Oil and dollar again stall emerging market gains

Emerging markets retreated on Tuesday as oil prices stayed under $50 per barrel and the dollar firmed, with the Russian rouble trading near two-month lows and emerging stocks posting their fourth loss in five days.

After Monday's French election-inspired bounce, emerging stocks tracked world markets lower, though they stand half a percent off recent two-year highs.

Chinese shares meanwhile posted a sixth day of losses as the central bank's decision to hold off conducting open market operations for the third day stoked concerns about a shift to a tightening policy bias. "The biggest driver in EM has been and continues to be commodity prices," Unicredit strategist Kiran Kowshik said. "Chinese data are still stronger than they were last year but they are coming off a bit. There are concerns that the credit stimulus that the authorities put in place is coming off as well. That paints a negative picture for commodity prices and by extension many emerging markets."

The focus in Asia was on South Korea's presidential election, which is expected to be won by liberal Moon Jae-in . The Seoul stock market, which finished at a record high on Monday, was shut but the won slipped half a percent against the dollar. (RTRS)

Oman raising US$3.6bn from Chinese banks

The Sultanate of Oman is seeking a US$3.6bn five-year bullet term loan from Chinese banks, banking sources said.

Oman's finance ministry is self-arranging the senior unsecured deal, which pays an interest margin of 190bp over Libor.

Bank of China, China Development Bank, and Industrial and Commercial Bank of China are the mandated lead arrangers with the latter two also acting as bookrunners on the senior unsecured deal.

Banks are being invited to participate at three ticket levels.

Mandated lead arrangers with commitments of US$500m or above will earn an all-in pricing of 210bp over Libor based on an upfront fee of 100bp, while lead arrangers coming in for US$250m?$499m receive an all-in of 206bp over Libor based on an 80bp fee. Arrangers with commitments of US$100m?$249m get an all-in of 202bp over Libor based on a 60bp fee.

Commitments are due by June 2 and signing is scheduled for June 12. Proceeds are for the Oman government's general budgetary purposes.

The Middle Eastern country's loan follows in the footsteps of a US$600m facility for its sovereign wealth fund Oman Investment Fund, which closed earlier this week. (RTRS)

Market Movements 09-05-2017

			Change	Closing pts
GERMANY	-	DAX	+54.57	12,749.12
FRANCE	-	CAC 40	+15.06	5,398.01
EUROPE	-	Euro Stoxx 50	+6.97	3,649.08
S. KOREA	-	KRX 100	+117.21	4,635.81
INDIA	-	Sensex	+7.10	29,933.25
HONG KONG	-	Hang Seng	+311.12	24,889.03

			Change	Closing pts
AUSTRALIA	-	All Ordinaries	-23.30	5,874.50
JAPAN	-	Nikkei	-52.70	19,843.00
PHILIPPINES	-	All Shares	-22.00	4,709.25

global oil markets

الوطني NBK **National Bank of Kuwait**

Prices drop more than 2% in April

Continued price weakness likely to spur extension of cuts

Persistent concerns about OPEC's ability to bring down historically high global crude stocks in the face of rising US crude production continued to negatively affect market sentiment in April. Oil prices endured another month of pressure, closing the month down by more than 2% to $51.73 per barrel (bbl) and $49.33/bbl, in the case of Brent and WTI, respectively. Prices are down by almost 9% on average so far this year as the unwinding of the crude stock overhang appears to be taking longer than many, including OPEC itself, had anticipated.

For its part, the 13-member oil exporters group has stuck to its task of cutting supply as per the 29 November agreement remarkably well; those members subject to reduced production quotas registered an aggregate compliance rate of 102% in March (OPEC secondary source data). Total group output fell by 160,000 barrels per day (b/d) to 31.93 mb/d in March, less than 200,000 b/d off the target of 31.75 mb/d. Of the big oil producers, only Iraq and the UAE have yet to comply fully with their new quotas, achieving 76% and 85% of their targets, respectively. Therefore, OPEC's 100%-plus compliance rate is really by dint of overachievement on the part of others, mainly Saudi Arabia; the kingdom has cut its output by 13% over and above its current obligation.

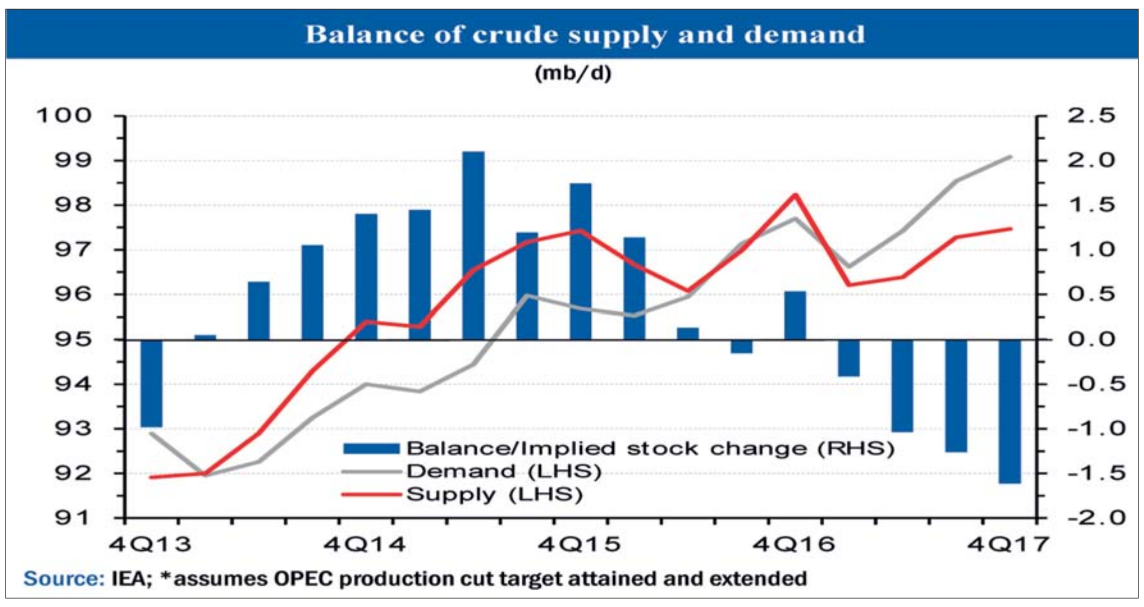
This fact has not been lost on Saudi Arabia, which turned on the oil taps last month partly to signal to the OPEC laggards and non-OPEC countries that had yet to fully comply with their quotas, such as Russia, that it was not prepared to bear the burden of production cuts all by itself.

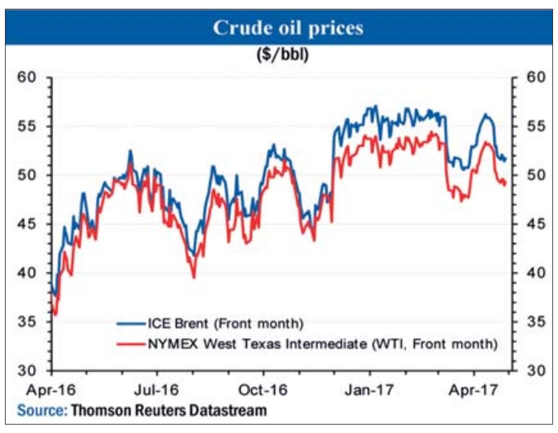
In view of the slower-than-expected pace of global crude stock drawdowns, talk of extending the output cuts beyond June, when the 6-month agreement is due to expire, has gathered momentum. OECD commercial crude and petroleum inventories, a proxy for global crude and products stocks were, at 3.05 billion barrels in February, still more than 300 million barrels above OPEC's target 5-year average level.

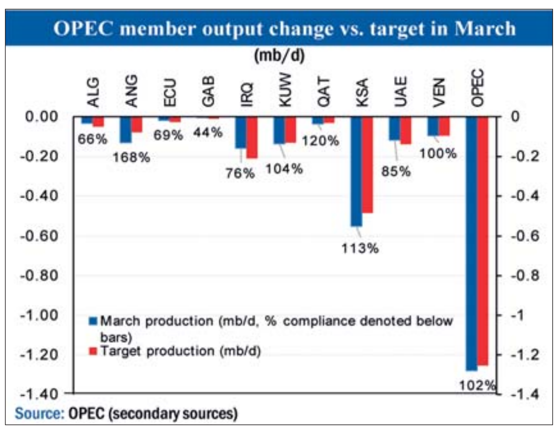
According to the International Energy Agency (IEA), which compiles the data, OECD commercial inventories fell by 9.2 million barrels in February. This would have heartened the markets (and OPEC) more than it actually did in mid-April were it not for the fact that the drawdown was largely in petroleum products stocks (gasoline and middle distillates such as diesel) rather than crude stocks, and were it not for the fact that it was largely non-US based.

In the US, crude stocks actually increased in February and March, before declining for three consecutive weeks in April. The weekly data came courtesy of the US Energy Information Administration (EIA) rather than the IEA, but the trend was the same: the surplus was shifting from crude stocks into petroleum products stocks.

Continued on Page 31







Financial experts 'urge' fiscal reforms in Kuwait, Arab world

MENA and GCC under-spend on infrastructure: Le Borgne

By Cinatra Fernandes
Arab Times Staff

KUWAIT CITY, May 9: The IMF Middle East Center for Economics and Finance and the Arab Fund for Economic and Social Development held a symposium on the topic of fiscal reforms in Kuwait and the Arab world with the key aim of identifying the core ingredients of successful fiscal reform strategies in light of Arab countries' specific institutional constraints. The sixth in a series of talks on, the event was took place Monday evening at the AFESD headquarters.

The panel discussion was moderated by the CEF's Director, Oussama Kanaan, and included Stéphane Roudet, who leads the yearly IMF mission to appraise Kuwait's economic situation, Eric Le Borgne, Practice Manager for the Middle East and North Africa in the Macroeconomics and Fiscal management Global Practice of the World Bank and Chadi Abdallah, economist and leading expert on subsidy reform in the International Monetary Fund's Fiscal Affairs Department, and Mission Chief for the course on "Reforming Fuel Subsidies" delivered at the IMF's Middle Center for Economics and Finance in Kuwait.

CEF Director Oussama Kanaan stated that the topic of fiscal reform has become increasingly important for a number of Arab countries, especially given rising pressures due to heightened conflict, a migration and refugee crisis, and, especially for GCC countries, low oil prices. A common challenge for most countries in the region has been the design and implementation of prudent fiscal policies with socially desirable patterns of public expenditures and efficient tax systems that are conducive to inclusive, equitable economic growth.

A photo from the symposium of IMF CEF which was held jointly with Arab Fund for Economic and Social Development.

Le Borgne highlighted the recent developments, risks and major challenges facing the MENA region in his talk. In his overview, he touched upon the sharp slowdown in the GCC and weak growth on account of the oil stock, war and conflict spill-overs, slow recovery in key trading partners such as the EU, and fiscal retrenchment, but acknowledged green shoots of reform wherein fiscal consolidation had led to an improving fiscal outlook with measures such as the dismantling of energy subsidies along with other reform areas of taxation, civil service and public sector reforms, private sector development and improvements in the business environment, exchange rate and immigration reforms.

While he predicted a modest pick-up in growth, he urged that more needs to be done and pointed out that the MENA region lags behind other developing regions of the world in having rules-based policies. In oil exporting countries, a lack of rules-based fiscal frameworks has facilitated a direct transmission of volatility in commodity prices to the budget and slowed progress on the diversification agenda.

He identified short term risks as being excess volatility in oil prices, escalation of conflict and violence in the region and rising global uncertainty such as new US government policies and the implications of Brexit. For the long term risks and challenges, he highlighted conflict and proxy wars and political instability, the difficulty of maintaining political momentum for reforms, redefining the implicit social contracts that exist between governments and citizens as well as post-conflict reconstruction in conflict areas.

He added that, by and large, fiscal policies in MENA countries still largely reflect an implicit "social contract" between governments and citizens. This is evident among oil importers and oil producers alike, where fiscal policy is directed towards consumption spending, generous subsidies and large public sector workforce. This has affected fiscal sustainability, limited the amount of fiscal resources available for growth enhancing expenditures, and also created major distortions. He shared that developing MENA and some GCC countries under-spend on infrastructure and in cases where the level of spending in key sectors in adequate, the quality of spending is weak.

Le Borgne stressed that the social contract needs renewing and the sustainable distribution of wealth had to move from sharing a fixed and shrinking pie plagued with vast leakages that undermine the future to investing in the growth of the non oil private sector.

Roudet, started by highlighting the new environment in which GCC countries operate, that is characterized by durably lower oil prices and a deterioration in fiscal positions with significant increase in financing needs. He urged that fiscal reforms were needed to bolster fiscal positions and create room for investment. He noted that reforms should aim at gradually reducing the government deficit and financing needs. Raising government savings, he explained, will help reduce the deficit and financing needs, preserve buffers, limit debt accumulation, preserve strong sovereign credit rating, avoid crowding out and create room for growth enhancing investment over the medium term.

He stressed the need to ensure that Kuwait continues saving a sufficient part of its oil wealth for future generations. He maintained that fiscal reforms were necessary to reduce oil-driven volatility by delinking delinking revenue and expenditure from oil prices, reducing growth volatility and bolstering private investment.

He acknowledged the steps taken by the Kuwaiti authorities in several important areas and the structural fiscal reforms laid out in the government's six-pillar reform strategy.

Continued on Page 31

The expert panel at the IMF CEF event.

About 7 mln barrels cut in June

Saudi Aramco to cut crude supply to Asia

NEW DELHI, May 9, (RTRS): Saudi Aramco will reduce oil supplies to Asia by about 7 million barrels in June, a source said on Tuesday, as the oil giant cuts output as part of global supply pact and trims exports to meet rising domestic demand for power during hot summer months.

An OPEC-led agreement to cut global oil supplies is currently due to end in June, although Saudi Arabia and other producers in the group of OPEC and non-OPEC states have indicated curbs could be extended to the end of 2017 or beyond.

OPEC and other producers are expected to discuss an extension at a meeting on May 25.

When OPEC announced the cuts, Saudi Arabia was quick to tell its customers in Europe and the United States that they would receive lower volumes but shielded most of Asia from the cuts.

However, summer is a peak period for power demand in the desert kingdom, as citizens turn up air conditioners to keep homes and offices cool, pushing up domestic oil consumption.

This year is likely to see an earlier spike in demand as the Muslim fasting month of Ramadan starts sooner, beginning in late May. The traditional big evening meals with family and friends to break the fast tend to create a surge in power demand.

As a result, Asia will now also face heavier cuts from the world's top oil exporter in June.

According to the June nomination plans, Aramco will cut supplies by 1 million barrels each to Southeast Asia, China and South Korea, a source, who has knowledge of the nominations but did not wish to be identified, told Reuters.

A separate industry source said the action in June did not mean Saudi Arabia was preparing to deepen cuts to Asia in the rest of 2017.

The kingdom will cut supplies by a little more than 3 million barrels for India and slightly less than 1 million barrels for Japan, the source with knowledge of the nominations said. In total, the cuts should be equivalent to about 233,000-234,000 barrels per day (bpd).

Under the global supply pact, OPEC states, Russia and other major producers agreed to cut output by about 1.8 million bpd from Jan. 1 until June 30.

Libya's crude output nears 800,000 bpd

LONDON, May 9, (RTRS): Libyan oil production has risen to just below 800,000 barrels per day (bpd) as the OPEC member pushes up production from the newly restarted Sharara and El Feel fields, a Libyan oil source told Reuters on Tuesday.

At 792,000 bpd, Libya's oil production is at its highest since 2014 and about 30,000 bpd higher than last week.

The source declined to be named because he was not authorised to speak to the media.

The Sharara and El Feel fields, with a combined capacity of about 360,000 bpd, resumed production at the end of April after protests that had blocked pipelines linking them to export terminals were halted.

A rise in Libyan oil production will complicate efforts by the Organization of the Petroleum Exporting Countries to rein in oversupply. OPEC with Russia and other producers agreed to cut oil output by 1.8 million bpd in the first half of the year.