Saudi fund appoints ex-CEO of Dow Chemical as special adviser

Saudi Arabia's sovereign fund has named Andrew Liveris, the former chairman and chief executive of Dow Chemical, as a special adviser, in its highest-profile appointment of any global manufacturing executive.

Liveris will work closely with the Public Investment Fund (PIF) on matters of strategic importance, assist the fund in efforts to boost the value of its portfolio, and ensure the contribution of PIF companies to Saudi Arabia's economic vision programme 2030, the fund said in a statement on Sunday.

His appointment comes as the PIF, chaired by Crown Prince Mohammed bin Salman, is negotiating the sale of its majority stake in Saudi Basic Industries (SABIC) to oil company Aramco.

Liveris joined the Aramco board on July 1.

The PIF said Liveris had extensive experience working in Saudi Arabia over the last two decades and under his leadership, Dow DuPont worked with Aramco to develop the Sadara Chemical petrochemical complex.

The PIF, which manages more than $250 billion in assets, aims to increase its asset portfolio to $400 billion by 2020.

More than half of its assets are tied up in large Saudi companies, but the PIF has also made substantial overseas commitments. This included a $45 billion agreement to invest in a giant tech fund led by Japan's Softbank and another $20 billion committed to an infrastructure investment fund planned with Blackstone. (RTRS)

Andrew Liveris, former chairman and chief executive of Dow Chemical.

Market Movements 31-08-2018

			Change	Closing pts
S. KOREA	-	KRX 100	+34.94	4,836.49
PHILIPPINES	-	All Shares	+11.43	4,772.33

			Change	Closing pts
AUSTRALIA	-	All Ordinaries	-32.70	6,427.80
JAPAN	-	Nikkei	-4.35	22,865.15
GERMANY	-	DAX	-130.18	12,364.06
FRANCE	-	CAC 40	-71.21	5,406.85
EUROPE	-	Euro Stoxx 50	-38.09	3,392.90
INDIA	-	Sensex	-45.03	38,645.07
HONG KONG	-	Hang Seng	-32.70	27,888.55

Business

Central bank to hold policy meeting on Sept 13

Turkey takes aim at rating agency 'racketeers and impostors'

ISTANBUL, Sept 2, (RTRS): Turkey accused Western credit rating agencies on Friday of deliberately attempting to undermine the banking sector amid attacks on the lira.

The scathing comments from President Tayyip Erdogan and his son-in-law, Finance Minister Berat Albayrak, came after agencies Moody's and Fitch this week sounded more alarm about the state of Turkey's banks, citing impact of the currency sell-off.

The lira has lost 42 percent of its value against the dollar this year, deepening concern about lenders' asset quality and their ability to ride out the crisis. For years, Turkish firms have borrowed in dollars and euros, drawn by lower interest rates.

The currency slump has driven up the cost of servicing that debt and investors fear that banks could be hit by a wave of rising bad debt. Around $179 billion of Turkey's external debt matures in the year to July 2019, according to JPMorgan estimates. Most of that - around $146 billion - is owed by the private sector.

"These rating agencies - in a way that has no precedent in the world - right after every forex attack they have weighed in and made intensive efforts to create a pessimistic view of our banks," Albayrak said in a speech in Istanbul. He said banks' balance sheets were stronger than most of their global rivals.

Erdogan, characteristically, was more scathing.

"If they have their dollars, we have our God. They can't topple Turkey with dollars," he told supporters in the northwestern province of Balikesir.

"Put this aside, leave those impostors, those racketeers. They have said a lot of things about us."

Erdogan said Turkey was taking steps to help the currency, and was seeing concrete results. Earlier on Friday the government said it would lower the level of withholding tax on lira bank deposits, while raising it on foreign currency deposits.

The lira firmed some 1 percent after the move. It was at 6.5900 at 1400 GMT, rebounding strongly from an overnight low of 6.8994.

Unclear

Erdogan has repeatedly called on Turks to sell their dollars and euros to buy lira. Friday's move by the government was aimed at making it less attractive for investors to hold foreign-currency deposits, although it was unclear if it would work.

"A rise of 1-2 points on the tax on foreign deposits would not be very detrimental," said Cem Baslevent, an economics professor at Istanbul Bilgi University. "The reason people hold foreign currency is not because of the interest rate return, but the expectation the exchange rate will rise."

Data released by the central bank on Friday showed that foreign exchange held by Turks fell to $152.8 billion as of Aug 24, from $159.9 billion on Aug 10 - suggesting people were heeding Erdogan's call, or cashing in from the crisis.

Initially sparked by worries about Erdogan's influence on the central bank, the lira crisis has worsened over a rift with Washington over an American evangelical Christian pastor detained in Turkey on terrorism charges.

Erdogan, a self-described "enemy of interest rates", wants to see lower borrowing costs to keep credit flowing, particularly to the construction sector. Investors, who see the economy heading for a hard landing, want to see decisive interest rate hikes.

Other data showed that the central bank's gross foreign exchange reserves fell to $72.9 billion as of Aug 20, from $79.1 billion on Aug 10.

The central bank is due to hold its next rate-setting meeting on Sept 13. Sources told Reuters on Thursday that one of its deputy governors, Erkan Kilimci, is leaving the bank.

"Kilimci had no disagreements with the central bank administration on any issues - including interest rates. His expertise will be employed at another public position, that's all," one senior source told Reuters.

The central bank and the banking watchdog have taken a series of measures to try to prop up the currency since its recent slide began, although it has not raised interest rates since early June.

It has been under pressure from Erdogan not to increase interest rates, despite high inflation and the lira's slide.

On Friday the bank said it would allow the sale of non-deliverable forward (NDF) contracts through the Istanbul stock exchange's derivatives market, widening the availability of the currency contracts.

The main BIST 100 share index dipped 0.44 percent on Friday to 92,867 points.

Danger to oil demand from trade wars may offset price boost from Iran: poll

Saudi Arabia seen filling in for supply gaps from Iran

LONDON, Sept 2, (RTRS): Oil analysts cut their price forecasts for 2018 for the first time in almost a year in August, given growing concern over the impact on crude demand from escalating trade tensions, although falling supply, particularly from Iran, would likely limit losses, a Reuters poll showed on Friday.

A survey of 45 economists and analysts forecast Brent crude to average $72.71 a barrel in 2018, 16 cents lower than the $72.87 projected in the previous month's poll and above the $71.96 average so far this year. The price was forecast to average $72.58 in 2019.

US crude futures were forecast to average $67.13 a barrel in 2018, compared with $67.32 forecast last month and an average of $66.40 until now.

"The eventual loss of Iranian barrels is likely to match, if not exceed, the amount seen during the multi-lateral round of sanctions in 2012-2015," said Harry Tchilinguirian, global head of commodity market strategy at BNP Paribas. Supply is also at risk in countries like Venezuela, Libya and Angola, he said.

"These supply side factors presents strong upside for oil prices."

US sanctions on Iran's energy sector will come into force on Nov 4, although the country's crude oil and condensate exports are already expected to have fallen to a 16-month low in August.

Deal

The United States wants to force buyers of Iranian oil to cut their imports from OPEC's third-largest producer to nothing, after an international nuclear deal between the two nations was dissolved.

However, there is a concern among analysts that global trade disputes could undermine economic growth, which in turn may mean Asian importers' demand for crude oil declines.

The United States is embroiled in an ever-escalating trade war with multiple countries, especially China.

"Trade tensions could slow oil demand growth in Asia, likewise possible contagion of the Turkey crisis; slower demand growth would make it easier to replace Iranian barrels," said Carsten Fritsch, senior commodities analyst at Commerzbank.

Analysts said the Organization of the Petroleum Exporting Countries (OPEC) would continue to adjust its crude supply to ensure the global oil market remained in balance.

Saudi Arabia will be a strong contender to fill in the supply deficit caused by Iran sanctions and tensions elsewhere in the coming months, a majority of industry experts said.

"At the moment the market is looking balanced over the fourth-quarter, assuming Iranian supply falls by around 500,000 barrels per day. The obvious upside risk is if Iranian losses are greater than this, as this would push the market into deficit over the final quarter," said ING commodities strategist Warren Patterson.

In this file photo, people change money at an exchange office in Ankara, Turkey. (AFP)

QIA delegation to announce big new investments on Sept 7

Qatar plans to invest billions of dollars in Germany

FRANKFURT, Sept 2, (RTRS): Qatar plans to invest billions of dollars more in Germany and will broaden its focus to the country's medium-sized companies, business newspaper Handelsblatt said in a report due to be published on Monday.

Citing diplomatic and company sources, the paper said that the Qatar Investment Authority (QIA) and private sector players would be looking at Germany's "Mittelstand" manufacturing companies.

"We see Germany as a key player in the world economy and are looking at the German market with great optimism," Handelsblatt quoted Qatar's Minister of Finance Ali Sharif al-Emadi as saying.

"Our delegation will be announcing big new investments," he said in an interview in the Handelsblatt report ahead of a Qatar Germany Business and Investment Forum in Berlin on Sept 7.

Qatar, the world's biggest exporter of liquefied natural gas (LNG), has shareholdings in companies including Volkswagen , Deutsche Bank, Siemens, Hochtief and SolarWorld.

Handelsblatt calculated that they jointly amounted to $20 billion.

Al-Emadi said Qatar was happy with its investments, despite having incurred some losses from Solarworld and Deutsche Bank engagements. "We have a lot of stamina, and that goes for all sectors," he said.

Germany's economy ministry did not immediately respond to a Reuters request to comment.

Fears about slowdown grow as Treasury curve inches closer to inverting

US economy rises towards cyclical peak

The opinions expressed here are those of the author, a columnist for Reuters.

– Editor

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By John Kemp

The US economy shows signs of extending its nine-year expansion with the help of tax cuts and strong business and consumer confidence.

Both the longevity of the expansion and the apparent limited slack in the labour and product markets suggest the current pace of growth is probably not sustainable in the medium term.

The current cyclical expansion is 110 months old and will be the longest on record if the economy is still growing in July 2019.

While longevity alone is not a good predictor of cyclical turning points, with most financial and economic indicators close to multi-decade highs, the balance of risks is shifting.

"What matters primarily ... is not the passage of calendar time but what happens over time in and to the economy in motion. It is historical and psychological time, filled with events and processes, perceptions and actions.

"There is a simple corollary: knowledge of the current phase of the business cycle and its age can help but must not be used in isolation," Victor Zarnowitz, a leading US expert on business cycles, wrote in 1992.

"The variability in length of business expansions and contractions is sufficiently large for the timing of cyclical turning points to be very difficult to forecast.

"The age of a phase alone is not of much help in predicting its end: what matters more is the dynamics of the evolving business situation.

Zarnowitz went on to observe: "The largest errors in forecasts ... are made in the vicinity of business cycle and growth cycle turning points, particularly peaks.

"Many forecasts are overly influenced by the most recent events or developments; they rely on the persistence of local trends and are insufficiently cyclical in the sense they miss recessions and recoveries."

Correlation

Fears about a future slowdown in the US economy have grown as the US Treasury curve has come closer to inverting, given the close correlation between slowdowns and inversions over several decades.

Yields on US Treasury paper with two years to maturity are now just 22 basis points below yields on 10-year notes, the narrowest gap since a few months before the start of the last recession in December 2007.

The yield curve exhibits strongly cyclical behaviour, with a large negative gap during economic slowdowns and a smaller negative gap or even a positive one during expansions.

To some extent, whether or not the curve actually inverts is arbitrary, since there is no special significance in the zero line, and the long-term average has been around 105-115 basis points.

So the current gap is already in the 82nd-83rd percentile of the long-term distribution across multiple cycles since 1983, and the economy is already well into the cycle's boom/tightening phase. It is not possible to predict either the precise timing or the depth of the next slowdown, but the narrowing yield gap indicates the distribution of risks over the next couple of years is now skewed to the downside.

There are more scenarios in which something could go wrong (accelerating inflation, an emerging markets crisis, monetary policy errors, or a deterioration in corporate finances) and fewer in which everything goes right.

The current yield gap is consistent with a wealth of other indicators, including purchasing surveys, consumer confidence, unemployment, retail price inflation, freight movements and the escalation in share prices.

They all point to an economy approaching a cyclical peak, and then likely to move into a period of more moderate growth, if not recession, over the next 12 to 24 months.

The critical question is whether the next slowdown, when it comes, proves just a pause in an otherwise sustained expansion (1994/95) or marks an end to the current cycle and start of a new one (2000/01 or 2007/08). (RTRS)