Saudi sign road contracts

Saudi Arabia's transport ministry has signed contracts worth 1.7 billion riyals ($453.3 million) to extend 23 roads across the kingdom as a part of a plan to upgrade its infrastructure.

The contracts are part of 75 projects worth 2.7 billion riyals signed so far this year, said an emailed statement, without naming any of the 18 companies that were awarded the contracts.

The kingdom has invested heavily in infrastructure projects in the past including ports, railways, roads and airports with its cities growing significantly in recent decades.

Under its ambitious reform programme, Vision 2030, the government is spending billions of dollars to expand public transport systems in the capital Riyadh and other big cities in partnership with the private sector. (RTRS)

Iran abandons FX rate effort

Iran formally opened a secondary market for hard currency on Tuesday, abandoning after just three months an effort to dictate a single exchange rate for the rial against the dollar as the threat of US sanctions pressures the Iranian currency.

The new market will cater to small exporters and importers from the private sector, the Tasnim and Fars news agencies reported. Fars said the first transaction exchanged rials for United Arab Emirates dirhams, at a rate equivalent to 75,000 rials to the US dollar.

A central bank official said the secondary market would allow exchange rates to fluctuate freely.

"The price of the foreign currency will be set based on supply and demand," Mehdi Kasraeipour, the central bank's director of foreign exchange rules and policies, was quoted as saying on Monday by the IRNA state news agency.

Authorities had announced in early April they were unifying official and free-market rates for the rial in favour of a single rate set by the central bank, and warned that those caught trading the dollar at other rates would face arrest.

The move aimed to halt a plunge in the rial to record lows against the dollar that was fuelled by US President Donald Trump's decision to withdraw from world powers' 2015 deal with Iran on its nuclear programme.

Some US sanctions against Iran's economy are to be reimposed in August and some in November, and the prospect has triggered a panicky flight of ordinary Iranians' savings into dollars. (RTRS)

Market Movements 10-07-2018

			Change	Closing pts
INDIA	-	Sensex	+304.90	36,239.62
JAPAN	-	Nikkei	+144.71	22,196.89
PHILIPPINES	-	All Shares	+28.14	4,413.44
FRANCE	-	CAC 40	—	5,398.11
GERMANY	-	DAX	+65.96	12,609.85
EUROPE	-	Euro Stoxx 50	+12.89	3,473.31
S. KOREA	-	KRX 100	+13.24	4,782.62

			Change	Closing pts
AUSTRALIA	-	All Ordinaries	-23.60	6,342.80
HONG KONG	-	Hang Seng	-6.25	28,682.25

Business

S&P Global watching Turkey closely after Erdogan power play

Turkey's new finance chief vows to bring inflation down

ANKARA, July 10, (Agencies): Turkey's incoming finance minister, the son-in-law of President Recep Tayyip Erdogan, on Tuesday vowed to bring inflation down to single digits as he seeks to win over investors spooked by his appointment.

Berat Albayrak, the husband of Erdogan's elder daughter Esra, was on Monday named by the president as treasury and finance minister as part of a cabinet reshuffle for his new term.

Albayrak's surprise switch from the energy ministry spooked financial markets, who were also unhappy to see there was no room for outgoing deputy prime minister Mehmet Simsek, the government's pointman on the economy.

"In the coming period we will work intensively to bring inflation down to single digits," Albayrak said at a handover ceremony with Simsek, whose post no longer exists in the new government.

Inflation in Turkey surged to over 15 percent in June for the first time in almost one-and-a-half decades, raising new fears that the economy is overheating.

Albayrak promised a "more successful performance" in the coming period based on "independent institutions".

Erdogan has repeatedly called on the central bank, nominally independent, to cut interest rates, raising concerns over its credibility.

Albayrak, 40, vowed that Turkey would set "an example for the world" in financial and budgetary discipline and also vowed "a vigorous and energetic monetary policy", without giving further details.

"Turkey will write a new story," he promised.

The lira had on Monday lost over 3.5 percent in value against the dollar after Albayrak's appointment, with markets also rattled by changes to the president's relationship with the central bank under the new system that dispenses with the office of prime minister.

Presidential decrees said the central bank governor would no longer have the power to appoint his deputies while Erdogan would now directly name the governor with no need to act in tandem with the government.

The lira on Tuesday gained back 0.5 percent against the dollar to trade at 4.7 to the greenback.

"The pace at which he (Erdogan) is moving to tighten his grip is alarming and, in response, Turkish financial assets have come under pressure," said Jason Tuvey, senior emerging markets economist at Capital Economics, in a note to clients.

Simsek, a former Merrill Lynch economist who had spent much of the last year trying to reassure markets after sometimes provocative comments by Erdogan, appeared to show no bitterness over his departure.

"People are temporary, the main thing is service to our dear nation," he wrote on Twitter. "Goodbye to you all."

Also:

LONDON: S&P Global is watching **Turkey** closely, the rating agency said on Tuesday, and it warned that President **Tayyip Erdogan**'s move to install his son-in-law as finance minister showed power in the country was now increasingly centralised.

S&P rates Turkey at BB-, lower than rivals Moody's and Fitch following a downgrade in May, but one of its senior sovereign analysts, **Frank Gill**, told Reuters the country's political changes were keeping it in focus.

"It is a bit premature to rush to conclusions, but obviously decision making is increasingly centralised," Gill said after Erdogan appointed his son-in-law **Berat Albayrak** as the treasury and finance minister in his new cabinet.

"When institutions are working in sovereigns, you have a strong civil service which can take decisions, technical decisions which often take place at a non-political level," but was no longer the case in Turkey, he said.

S&P has a stable outlook on its local and foreign-currency Turkey ratings and has warned its fiscal metrics could sour quickly if the current pressure on its financial markets continues. That is likely to depend on what Erdogan and the government do next.

"We are watching closely what the policy on the state of emergency will be, what the overall fiscal stance is going to be," Gill said. "Will there be further extensions of the credit guarantee scheme? And where is the growth going to come from given that we feel the funding capacity of the banks is close to exhausted?"

He also questioned whether the government would start pumping additional stimulus into the economy to combat the expected hit to growth from recent interest rate hikes. If it does, that could drive up the government's debt levels.

Creditors at odds on restructuring of 'Salt Bae' steakhouse owner's debt

ISTANBUL, July 10, (RTRS): Creditors of Turkey's Dogus Holding, which owns restaurants made famous by the "Salt Bae" internet meme, are at odds over the restructuring of some 2 billion euro in debt, three sources said, the latest fall-out from a foreign-currency debt binge.

Turkish companies have been drawn to cheaper, foreign-currency debt in recent years. But they are now squeezed as a sell-off in the lira drives up repayment costs. Turkey's firms had $225 billion in long-term overseas loans as of April, almost all of that in dollars or euro, central bank data showed.

Akbank, Turkey's third-largest listed bank by assets, wants the debt to be collected as soon as possible, one of the sources said, adding the talks were being led by rival lenders Yapi Kredi and Isbank.

"There is a disagreement over the maturity. Akbank does not agree with the loan maturity offered by Yapi Kredi and Isbank," a second source said, adding the maturity could be between four and six years.

Dogus Holding, Akbank and Yapi Kredi all declined to comment. Isbank said the debt restructuring negotiations were continuing, but declined to give further details.

Dogus' outstanding loans stood at 23.5 billion lira ($5.2 billion) at the end 2017, up 11 percent from the year before. It the up to 2 billion euro loan is among the debt it has maturing this year.

The company, whose operations include construction, energy and automobiles, sold a 17 percent steak in its Dogus Restaurant Entertainment and Management (D.ream) unit to Singapore's Temasek and Britain's Metric Capital in April for $200 million.

D.ream owns the Nusr-Et steakhouse made famous by the butcher-turned-social media star Nusret Gokce, who went viral on social media under the nickname "Salt Bae" in 2017 after posting videos of himself salting meat.

Dogus reported a loss of 2.3 billion lira in 2017 after a 2 billion lira loss in 2016. Sales last year rose 16 percent to 20.4 billion lira.

Turkey's lira currency has fallen some 16 percent this year, increasing concern about the impact on corporate debt - and local banks.

Conglomerate Gama Holding is in talks to sell some of its assets as part of a $1 billion debt restructuring, sources have told Reuters.

Yildiz Holding, the owner of global food brands including Godiva chocolate and McVitie's biscuits, signed a deal with its banks to refinance $5.5 billion in debt in May.

Ratings agency Moody's has warned that there could be a spike in problem loans for Turkish banks if the lira weakens further.

Shell shuts Knarr field

Hundreds of oil workers in Norway go on strike

OSLO, July 10, (RTRS): Hundreds of workers on Norwegian offshore oil and gas rigs went on strike on Tuesday after rejecting a proposed wage deal, leading to the shutdown of one Shell-operated field and helping send Brent crude prices higher.

One union said hundreds more workers would join the strike on Sunday if an agreement over union demands for a wage increase and pension rights was not reached.

Royal Dutch Shell said that due to the strike it was temporarily closing production at its Knarr field, which has a daily output of 23,900 barrels of mostly oil, but also natural gas liquids and natural gas.

Shutting the field, whose owners are Idemitsu, Wintershall and DEA, could take up to 36 hours, it said.

Norway is Western Europe's biggest oil producer. The disruption added to a rise in global oil supply outages and helped push Brent crude up 1.2 percent to $79.03 per barrel.

The output of Norway's biggest oil producer Equinor, formerly known as Statoil, was not affected so far, the company said, even though it was shutting drilling operations at its Snorre B platform.

Shortly after a midnight deadline passed, a state-appointed mediator said talks between two trade unions, Safe and YS, and the Shipowners' Association, representing the rig employers, had failed to reach a deal.

Point

"The parties were so far apart from each other there was no point presenting a proposal that could be recommended to both sides," mediator Carl Petter Martinsen said in a statement.

The Safe union wants pension rights to be the same for everyone regardless of whether an employee is new to a company or has many years of experience.

It also wants wages for drilling workers to match those of workers for oil companies, which are higher.

The Norwegian Shipowners' Association said Safe was asking for a 50,000 Norwegian crown ($6,225) salary increase for unskilled workers, equivalent to about 8 percent of current wages.

The leader of Safe said she did not recognise the figures presented by the Shipowners' Association.

Around 670 workers would walk out from Tuesday, with an additional 901 employees joining them from midnight on Sunday if the dispute is not resolved, Safe said in letters to the Shipowners' Association.

In total, up to 2,250 workers could join the action, it said.

Norway's oil sector directly employed 50,700 workers in 2017, of whom 26,700 worked in production and 23,500 in related services, according to Statistics Norway. The rest were occupied in transportation through pipelines.

It was the biggest strike affecting the sector since a 16-day industrial action in 2012 cut the country's output of crude by about 13 percent and its natural gas production by about 4 percent.

Talks between the two striking Norwegian unions and rig employers will not resume for a few days, the leader of Safe, Hilde-Marit Rysst, told Reuters.

Contact

"We have no contact with the employers yet. It will take some days at least before we hear from them ... If they want to contact us they will probably reach out to us before the bigger strike on Sunday," Rysst said.

The Shipowners' Association, representing the employers, said it was keen to resolve the situation.

"We have no scheduled contacts as of now but we have every will to seek a solution," Jakob Korsgaard, lead negotiator for the Shipowners' Association, told Reuters. "The effect of a strike like this is substantial financially."

He did not specify whether the association would contact the unions before Sunday's strike escalation.

Industri Energi, the union which represents the majority of Norwegian oil drilling workers, concluded a wage deal earlier this year with the Shipowners' Association and is not on strike.

Safe said 106 workers from the Teekay Petrojarl production ship operating at Shell's Knarr field would walk out initially.

Norway pumped 1.97 million barrels of oil and natural gas liquids a day in 2017, according to BP's Statistical Review published in June.

Natural gas production was 123 billion cubic metres last year, BP reported, making Norway the world's seventh biggest producer and Europe's largest gas supplier after Russia.

Safe said workers on rigs that conduct exploration or production drilling for oil firms would also walk out on Tuesday.

That includes 117 workers from the Transocean Spitsbergen rig; 80 from the Songa Offshore Enabler; 71 from Odfjell Drilling's Deepsea Stavanger; and 60 from North Atlantic Drilling's West Elara rig.

Others set to join the action include 40 Archer drilling workers on the Snorre B platform operated by Equinor; 67 from COSL working on the COSL Innovator rig; 50 from Island Offshore, a supply vessel firm; and 59 from the KCA Deutag MODU drilling contractor working on the Askeladden rig.

Energy subsidy cuts trigger jump in Egypt June consumer inflation

Rise in fuel, electricity and transportation fares hit economy

CAIRO, July 10, (Agencies): Egypt's annual urban consumer inflation surged to 14.4 percent in June as cuts to energy subsidies imposed under an IMF loan deal hit the economy sooner than expected.

The speed at which June's increases in fuel, electricity and transportation fares hit the economy surprised economists, who said interest rates could now stay high for longer.

The data, from the official statistics agency CAPMAS, followed 10 months of steady decline in the key measure of inflation, which was 11.4 percent in May.

The price hikes were part of efforts to meet the terms of a $12 billion International Monetary Fund loan programme from late 2016 that included cuts in energy subsidies and tax increases.

"It's certainly higher than we estimated," said Allen Sandeep, head of research at Naeem Brokerage. "It is of course for the most part taking into account the fuel subsidy cut."

The head of research at Pharos Securities Brokerage, Radwa El Swaify, said the impact of fuel price rises appeared faster than expected.

"We had expected the 3.5 percent MoM increase in CPI to hit the July numbers, rather than June, which means that the spike in cost had reflected on prices faster than estimated.

"Consequently, we expect July monthly inflation to hit 2.5 percent to 3.5 percent, and annual inflation to score 14.5 percent to 15.0 percent, but level off gradually to 13 percent to 13.5 percent by December 2018."

Sandeep said transport costs soared by 34.2 percent month-on-month, while utilities rose by seven percent, accounting for the bulk of the increase.

The government in May raised metro fares in a move that increased public discontent, sparking brief protests by dozens of commuters.

Core inflation meanwhile fell to a two-year low of 10.9 percent in June, from 11.09 percent in May, central bank data showed. The figure strips out volatile items such as vegetables, fruit and items with regulated prices such as fuel.

Inflation soared to a record high of more than 33 percent in July 2017 after the import-dependent country floated the Egyptian pound in November 2016. Inflation has eased since then, slowing to its lowest level in almost two years in May.

Sandeep said that month-on-month, inflation rose in June by 3.5 percent, compared to 0.2 percent in May.

"This reinforces views that monetary austerity is here to stay until year's end," Sandeep told Reuters.

Traders watch share movements as Boursa Kuwait ended trading Tuesday on the green zone as the premier market index went up 57.09 points to reach 5,302.31 points. (KUNA)

Group's chief slams Trump criticism

'Don't blame OPEC for oil price rise'

CALGARY, Alberta, July 10, (RTRS): The president of OPEC on Monday defended the oil producer group against US President Donald Trump's recent demands for higher oil output, saying OPEC does not shoulder the blame.

Trump has accused the Organization of the Petroleum Exporting Countries in recent weeks of driving gasoline prices higher and urged the group to do more.

"OPEC alone cannot be blamed for all the problems that are happening in the oil industry, but at the same time we were responsive in terms of the measures we took in our latest meeting in June," Organization of the Petroleum Exporting Countries president Suhail al-Mazrouei told Reuters in an interview in Calgary, Alberta.

"I feel OPEC is doing its part."

Mazrouei said OPEC is willing to listen to major oil-producing countries, including the United States.

OPEC agreed in June on a modest increase in oil production starting in July after its leader Saudi Arabia persuaded arch-rival Iran to cooperate, following calls from major consumers to curb rising fuel costs.

Global oil prices have climbed steadily this year, helped by rising demand, and topped $80 per barrel in May for the first time in 3-1/2 years.

Mazrouei, who also serves as energy minister of the United Arab Emirates (UAE), said OPEC member crude producers have enough capacity to handle any unforeseen global supply disruptions. OPEC is seeking a balance between supply and demand, not targeting a crude price, he said.

The UAE alone has 400,000 to 600,000 barrels per day of additional capacity, he said.

Mazrouei said he did not anticipate needing to call any extraordinary meeting of OPEC member countries before a scheduled meeting in December.

The OPEC president is in Canada during its annual Calgary Stampede,

Saudi representatives meet Taiwananese bond investors

DUBAI, July 10, (RTRS): Saudi Arabian government representatives were in Taiwan last week to meet bond investors in a so-called "non-deal roadshow", sources familiar with the matter said.

A potential sale of Formosa bonds — debt securities sold in Taiwan by foreign issuers and denominated in currencies other than the Taiwanese dollar — could allow Saudi Arabia to tap a new investor base at a time of adverse conditions in emerging markets.

To offset lower revenues caused by a slump in oil prices, the Saudi government has borrowed $50 billion through dollar bond sales since its debut in international debt markets in late 2016.

A "non-deal roadshow" is a series of investor meetings not tied to a specific deal.

The Saudi debt management office did not immediately respond to a request for comment.

Other issuers in the Gulf, particularly financial institutions, have frequently issued Formosa bonds over the past year. Qatar National Bank, the Gulf's largest bank, and First Abu Dhabi Bank, the largest lender in the United Arab Emirates, did so in January.

In April the government of Qatar also tapped the market, issuing a $6 billion 30-year Formosa bond as part of a $12 billion triple-tranche debt offering. It was the first ever sovereign Formosa 30-year bond issue.

Taiwan is attractive from an issuer perspective because liquidity in its banks allows borrowers to sell debt at lower costs than in conventional markets.