Saudi's SABIC buys quarter of Clariant

Saudi Basic Industries Corp (SABIC) bought a 25 percent stake in Clariant, ending the Swiss speciality chemical group's fight with activist investors but raising further questions about its future.

US activists David Winter, David Millstone and hedge fund investor Keith Meister on Thursday announced they had unloaded their stake to SABIC, a surprise given their previous insistence they were long-term Clariant investors.

SABIC, the world's number four chemical firm, said it had no current plans to launch a full takeover of Clariant. However, the move stoked uncertainty about Clariant as Saudi Arabia seeks to diversify its economy and reduce its reliance on oil.

"The story likely isn't over," Bank Vontobel analysts said in a note to investors. "This step makes strategic sense for SABIC."

SABIC is 70 percent owned by Saudi Arabia's sovereign wealth fund, Public Investment Fund.

The activists last year blocked Clariant's $20 billion merger with US peer Huntsman, saying it undervalued the Swiss company and did not make strategic sense. The Swiss had also snubbed their demands for an independent strategic review and three seats on its board. (RTRS)

'Saudi bank merger outlook to be clear by end-Q1'

The outlook for a proposed merger of Saudi British Bank (SABB) and Alawwal Bank will become clear by the end of the first quarter of 2018, Saudi central bank governor, Ahmed al-Kholifey, told Al Arabiya television on Thursday. SABB, 40 percent owned by HSBC Holdings, and Alawwal, 40 percent owned by Royal Bank of Scotland, said in April that they had agreed to start merger talks, but progress has been slow.

Kholifey had told Al Arabiya in October the outlook for the merger would be clear by the end of 2017, but on Thursday, he said the banks needed more time to finalise their discussions.

"We expect things to become clear before the end of the first quarter of 2018," Kholifey said.

Earlier this month, sources told Reuters the merger had been delayed but not derailed in part because the Saudi regulatory environment for bank acquisitions was relatively untested.

A merged Alawwal and SABB would rank as the third-largest bank in Saudi Arabia with assets of $77.6 billion, behind National Commercial Bank and Al Rajhi Bank, Thomson Reuters data shows.

Kholifey said Saudi banks' liquidity position was very solid and they were able to lend to private and public sectors and invest in Saudi bonds. (RTRS)

Market Movements 25-01-2018

			Change	Closing pts
S. KOREA	-	KRX 100	+42.69	5,325.25
PHILIPPINES	-	All Shares	+39.56	5,245.25

			Change	Closing pts
AUSTRALIA	-	All Ordinaries	-4.10	6,164.70
JAPAN	-	Nikkei	-271.29	23,669.49
GERMANY	-	DAX	-116.38	13,298.36
FRANCE	-	CAC 40	-13.94	5,481.21
EUROPE	-	Euro Stoxx 50	-13.07	3,630.15
INDIA	-	Sensex	-111.20	30,050.44
HONG KONG	-	Hang Seng	-304.24	32,654.45

Saudi says graft crackdown helps stock market

Aramco seeks to expand in US, says Trump is pro-oil

DAVOS, Switzerland, Jan 25, (RTRS): Investors have put a record amount of money into the Saudi stock market in recent weeks as they realise that a crackdown on corruption is positive for the economy, Saudi finance minister Mohammed Al-Jadaan said on Thursday.

Meanwhile, strong global oil demand will help offset a steep rise in US oil production and prevent oil prices from collapsing again, the energy ministers of Russia and Saudi Arabia said.

Alexander Novak and Khalid al-Falih were speaking at a joint panel at the World Economic Forum in Davos with US Energy Secretary Rick Perry.

Perry also said he believed US shale oil won't become a "spoiler" for the oil industry as global demand was rising fast.

OPEC and its non-OPEC allies will exit from oil production cuts very gradually and smoothly in order not to shock markets in the early part of 2019, when demand will seasonally slow, the Saudi energy minister said.

Khalid al-Falih said it was very unlikely cuts could be exited in June when OPEC meets next time and added that he believed they could be just adjusted at some point.

He also said OPEC could change the level of stocks it was targeting by its output reductions.

Saudi oil giant Aramco is looking to expand in the United States where President Donald Trump's tax cuts and support for the oil industry are making business increasingly attractive, its chief executive told Reuters.

Aramco already controls a large refinery in Texas. It is also preparing to launch what could be the world's largest initial public offer (IPO) and is considering listing its shares in New York among several possible exchanges.

"We are looking at new business opportunities in the US and with the tax cuts it will make it much more profitable ... It is part of our strategy to grow our business in the US," Amin Nasser said in an interview.

"The Trump administration has been positive towards the energy industry. As long as what they are doing is in the interest of all and the US economy is growing, we are happy. The whole oil industry is benefiting from the current administration," Nasser said on the sidelines of the World Economic Forum in Davos.

Earlier, the New York Stock Exchange took a swipe on Tuesday at its London rival in their battle to attract the foreign listing of shares in oil giant Saudi Aramco, saying it didn't need to "bend over backwards" to lure what could be the world's biggest IPO.

Britain's markets watchdog, hoping that hosting the huge float in London would boost the city's status as a global financial hub as it prepares for Brexit, came under fire last year for appearing to be ready to bend its rules for Aramco.

Saudi Arabia has shortlisted New York, London and Hong Kong -- singly or in a combination of two or even all three -- for the international portion of the state-owned company's listing, sources have told Reuters.

It is likely to be the world's biggest IPO, and Riyadh could raise up to $100 billion by selling 5 percent of Aramco, on the basis of an estimated overall valuation of $2 trillion. It is set for late 2018 and will include a local listing, sources say.

John Tuttle, who is in charge of global listings at the NYSE, said the exchange would not need to water down its stricter disclosure requirements to land such a huge IPO.

"You don't see the United States bending over backwards to accommodate any specific company like you see in other jurisdictions," he told Reuters in an interview on the sidelines of the World Economic Forum in Davos.

The London stock exchange declined to comment on Tuttle's remarks and pointed Reuters to exchange data showing that nine out of its top 10 listings were by international companies and that North American firms accounted for 20 listings last year.

NYSE rules on minimum free floats are much less stringent than those in the UK. Tuttle said the New York exchange only required a global market capitalisation of 200 million dollars and a float of more than 40 million dollars.

"So that's not a problem for many companies," he said.

"The greatest companies in the world are listed on the New York Stock exchange and disclosure is one of the pieces of that, and part of the reason why our market is robust and as liquid and investor-based as broad as it is, is because it's a very transparent market place," he added.

However, the NYSE has its own disadvantages, sources say.

They said Aramco's lawyers have warned about litigation risks linked to the US Justice Against Sponsors of Terrorism Act. Passed last year, the law allows the Saudi government to be sued on the grounds it helped plan the Sept 11, 2001 attacks on the United States. Riyadh denies the allegation.

Touting the merits of a US listing for Aramco, Tuttle said he could not discuss specific companies but that over the past 25 years all privatisations or even partial sales of state-owned oil companies had taken place in part or completely on the NYSE.

"The US marketplace is the deepest pool of capital, the most liquid market place on earth by multiples of any other jurisdiction and many institutional investors, particularly long-term investors, either by charter or by choice only choose to invest in companies listed in the US.

"Obviously this is a large transaction, we know they are doing their due diligence and we think the merits of the US market are much greater than any other jurisdiction."

Draghi rebukes Mnuchin but fails to brake soaring euro

Trump touts 'America First' to sceptical Davos elite

DAVOS, Switzerland, Jan 25, (AFP): US President Donald Trump swaggered into the lion's den to confront the world's political and business elite on Thursday, as his "America First" administration executes an anti-globalist manifesto in trade, taxes and currency rates.

A year after taking office, Trump joined the World Economic Forum in Davos with foreign exchange markets in turmoil and Washington's trading partners in uproar.

Trump smiled and waved as hundreds of onlookers at the gathering in the Swiss Alps held up cameraphones as he strode slowly into the conference venue.

One female admirer grabbed Trump's autograph while other delegates muttered — out of his earshot — about wanting to pelt him with fruit.

"It's very exciting to be here, we're very happy to be here. The United States is doing very well," Trump said, before heading into bilateral talks with British Prime Minister Theresa May.

"This will be a very exciting two days," he said, after having demonised the globalist Davos crowd on his unorthodox march to the White House.

Other government leaders and business tycoons in Davos are agog at the tempestuous course of US policy under Trump. He is due to address the forum on its closing day Friday at the end of a week that saw his administration announce a new package of trade tariffs and spark turmoil on the currency markets.

"I think the most fascinating thing with President Trump is that he has the capacity to surprise, and I'm sure we will be surprised tomorrow," Alexander Stubb, former prime minister of Finland and the new vice-president of the European Investment Bank, told AFP in Davos.

Traders and US partners already got one surprise in Davos this week when Trump's treasury secretary, Steven Mnuchin, appeared to back away from decades of support by his predecessors for a "strong dollar" policy by declaring "a weaker dollar is good for us", flouting US commitments in international fora such as the G20.

International Monetary Fund chief Christine Lagarde Thursday urged Mnuchin to "clarify" his stance on the dollar, which slumped on his remarks, and European Central Bank chief Mario Draghi reminded trading partners to "refrain" from language that could cause currency volatility.

A weak dollar would potentially boost US exporters but cause headaches for all other trading nations.

"We are not concerned with where the dollar is in the short term, it is a very liquid market and we believe in free currencies," the Mnuchin told reporters Thursday.

His latest comments helped depress the dollar to a three-year euro low and were taken as reinforcing a broad offensive in trade built on the "America First" platform, drawing the ire of French Finance Minister Bruno Le Maire.

"We want exchange rates to reflect economic fundamentals... and we shouldn't play with these rates," he said in Davos.

The new tariffs imposed this week on solar panels and large washing machines, which infuriated China and South Korea, combined with big cuts to the US corporate tax, are accentuating foreign concern that the United States is abandoning its role as protector of the global trade order.

Business leaders in Davos have this week given a broad welcome to Trump's controversial tax reforms, but European political leaders fear a "race to the bottom" as the United States gains in appeal to foreign investors.

Aside from his speech and talks with May, Trump met Thursday with Israeli Prime Minister Benjamin Netanyahu before another bilateral session on Friday with Rwandan President Paul Kagame.

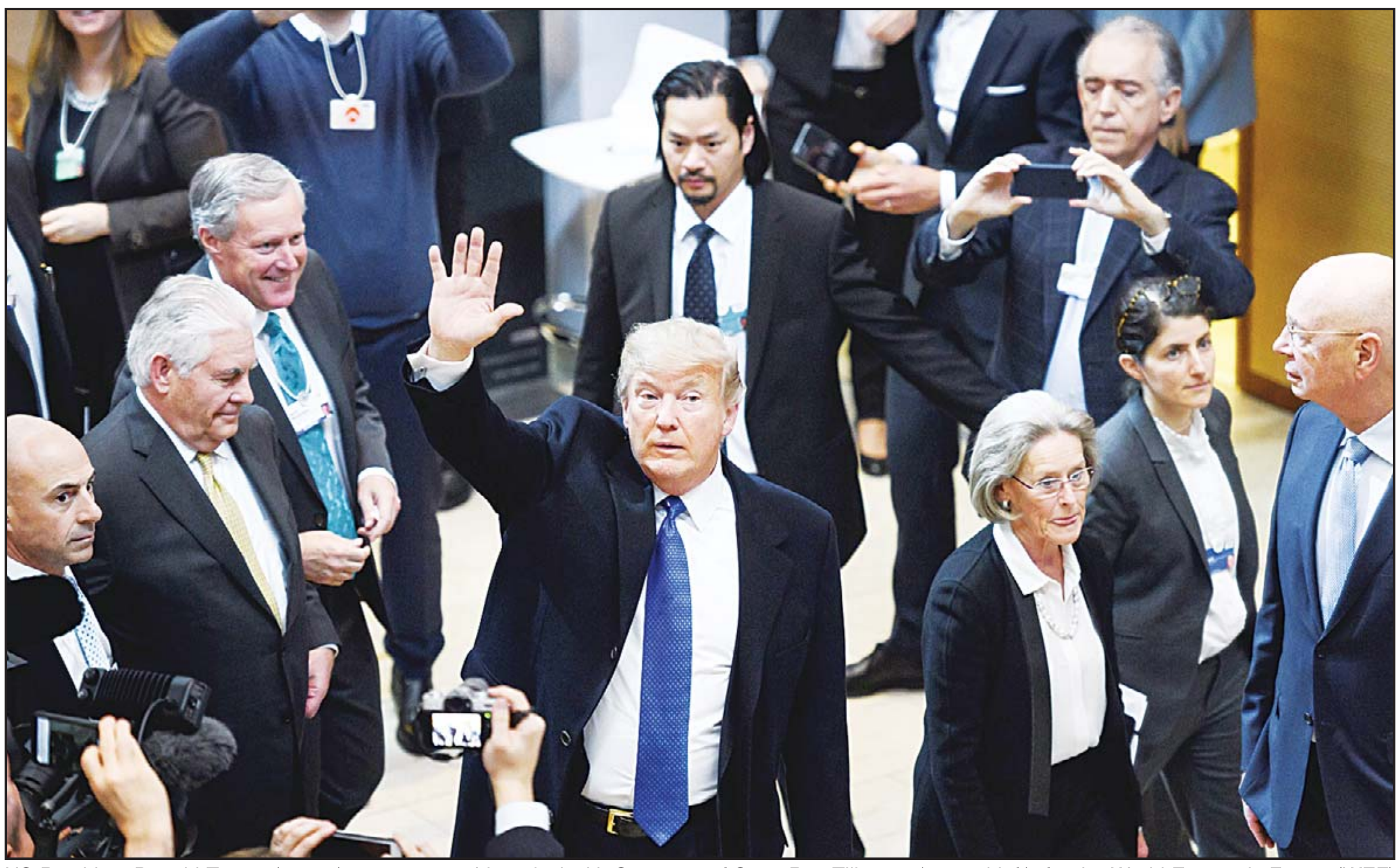
With Kagame, who currently chairs the African Union, Trump will likely try to turn a page on his reported derogatory comment about "shithole" African countries.

A year ago, the Davos spotlight was claimed by China's communist leader Xi Jinping, who took up the torch of global trade to the delight of the well-heeled audience then anxious about Trump's inauguration.

The Davos elite are keen now to see which version of Trump will show up — the business-friendly tycoon or the leader who berated the rest of the world at the UN General Assembly last September. "I think they've already built down their expectations so far that anything he may say that's conciliatory, they'll be grateful for," Robert Kaplan, senior fellow at Washington's Center for a New American Security, told AFP at the forum.

"Yes, people like the fact that markets are high and America has reformed its taxes, but people are very nervous about geopolitics around the world and they are very nervous partially because of Trump," he said.

French President Emmanuel Macron and German Chancellor Angela Merkel "stole the show" at Davos already, Kaplan added, after the European leaders used separate speeches on Wednesday to push back hard against the Trump manifesto.



US President Donald Trump (center), waves upon his arrival with Secretary of State Rex Tillerson (second left), for the World Economic Forum (WEF) annual meeting in Davos, eastern Switzerland, on Jan 25. (AFP)

Crisis in Gulf prompted Doha to rationalise economy

Oil majors line up for new Qatari gas projects

DAVOS, Switzerland, Jan 25, (RTRS): US and European oil majors are piling in with offers to help Qatar develop new gas projects, the country's energy minister said, despite a protracted crisis in the Gulf region and pressure on firms to chose between Qatar and its neighbours.

Mohammed al-Sada told Reuters Doha had seen unprecedented interest from majors as Qatar seeks to expand its gas capacity to 100 million tonnes a year from the current 77 million to cement its position as the world's largest exporter.

"Both US and EU majors have shown great interest. We did expect this, but they surprised us on the upside by the degree of keenness," said al-Sada, when asked whether firms had expressed concerns about potential pressure from Saudi Arabia and the United Arab Emirates (UAE) not to cooperate with Qatar.

OPEC kingpin Saudi Arabia and the UAE cut ties with Doha in June, saying Qatar backed terrorism and was cosying up to rival Iran. Qatar rejected the accusation. Reuters reported last year that Qatar's traditional partners ExxonMobil, Royal Dutch/Shell and Total , which helped turn the country into a gas superpower, had all shown interest in new projects. The companies are also heavily present in the UAE and Saudi Arabia.

"We have newcomers too," said al-Sada.

Saudi Arabia and the UAE have presented demands which, Qatar says, would amount to surrendering its sovereignty if implemented. The dialogue between the former allies has been effectively frozen over the past six months despite mediation attempts by the United States.

"We are happy to sit down with everyone, but with one message in mind - preserving our sovereignty is a paramount condition," said al-Sada.

The crisis has prompted Qatar to abandon plans to supply more gas to Saudi Arabia and the UAE. It is now looking for new markets for its liquefied natural gas (LNG).

"LNG is not a regional commodity. We can reach all corners in the world unlike via pipelines which are restricted from point A to B and are crossing geopolitically challenging areas," said al-Sada.

Qatar has insisted the crisis has opened new opportunities by spurring domestic industries such as construction, while competition among importers into the country is also rising. GDP is expected to rise 3.7-4.0 percent this year, said al-Sada.

"We turned challenges into an opportunity. Internally, we rationalised for better efficiency," he said, citing the merger of Qatar's two top gas companies QatarGas and RasGas as an example.

The merger will allow Qatar to further cut costs and become more competitive, said al-Sada. It resulted in layoffs for several hundred foreign workers, but those contracts were close to expiry anyway, said al-Sada, adding there were no layoffs among Qatari nationals.

"It was also important that the foreign partners shared our vision of the merger," he said.

Externally, Qatar is diversifying investments which range from stakes in companies such as Volkswagen and Glencore to ownership of luxury hotels and UK shops. "The diversification of the portfolio will continue. We are open minded about investing in tight or shale oil ... US offers very good opportunities and we studied a number of those projects," he said.

He added Qatar was expanding investment into LNG exports out of the United States where the country has a venture with Exxon for the Sabine Pass terminal, which was initially designed to import gas into the United States but is now being converted into an export terminal as US gas output soars.

Despite rising exports from Qatar and rival producers such as the United States and Russia, a major global gas glut was unlikely to arise as demand for gas is growing faster than for any other forms of energy, al-Sada said.

"Maybe for the next 4-5 years we may have a surplus, but it will be less than previously perceived. But beyond 2024-2025 the market will be tight again. That is why Qatar chose to start expanding now."

Jobless claims up

US 'new' home sales fall 9.3%

WASHINGTON, Jan 25, (RTRS): Sales of new US single-family homes fell more than expected in December, recording their biggest drop in nearly 1-1/2 years, likely as the boost from the replacement of flood-damaged houses in parts of the South affected by hurricanes faded.

Other data on Thursday showed the number of Americans filing for unemployment benefits rose from a 45-year low last week. The jump in jobless claims was, however, less than expected, and the underlying trend remained consistent with a tight labor market that is helping to underpin demand for housing.

"We expect demand for single-family housing to remain robust, driven by job gains and the aging of the millennial generation into prime homebuying ages," said Ben Ayers, senior economist at Nationwide in Columbus, Ohio.

The Commerce Department said new home sales declined 9.3 percent to a seasonally adjusted annual rate of 625,000 units last month. The percentage decrease was the largest since August 2016. Unseasonably cold temperatures at the end of December probably also hurt sales.

Forecast

Economists polled by Reuters had forecast that new home sales, which account for 10.1 percent of the housing market, would tumble 7.9 percent to a pace of 679,000 units last month.

Sales plunged 9.8 percent in the South last month after a 6.6 percent surge in November that was tied to rebuilding after the devastation caused by Hurricanes Harvey and Irma. They fell 10 percent in the Midwest and dropped 2.4 percent in the Northeast - both regions experienced unusually cold weather in late December. In the West, sales fell 9.5 percent.

Pointing to underlying strength in the housing market, new home sales surged 14.1 percent from a year ago. They increased 8.3 percent in 2017 to 608,000 units, the highest level since 2007.

The strong labor market, which is near full employment, has unleashed demand for housing that has not been matched by supply. As a result, house price inflation has outpaced wage growth, keeping some first-time home buyers out of the market. The median new house price rose 2.6 percent to a record $335,400 in December from a year ago.

While the stock of new homes on the market increased 3.9 percent in December to 295,000 units, more than an 8-1/2-year high, it remained below its peak of 572,000 units in July 2006.

At December's sales pace it would take 5.7 months to clear the supply of houses on the market, up from 4.9 months in November. A six-month supply is viewed as a healthy balance between supply and demand.

The US dollar was weaker against a basket of currencies after the data. Prices of US Treasuries were trading mostly lower while US stock indexes were largely flat.

In a separate report on Thursday, the Labor Department said initial claims for state unemployment benefits increased 17,000 to a seasonally adjusted 233,000 for the week ended Jan 20. Claims fell to 216,000 in the prior week, the lowest level since January 1973.