

CEOs of Aetna, Anthem make case for insurance mergers

Leaders of two major health insurers planning multibillion dollar acquisitions made their case to Congress that bigger can mean better in their industry, but concerns are being raised in Washington about how these deals will affect consumers and competition.

Blue Cross-Blue Shield insurer Anthem plans to buy Cigna for \$48 billion, and rival Aetna is looking to acquire Medicare Advantage coverage provider Humana for about

\$35 billion in a wave of consolidation that swept through the industry this summer. The deals came under scrutiny Tuesday at a Senate Judiciary subcommittee hearing.

Senators pressed Aetna CEO Mark Bertolini and his Anthem counterpart, Joseph Swedish, for explanations of how their deals would not stifle competition and give them too much power. Anthem Inc.'s combination with Cigna Corp. would create the nation's largest

health insurer based on enrollment. Aetna Inc. already is the third-largest insurer.

Before the deals can close, the Justice Department must pass judgment on whether the mergers would make the companies so dominant that they could create a competitive imbalance. That review is expected to last several months. In the meantime, senators wanted to weigh in although Congress doesn't rule on the mergers. (AP)

BofA shareholders let Moynihan keep CEO, chairman jobs

Bank of America CEO Brian Moynihan will keep both his CEO and chairman positions following a Tuesday vote by shareholders.

It was a significant win for the bank, which had lobbied hard for the dual role. Only 63 percent of eligible shareholders voted in favor, however, far from a solid majority, showing how far the bank must still go to win the trust of its investors.

In 2009, BofA's shareholders voted to strip the chairman title from then-

CEO Ken Lewis, partly as a vote of no-confidence following a series of bungled and controversial acquisitions, including the purchase of mortgage lender Countrywide Financial and the financial firm Merrill Lynch.

BofA's board of directors reversed that shareholder vote last year, when they gave the chairman role to Moynihan, saying the combined role was more appropriate for how the company was being managed. But activist shareholders say the decision

goes against what investors voted for six years ago.

"Even though it mustered a majority, Bank of America's leadership emerges wounded and weakened from today's shareholder vote. The bank failed to secure the overwhelming victory it needed to show that it has investors' confidence," said Michael Pryce-Jones, with CIW Investment Group, a financial advisory firm affiliated with more than \$250 billion in union pension funds. (AP)

Market Movements

23-09-2015

INDIA	- Sensex	+171.15	25,822.99						
GERMANY	- DAX	+41.96	9,612.62	AUSTRALIA	- All Ordinaries	-98.30	5,032.50		
FRANCE	- CAC 40	+4.20	4,432.83	JAPAN (Sept 18)	- Nikkei	-362.06	18,070.21		
EUROPE	- Euro Stoxx 50	+3.94	3,079.99	S. KOREA	- KRX 100	-72.04	3,760.00		
				PHILIPPINES	- All Shares	-38.47	3,995.09		
				HONG KONG	- Hang Seng	-493.67	21,302.91		

Business

OPEC focuses on rival mega projects

Saudi prepared for 'long haul'

DUBAI, Sept 23, (RTRS): After almost a year of painfully low oil prices, OPEC members are beginning to believe they are winning against upstart US shale producers in a short-term market share contest.

Yet insiders and experts say OPEC is looking for a longer-lasting impact on other high-cost production oil field plans, many in deep oceans, with bigger time scales, even if that means a period of cheap oil prices lasting for years.

Privately, OPEC's core Gulf members say they have resigned themselves to the idea that the US shale industry's high-tech flexibility means it will respond quickly when prices start rising again, making the United States the new swing producer in world oil, the role held for so long by Saudi Arabia.

"The oil surplus is slowly being drawn from the market. US oil production is expected to fall to less than 9 million barrels per day by the end of this year or early next year," said an OPEC delegate from a Gulf oil producer.

"But there is one point that no one is looking at which is the delay in the longer-term oil projects, these are 4-5 year projects. The postponement of these projects will impact the overall supply in the market."

The short investment cycle of US shale, where it takes about few months before returns are seen, make it the most sensitive to oil price fluctuation — either way.

Thus the spike in oil prices in June where US crude was trading above \$60 a barrel drew out more shale output but the price drop in August will reverse that, OPEC sources say.

And even if rising prices pushed supplies up again, in the long run, higher production from shale is expected to be offset by lower production from conventional high-cost offshore projects from countries such as Brazil and Mexico, the sources say. "Shale will be a new swing producer of sorts," said Yasser Elguindi of economic consultants Medley Global Advisors. "Because of its shorter investment cycle, when prices fall shale producers will be the ones to cut first, but likewise when prices go up, they will also be the first to bring up production."

"This complicates life for those who are looking at investments that have a 2-5 year investment horizon. But again, the idea is

APICORP maintains strong asset quality despite oil price drop

FRANKFURT, Sept 23: Arab Petroleum Investments Corporation's (APICORP, Aa3 stable) asset quality and capital adequacy remain strong, despite the drop in global oil prices, says Moody's Investors Service in a report published today.

"While APICORP has a high concentration on the oil and gas sector, asset quality and capital adequacy have not been materially affected by the drop in global oil prices since mid-2014," says Steffen Dyck, a VP-Senior Analyst at Moody's.

"APICORP has a good level of equity relative to its risk assets, and a

portfolio consisting of high-quality investment assets."

According to Moody's, APICORP's capital adequacy ratio (reported at 28.8 percent at year-end 2014) exceeds regulatory guidelines, specifically of the Central Bank of Bahrain (12 percent), where the corporation maintains a wholesale banking branch.

Relatively low leverage contributes to APICORP's high intrinsic financial strength, says Moody's. APICORP also benefits from its de facto preferred creditor status and strong shareholder support.

APICORP's main challenges, in Moody's view, are its high geographic concentration in the Middle East region and sector concentration in the energy sector. However, it is continuing efforts to diversify its investments.

In 2014, APICORP further expanded its footprint in the midstream and downstream sectors of its member countries' energy industry by acquiring a 28.3 percent stake in Dubai-headquartered National Petroleum Services (NPS, unrated).

It also made its first investment in the power sector via a co-investment with Saudi Arabia (Aa3 stable)-based

ACWA Power (unrated), and contributed to Powervest Fund (unrated), a Shariah-compliant specialized infrastructure fund, also located in Saudi Arabia.

The corporation strongly relies on wholesale deposits, weighing on Moody's assessment of its liquidity. Efforts to diversify its funding sources are ongoing.

Moody's notes that APICORP faces a challenging operating environment given political turmoil in a number of member countries, and geopolitical risks have become more prominent, posing a credit-challenge.

to find the price level that slows down the rate of growth considerably to something more sustainable — and that takes more than 2 to 3 quarters of lower oil prices."

The drop in oil prices has forced companies to free up capital to help balance their books at the expense of allocating cash to expensive new projects. In some cases, investment decisions have been delayed to allow more time to reset cost structures on projects.

Companies such as BP, Total and Norway's Statoil have postponed projects ranging from the Gulf of Mexico to the UK North Sea, Nigeria and Indonesia and

dozens of other projects would be also likely delayed, according to Norwegian consultancy Rystad Energy.

Consultancy Wood Mackenzie estimated around 10.6 billion barrels of oil equivalent potentially retrievable from deep and ultra-deep offshore projects has been deferred, followed by 5.6 billion barrels trapped in oil sands.

"We've slowed the pace in deep water," Ben Van Buerden, chief executive of Royal Dutch Shell's, said in January.

Global deepwater production reached 8.8 million barrels per day in 2014, almost 10 percent of global demand.

Gulf oil sources believe that low oil prices have so far been successful in stimulating demand for crude and will gradually impact the oversupply which will start to be more visible towards 2016 and beyond, a sign that Saudi Arabia's new market share strategy was working.

In its new medium-term forecast, OPEC sees oil prices rising by no more than \$5 a barrel a year to reach \$80 by 2020, with higher demand for the group's oil and lower supplies from other non-OPEC producers.

Though the demand for OPEC is higher than expected before, it is almost flat from

current levels, suggesting that OPEC sees slow economic growth over the next couple of years and oil prices will remain depressed, OPEC sources say.

"Next year the oversupply will put pressure on prices, and that's why no one is expecting \$100 (a barrel) till 2040," said one OPEC source.

Saudi Arabia is holding the line regardless of how low prices may fall and is in it for the long haul, oil sources and analysts say. "Remember what the Saudi oil minister said last year, even if prices fell to \$20, OPEC will not cut," said one Gulf oil source.

Stable outlook for issuance

Moody's assigns (P)Caa1 rtg to Iraq bond issuance

FRANKFURT, Sept 23: Moody's assigns provisional rating of (P)Caa1 to Government of Iraq's USD bond issuance; Outlook stable Frankfurt am Main, September 20, 2015 — Moody's Investors Service (Moody's) has today assigned a provisional rating of (P)Caa1 to Government of Iraq's planned USD-bond issuance with a stable outlook.

The rating was initiated by Moody's Investors Service and was not requested by the rated entity. It is being assigned ahead of planned issuance of USD-denominated debt by the Iraqi government in the United States under Rule 144A. Moody's expects to remove the provisional status of the rating upon the closing of the proposed issuance and a review of its final terms.

The (P)Caa1 issuance rating reflects the following underlying key factors:

1. Iraq is a sizable economy with robust growth prospects, which are based on the country's large oil wealth, but are counterbalanced by a lack of economic diversification.

2. Very weak institutional strength as reflected in very weak governance indicators and issues regarding the availability of fiscal and economic data.

3. Moderate fiscal fundamentals, as debt-relief since 2004 has lowered the government's debt burden, while at the same time facing challenges from a low oil price environment and rising debt burden.

4. Very high susceptibility to event risk, which is predominantly driven by the challenges posed by deeply entrenched sectarian and ethnic tensions, and the ongoing insurgency by the Islamic State of Iraq and the Levant (ISIL).

Moderate economic strength: a sizable but undiversified economy with robust growth prospects Iraq is oil-rich and has a lot of potential for economic development and growth. According to the BP Statistical Review of World Energy 2015, Iraq's proven oil

reserves were 150 billion barrels in 2014, the fifth largest in the world, accounting for 8.8 percent of global proven reserves.

Real GDP growth has averaged 7.7 percent between 2008 and 2013, making it the 15th fastest growing economy in the world based on IMF data. According to Moody's estimates, growth was particularly strong in the oil sector, which expanded by almost 12 percent on average, whereas non-oil real GDP grew much more slowly, by around 5.5 percent on average. In 2014, real GDP declined by 2.1 percent, driven by a sharp contraction in non-oil growth, whereas oil production continued to grow by around 4.5 percent.

Looking forward, Moody's expects oil production to continue to increase by an average of 10 percent per year, reaching around 5 million barrels per day (mbpd) by 2019. Together with a recovery in non-oil growth from 2016 onwards, this will help lift real GDP growth to an average 8 percent per year between 2016 and 2019.

Iraq's robust growth outlook is counterbalanced by the lack of economic diversification, with oil accounting for 50 percent of nominal GDP and close to 100 percent of exports, and the non-oil sector dominated by the public sector.

Manufacturing and construction together account for only 10 percent of GDP in 2014, and while services have a share of 37 percent, more than one third of this comes from general government services.

Very low institutional strength Iraq ranks at the very low end when compared across all Moody's-rated sovereigns for the World Bank's Worldwide Governance Indicators — particularly

Government Effectiveness, Rule of Law, and Control of Corruption. In Moody's view, the lack of a budget law for 2014 and low budget execution rates illustrate shortcomings with regard to government effectiveness.



A general view shows unfinished and empty apartment blocks on the outskirts of the Egyptian capital, Cairo on Aug 31. A construction boom has seen new housing developments mushroom around Cairo but they are out of reach for many. (AFP)

Govt says there are 1.5 million vacant homes across the country

Empty Cairo homes beyond the reach of Egypt's poor

CAIRO, Sept 23, (AFP): Ahmed and Mohamed are both married with children but still live with their mother, unable to afford one of the hundreds of thousands of homes sitting empty in Egypt's capital.

A construction boom has seen new housing developments mushroom around Cairo but they are out of reach for many, including the two brothers in their 30s.

Instead they share a three-bedroom apartment with their wives, three children, another brother and their mother, for a combined rent of around \$10 a month.

Away from their rubbish-strewn neighbourhood with its tenements and narrow alleys, empty and unfinished buildings flank the ring road that circles the vast metropolis.

Outside the city, gated compounds of villas, lush gardens and golf courses in the desert await those with fortunes.

Almost half of Cairo's population of about 20 million lives in informal settlements with poor infrastructure and buildings often constructed with no permits.

At the same time, the government says there are 1.5 million vacant homes across the country.

In 2013, then-housing minister Tarek Wafik, quoted by state-run newspaper Al-Ahram, said 30 percent of the country's housing units were left unused.

According to experts, empty units are either held as an investment by their owner, bought for children for when they get married, or remain empty because they have no

water or electricity. Experts blame the authorities for allowing housing prices to rise while not creating enough affordable social housing.

"Those projects are not made for us," said Ahmed, a father-of-two who earns about \$160 a month working at a slaughterhouse.

"If you have the means, you can pay and have one. If not, no," he said.

Mohamed's wife Rahma Nafea, who is pregnant and expecting a second child, also dreams of having a home of her own.

"But we just have enough to buy food and cover expenses for the children," the 18-year-old housewife said.

A 2007 government decree that removed many restrictions on property purchases by

foreigners was followed by a boom in construction of high end real estate.

According to Yahya Shawkat, an urban planner and founder of the 10-Tooba research centre, the government encouraged an increase in housing prices by deregulating the market.

The price of land in Cairo's satellite neighbourhoods, for example, increased fourfold between 2007 and 2013, according to Shawkat.

In a country where 26 percent of the population lives below the poverty line, social housing has become a pressing need, but it is often beyond the means of those who most need it.

"There is a high demand for social housing, but the homes that are available are luxury ones," said Manal al-Tibi, the director of the Egyptian Centre for Housing Rights. In 2011, after a popular revolt that overthrew veteran president Hosni Mubarak, the government announced it would build one million affordable homes over five years.

The project floundered during the years of political instability that followed Mubarak's ouster, with only 70,000 houses completed, deputy housing minister Khaled Abbas said.

Measures have been taken to ensure the homes go to people who deserve them, he added. "Not just anyone can come and take a unit," Abbas said. "There is an income ceiling."

The government budget for this fiscal year allots about \$1.7 billion for social housing, 19 percent more than last year's budget, according to the government.

The price and conditions to obtain bank loans are beyond the means of many.

Galal, an electrician, has twice broken off engagements because he could not find an apartment, often a condition imposed by a fiance's parents.

Syria needs more wheat despite healthy harvest

ABU DHABI, Sept 23, (RTRS): Syrian farmers enduring a fifth year of civil war have sold less wheat to the state than last year despite a better harvest and higher offer price, leaving a large shortfall to be made up with imports complicated by Western sanctions.

President Bashar al-Assad's government has lost control over many wheat-producing areas in the fighting that grew out of pro-democracy protests but said in February it would avoid imports by buying grain from Syrian farmers across the country. The aim was both to reassert its authority and secure supplies of the heavily subsidised bread its citizens expect.

With the local procurement season almost over, it has bought just 454,744 tonnes of local wheat, government sources said, compared with 523,000 tonnes collected last year, double that the year before and around 2.5 million tonnes annually

before the war. A price increase to 61 Syrian pounds (\$0.2772) a kilo from 45 pounds per kilo last year appears to have had little impact. Damascus raised the price of a loaf by 40 percent in January and residents say it has used less flour per loaf since March to maintain supply of the politically sensitive staple.

Meanwhile, many farmers have either sold their crop more cheaply to middlemen who export it to neighbouring Iraq and Turkey or planted other crops.

Where the state has bought wheat, a lot goes astray. "Long distance transport is dangerous in the country because of the continued fighting so the risk of loss in transit is high," one European trader said.

Four million people have fled Syria since a government crackdown on protesters led to war in 2011 but around 18 million are estimated to be still in the country,

many of them in the government-held west. The state needs between 1-1.5 million tonnes of wheat to provide those areas with bread, traders and local media reports say. "It is actually cheaper for the government now to import wheat than transport the Syrian local crop around the country with so many difficulties in trucking," one Syrian commodities trader said.

But it has had only patchy success in buying wheat internationally because the sanctions imposed on Damascus by the United States, European Union and Arab League make banking finance more difficult, even though food supplies are exempt.

"It seems more feasible that the government will now opt for imports, which would be easier to work with. Whether they can muster up the financing is a separate question," a Middle East Commodities trade source familiar with Syria said.



In this file photo, Syrian boys sit on a cart at a fruit and vegetable market in central Damascus. Syrian farmers enduring a fifth year of civil war have sold less wheat to the state than last year despite a better harvest and higher offer price, leaving a large shortfall to be made up with imports complicated by Western sanctions. (AFP)