. In a second report, the Commerce Department said groundbreaking for new homes dropped 3.0 percent to a seasonally adjusted annual pace of 1.13 million-units last month. — Reuters