MAF picks banks to a potential dollar sukuk

Dubai-based retail and leisure developer Majid Al Futtaim (MAF) has picked banks to arrange a potential dollar-denominated sukuk, two sources familiar with the matter told Reuters on Thursday.

The firm, which owns and operates the Carrefour franchise in the Middle East, is planning to issue the sukuk before end of the year, one of the sources said on condition of anonymity as the deal is private.

MAF has picked banks including Standard Chartered, HSBC, Dubai Islamic Bank and Abu Dhabi Islamic Bank to arrange the sukuk issue, the sources said, adding that more banks may be added to the list of arrangers.

The issue will be of benchmark size, the sources said. Benchmark size is traditionally understood to mean upwards of $500 million.

The sukuk will be issued under its $1.5 billion issuance programme through an entity named MAF Sukuk Ltd, based in the Cayman Islands.

In the first half of the year, MAF earned 52 percent of its group's revenue and 69 percent of its EBITDA (earnings before interest, tax, depreciation and amortization) from its operations in the United Arab Emirates, it said in an updated prospectus for the sukuk offering released in October. (RTRS)

Mobily to agree new loan covenants by year-end – CEO

Saudi Arabia's Etihad Etisalat (Mobily) will reach agreement with lenders to set new covenants for some outstanding loans by the end of 2015, its chief executive said in a television interview on Thursday.

The telecoms company, part-owned by Abu Dhabi-listed Etisalat, revealed in February that it was in breach of the terms of loans from various lenders after issuing a drastically reduced restatement of previously announced profit.

This was because long-term financing facilities with various lenders required it to achieve a minimum earnings before interest, tax, depreciation and amortisation (EBITDA) and its reduced earnings brought EBITDA below the agreed level.

Mobily, Saudi's No.2 operator, predicted in February that it would reach a deal with lenders by the end of June, but an agreement has proved elusive.

"I think the subject will be completed at the end of the year," Mobily CEO Ahmad Farroukh told Al Arabiya, adding that Ramadan and the month of holidays in August had contributed to delays. (RTRS)

Market Movements 22-10-2015

			Points	Closing pts				Points	Closing pts
AUSTRALIA	-	All Ordinaries	+13.10	5,299.60	JAPAN	-	Nikkei	-118.41	18,435.87
GERMANY	-	DAX	+253.87	18,435.87	S. KOREA	-	KRX 100	-33.52	3,960.61
FRANCE	-	CAC 40	+107.08	4,802.18	INDIA	-	Sensex	-19.17	27,287.66
EUROPE	-	Euro Stoxx 50	+80.88	3,353.11	HONG KONG	-	Hang Seng	-143.85	22,845.37
PHILIPPINES	-	All Shares	+20.14	4,104.09					

Business

Positive outlook on region will continue to attract insurers – both domestic and foreign

GCC insurance market poised for further growth: Moody's

DUBAI, Oct 22: Despite being a small insurance market, the Gulf Cooperation Council (GCC) remains the fastest growing insurance region, outpacing all other markets with top line growth of close to 15 percent in 2014, says Moody's Investors Service in a new report published today.

"The positive growth outlook on the region will continue to attract insurers — both domestic and foreign — to invest in the GCC markets, but this is likely to increase competition and put even further pressure in what is already a weak-to-average profitability in the sector", said Mohammed Ali Londe, Moody's Assistant Vice President and Analyst. "However insurers in the region are generally strongly capitalised and possible future pressure on profitability is unlikely to reduce the credit strength of the sector in the medium term", added Londe.

The GCC insurance industry has more than tripled between 2006-14, with insurance premiums increasing to $22.2 billion from $6.4 billion. This represents a compound annual growth rate (CAGR) of 16.8 percent over the period, although growth in each market varies, ranging from 20.7 percent CAGR in Qatar to 6.4 percent CAGR in Kuwait.

Moody's expects that the GCC will continue to grow at similarly strong rates over 2016-18. Growth will be driven by, inter alia, increased economic wealth in the region, together with increased insurance penetration. Currently, insurance penetration within the GCC is well below 2 percent of GDP (apart from UAE and Bahrain), compared with 5.2 percent in Austria, which has similar premium size to the GCC and much lower than that of advanced economies such as in the US (7.3 percent) and UK (10.6 percent).

Moody's expects significant further growth driven by the region's high economic and fiscal strength, despite slower-than-expected oil price recovery. Sector growth will continue to be supported by governments making an increasing number of insurance products compulsory. Additionally many jurisdictions in the region are enhancing regulations to strengthen the sector in particular areas, such as capital adequacy, assets quality and reserve adequacy along with providing more transparency to the marketplace. Moody's expects that these enhanced regulations and implied additional costs of monitoring, managing and reporting may also encourage consolidation among some smaller market players, potentially reducing competitive pressures and aiding market stability.

Moody's notes that the region also benefits from a generally stable sovereign backdrop, even though the region is exposed to low oil prices and has the potential for political turmoil.

Egyptian Life Takaful Co assigned 'B+' ratings; outlook stable

LONDON Oct 22: Standard & Poor's Ratings Services said it assigned its 'B+' long-term counterparty credit and financial strength ratings to Cairo-based life assurer, Egyptian Life Takaful Co. (ELTC). The outlook is stable.

Our 'B+' ratings are in line with ELTC's indicative stand-alone credit profile of 'b+', which reflects our view of the company's creditworthiness, before our assessment of its exposure to sovereign risk.

ELTC is still building sustainable competitive advantages as it emerges from its initial start-up phase. ELTC operates solely in Egypt and offers Sharia-compliant life insurance protection and savings products. The company reported gross written premiums of Egyptian pounds (EGP) 342 million ($45 million) for its financial year ending June 2015, compared with just EGP13 million as of June 2010. The premiums are largely derived from corporate business and comprise 38% credit shield, 20% medical insurance, 15% group life, 13% individual savings, and 12% group savings, while the remaining 2% accounts for individual life protection.

In our opinion, the company faces high industry and country risk exposure. Our view of Egyptian industry risk is constrained by what we regard as low formal barriers to entry, with few complex requirements for any insurer wishing to operate in the country. The institutional framework also lags behind some neighboring countries in, for example, the Gulf Cooperation Council region, notably Bahrain or Saudi Arabia. This is partly offset by our view of the sector's good overall profitability and strong growth prospects.

Although ELTC uses different distribution channels, including direct and bancassurance agreements, broker-driven business represents over three-quarters of premiums.

IFSB 'issues' Working Paper on financial consumer protection

WP to focus more on transparency in Islamic product offering

KUALA LUMPUR, Oct 22: The Islamic Financial Services Board (IFSB) is pleased to announce the issuance of a Working Paper on Financial Consumer Protection in Islamic Finance (WP-03).

The objective of consumer protection requires that the regulator takes adequate measures to ensure that the claim made by a financial institution to sell its products and services is sufficiently justified.

Financial consumer protection gained prominence on the policy agendas of governments and international standard-setters after the global financial crisis due to the widespread mis-selling practices and unfair treatment of consumers by banks and financial advisers. The issue was taken up by the Organisation for Economic Co-operation and Development and the Group of Twenty (G20), which issued the G20 High-level Principles on Financial Consumer Protection in 2011 focussing on the issues of transparency, impartiality and reliability. The IFSB Working Paper (WP-03) outlines the potential implications of these developments for the Islamic financial services industry and identifies some policy areas where regulatory and supervisory authorities can work to protect the customers of institutors offering Islamic financial services.

The Working Paper lists some important findings from behavioural economics on the relevance of financial consumers' information-processing capabilities and cognitive biases in ensuring the effectiveness of consumer protection measures. It also provides a summary of both traditional and new approaches to financial consumer protection which focus on offering the consumers better-informed choices ranging from disclosure requirements to subsidised consumer advisory services.

The Working Paper also delves into the evolving literature and best practices on 'product regulations' and more broader concept of 'conduct regulations' that focuses on ensuring norms of high ethical conduct by the financial institutions and acknowledgement of their responsibility towards the wider public interest. It has also outlined special consumer protection challenges faced by regulators all over the world regarding unregulated financial products, social and community-oriented investments, and financial intermediation through crowd funding platforms.

The Working Paper also outlines the regulatory implications of Shariah compliance as a defining product feature. It considers different interpretations of the Shariah compliance in more complex consumer products and stresses the importance of robust Shariah governance structures in jurisdictions.

However, even an elaborate Shariah governance system does not guarantee identical Shariah interpretations by all financial institutions, or ensure that interpretations are consumer friendly. To explicate, the paper has provided two detailed examples of Shariah - compliant financial products where fairness to customers is contestable in the presence of some market practices. These examples indicate ways in which all regulators can deal with the issue of consumer protection for Shariah -compliant products without the need to take a particular stance on Shariah matters.

"The IFSB has addressed consumer protection earlier in the content of specific issues arising, for example, in relation to investment account holders in IFSB-4 in 2007 as well as in subsequent standards. This Working Paper has the objective of developing a broader appreciation of issues relevant to the policy and operational framework for the better protection of consumers of Islamic finance products", said the Secretary-General of the IFSB, Jaseem Ahmed.

He further added, "In the backdrop of growing significance of Islamic financial services industry in various markets, this Working Paper will help to better understand the implications of global developments on consumer protection for Islamic finance". "More transparency in product offering, the strengthening of Shariah governance frameworks, better dispute resolution schemes, and an overhaul of conduct regulation" he outlined, "are some of the ways in which regulators of Islamic finance jurisdictions can respond to the growing public demand for more transparent products and better consumer protection policies".

Low oil revenues, bloated payroll strain finances

Iraq deficit seen at 11.9% of GDP

BAGHDAD, Oct 22, (RTRS): Iraq's fiscal deficit is expected to hit 11.9 percent of economic activity in 2016, the finance minister said on Wednesday, as the country struggles to fund fighting against Islamic State in the face of dropping crude prices.

The government's budget proposal, which awaits parliamentary approval, envisages expenditure of 106.9 trillion dinars ($95 billion) with a 23.5 trillion dinar shortfall, Hoshiyar Zebari told reporters.

Baghdad is currently facing a budget deficit of about $22 billion, out of a budget of roughly $105 billion.

More than 70 percent of expenditure will be used to pay salaries and pensions of the country's bloated public sector.

Oil is expected to account for more than 80 percent of Iraq's fiscal revenues in 2016, even as crude prices have more than halved in the past year.

"Next year will not be an easy year. According to the estimates ... and the current price of oil, we expect it to be a difficult year for us," Zebari said at the ministry's headquarters.

A global surplus has prompted oil prices to sink to below $50 a barrel from $115 in June 2014.

Moments before Zebari spoke, ministry employees demonstrated inside the building against changes to the compensation system for public workers. Zebari said the revisions were aimed at reducing inequities.

Iraq's deficit is also aggravated by higher military expenditure and other costs associated with the fight against Islamic State militants who seized nearly a third of the country's territory last year.

Zebari said Baghdad had begun negotiating with Qatar National Bank, the largest lender in the Gulf Arab region, for a loan that could be used to help plug the fiscal gap, but did not provide details.

An international bond which the government delayed issuing this month also remains an option for financing the deficit, but Zebari said the 2016 budget allocates only half of the $6 billion initially sought from investors.

The International Monetary Fund said earlier in the day it may provide a large loan to Iraq in 2016 to help stabilise the country's finances, but Zebari would not be drawn on how much money Baghdad might seek.

Cooler rejoins to benefit

The warmer it gets, the more economy affected

WASHINGTON, Oct 22, (AP): With each upward degree, global warming will singe the economies of three-quarters of the world's nations and widen the north-south gap between rich and poor countries, according to a new economic and science study.

Compared to what it would be without more global warming, the average global income will shrivel 23 percent at the end of the century if heat-trapping carbon dioxide pollution continues to grow at its current trajectory, according to a study published Wednesday in the scientific journal Nature.

Some countries, like Russia, Mongolia and Canada, would see large economic benefits from global warming, the study projects. Most of Europe would do slightly better, the United States and China slightly worse. Essentially all of Africa, Asia, South America and the Middle East would be hurt dramatically, the economists found.

"What climate change is doing is basically devaluing all the real estate south of the United States and making the whole planet less productive," said study co-author Solomon Hsiang, an economist and public policy professor at the University of California Berkeley. "Climate change is essentially a massive transfer of value from the hot parts of the world to the cooler parts of the world."

Poor

"This is like taking from the poor and giving to the rich," Hsiang said.

Lead author Marshall Burke of Stanford and Hsiang examined 50 years of economic data in 160 countries and even county-by-county data in the United States and found what Burke called "the goldilocks zone in global temperature at which humans are good at producing stuff" — an annual temperature of around 13 degrees Celsius or 55.4 degrees Fahrenheit, give or take a degree.

For countries colder than that economic sweet spot, every degree of warming heats up the economy and benefits. For the United States and other countries already at or above that temperature, every degree slows productivity, Burke and Hsiang said.

The 20th-century global average annual temperature is 57 degrees, or 13.9 degrees Celsius, according to the National Oceanic and Atmospheric Administration. Last year — the hottest on record — was 58.24 degrees and this year is almost certain to break that record, according to NOAA. Burke and Hsiang use different population-weighted temperature figures than NOAA calculates.

But the U.S. economy is humming despite the heat. When asked how that can be so, Burke said there were many factors important for growth beyond just temperature. He said one year's temperature and economic growth in one nation isn't telling. Instead, he and Hsiang looked at more than 6,000 "country-years" to get a bigger picture.

Effect

Burke compared the effect of global warming on economies to a head wind on a cross-country airplane flight. The effects at any given moment are small and seemingly unnoticeable but they add up and slow you down.

While it is fairly obvious that unusual high temperatures hurt agriculture, past studies show hot days even reduce car production at U.S. factories, Burke said.

"The U.S. is really close to the global optimum," Burke said, adding that as it warms, the U.S. will fall off that peak. The authors calculate a warmer U.S. in 2100 will have a gross domestic product per person that's 36 percent lower than it would be if warming stopped about now.

But because the U.S. is now at that ultimate peak, there's greater uncertainty in the study's calculations than in places like India, Pakistan, Vietnam, Nigeria and Venezuela where it's already hot and there's more certainty about dramatic economic harm, Hsiang said.

The authors' main figures are based on the premise that carbon dioxide emissions will continue to rise at the current trajectory. But countries across the world are pledging to control if not cut carbon pollution as international leaders prepare for a summit on climate change in Paris later this year. If the current pledges are kept, the warming cost in 2100 will drop from 23 percent to 15 percent, Burke said.

Stable govt important for reform, growth: Fitch

Turkish consumer confidence perks up in October

ISTANBUL, Oct 22, (RTRS): Turkey's limp consumer confidence picked up from a six-year low in October, data showed on Thursday, but ratings agencies highlighted risks to economic growth from a Nov. 1 election that may produce no outright winner.

Opinion polls suggest the AK Party founded by President Tayyip Erdogan, which has dominated politics for 13 years but lost its parliament majority in June, will again fail to secure enough votes to govern alone and have to form a coalition.

Political uncertainty generated by the inconclusive June vote pushed the consumer confidence index down to 58.52 points in September. The Turkish Statistics Institute said it has rebounded to 62.78 in October.

With economic growth flagging and government reform efforts stagnating in the current political impasse, Fitch Ratings on Thursday noted the importance of next month's vote.

"If November's election led to the formation of a stable government, structural reform and growth could benefit," it said, while noting opinion polls pointed to a similarly inconclusive outcome.

However it said that despite the "heightened political uncertainty", commitment to fiscal discipline appeared to command broad political support, with the major parties making only "modest" pre-election spending commitments.

Rival ratings agency Moody's also touched upon the issue of political uncertainty in a report on Wednesday evening on emerging market sovereigns.

"Turkey stands out as most vulnerable to external risks because of its high reliance on external capital and large stock of external debt due annually, combined with heightened political risks," it said.

The AKP's solid record on economic growth, key to its political success, has been dented by a slowdown in the last three years.

Growth is expected to come in at around 3 percent next year, below the government's official 4 percent target, and 3.5 percent in 2017, Fitch senior director Paul Gamble told a conference in Istanbul.

Turkey's central bank left interest rates unchanged on Wednesday but signalled a tighter policy ahead, with economists expecting higher rates at some point to bolster the weak lira and fight high inflation.

The bank's latest survey pointed to year-end headline inflation of 8.25 percent, sharply above its 5 percent target.

Fitch's Gamble said he expected inflation to fall to 6.4 percent in 2016 and 6 percent in 2017.

Fitch last month affirmed its 'BBB-' rating on Turkey with a stable outlook. It said on Thursday its credit profile combined high exposure to global market conditions with strong public finances and a record of resilience to recent external shocks.

It said very large external financing requirements that expose Turkey to shifting investor sentiment remain a potential source of risk.

Rising risk appetite towards emerging markets has helped drive a recent recovery in Turkish assets, which have been battered for much of this year. The lira, still down 20 percent against the dollar this year, has rebounded to 2.8925 from a record low of 3.0750 on Sept. 24.

We create American jobs, chief executive of Qatar Airways says

DOHA, Oct 22, (AFP): Qatar Airways chief executive Akbar al-Baker said Thursday that his company is helping to create jobs in the US despite an ongoing war of words between Gulf and American carriers.

Baker, speaking in Doha, also said he trusted American regulators to put passengers' interests first as part of their investigation into the funding of the Gulf carriers.

US carriers have launched a complaint that Qatar Airways, Etihad and Emirates break the so-called "Open-Skies" agreement through receiving government subsidies.

The complaint is being investigated by the US departments of state, commerce and transportation.

Three US airlines — Delta, American and United — claim that Qatar, along with Etihad Airways and Emirates, received $42 billion (37 billion euros) in "unfair" subsidies to wrest business away from competitors.

Baker though said his company is good for America.

"Qatar Airways and the other Gulf carriers are constantly creating new jobs for the Americans by ordering more aeroplanes and expanding our network as we add frequencies into the United States," he told reporters.

"We are also creating additional jobs and contributing to the American economy."

Asked what he thought the outcome of the Washington investigation would be, Baker replied: "I am not person that should answer this question... it's entirely up to the American administration."