Alba raising $1.5bn in bank debt

Aluminium Bahrain (Alba), owner of one of the world's largest aluminium smelters, is raising $1.5 billion in bank debt to refinance loans it obtained in 2016 to back its Line 6 expansion project, two sources familiar with the matter said.

The company has mandated three Bahrain-based banks - National Bank of Bahrain, Bank ABC and Gulf International Bank - to underwrite the facility, which is now being syndicated to the wider bank market, said the sources.

Alba - which declined to comment - completed $1.5 billion in financing in 2016, marking the largest corporate loan ever raised in Bahrain.

The three banks leading the debt raising did not respond to comment requests.

Alba's original loan, split into an $882 million conventional tranche and a $618 million sharia-compliant tranche, had a seven-year maturity and was coordinated by JPMorgan, National Bank of Bahrain and Gulf International Bank.

Alba's financial performance has recently been hurt by lower London Metal Exchange (LME) prices, US-China trade tensions and a drop in aluminium demand in North America and Europe.

It posted a loss of 19.1 million Bahraini dinars ($50.69 million) in the first half of this year. (RTRS)

US investment in Malaysia up sharply

Malaysia approved US investment worth $5.62 billion in the first half of the year compared with $113 million the previous year, the government said on Wednesday, a possible sign of a diversion of US business as a trade row with China drags on. US and Chinese companies alike are looking at moving some of their manufacturing out of China to escape tit-for-tat tariffs imposed on each other's products.

Economists say Vietnam and Malaysia are likely to be the biggest beneficiaries, though countries such as India are also trying to attract companies such as Apple, Foxconn and Wistron Corp.

The Malaysian Investment Development Authority, which shared the data on foreign private investments with Reuters on Wednesday, declined to name any company but said global firms were increasingly attracted to Malaysia for its stable business and political climate. In the first six months of the year, Malaysia approved US investment proposals worth 11.69 billion ringgit in the manufacturing sector, compared with 307 million ringgit a year earlier, replacing China at the top of the investment list.

Malaysia already hosts manufacturing plants of US companies such as Intel Corp, Dell Technologies Inc and On Semiconductor Corp.

Proposed US investment in the service sector soared to 11.52 billion ringgit from just 42.3 million in the year-ago period, the data showed. (RTRS)

Market Movements 04-09-2019

			Change	Closing pts
CHINA	-	Shanghai SE	+27.26	2,957.41
EUROPE	-	Euro Stoxx 50	+30.09	3,450.83
FRANCE	-	CAC 40	+66.00	5,532.07
GERMANY	-	DAX	+114.18	12,025.04
INDIA	-	Sensex	+161.83	36,724.74
JAPAN	-	Nikkei	+23.98	20,649.14
PAKISTAN	-	KSE 100	+435.05	30,244.73
PHILIPPINES	-	PSEi	+36.15	7,840.86
S. KOREA	-	KRX 100	+54.55	4,238.15

			Change	Closing pts
AUSTRALIA	-	All Ordinaries	-17.42	6,656.12

Business

US trade deficit shrinks in July

Goods exports increase 0.9%; imports slip 0.2%

WASHINGTON, Sept 4, (RTRS): The US trade deficit narrowed slightly in July, but the gap with China, a focus of the Trump administration's "America First" agenda, surged to a six-month high.

The report from the Commerce Department on Wednesday came against the backdrop of an escalation in the trade war between the United States and China. The two economic giants slapped fresh tariffs on each other on Sunday, fanning fears of a global recession. President Donald Trump on Tuesday warned he would be "tougher" on Beijing in a second term if trade talks dragged on.

The Commerce Department said the trade deficit dropped 2.7% to $54.0 billion as exports rebounded and imports fell. Data for June was revised down to show the trade gap shrinking to $55.5 billion instead of the previously reported $55.2 billion.

Economists polled by Reuters had forecast the trade gap narrowing to $53.5 billion in July.

The politically sensitive goods trade deficit with China increased 9.4% to $32.8 billion, with imports jumping 6.4%. Exports to China fell 3.3% in July. The goods trade deficit with the European Union jumped to a record high, with the shortfall with Germany the largest since August 2015.

Washington imposed 15% tariffs on more than $125 billion in Chinese imports, including smart speakers, Bluetooth headphones and clothing. In retaliation, China slapped additional duties on some of the US goods on a $75 billion target list, including a 5% tariff on crude oil. Additional tariffs are due in December.

The trade tensions have rattled financial markets and triggered a global manufacturing recession.

US financial markets were little moved by the trade data.

In July, goods exports increased 0.9% to $138.2 billion. But with China imposing additional tariffs on US soybeans, beef and pork, exports are likely to decline in the months ahead. China's commerce ministry said in early August that Chinese companies had stopped buying US farm products.

A survey of manufacturers on Tuesday showed a measure of export orders received by factories plummeted in August to the lowest level since April 2009.

In July, exports were boosted by consumer goods, which increased $1.5 billion. Capital goods exports rose $0.8 billion. There were also increases in exports of motor vehicles. Exports of industrial supplies and materials, however, decreased $1.7 billion, with shipments of crude oil falling $0.5 billion.

Goods imports dropped 0.2% to $211.8 billion. Economists believe imports rebounded in August as businesses probably stocked up on Chinese goods following the announcement of further tariffs.

The US-China trade tensions have caused wild swings in the trade deficit, with exporters and importers trying to stay ahead of the tariff fight between the two economic giants.

The import bill was pulled down by a $1.5 billion decline in capital goods imports.

US$/KD 0.30380/90

Euro/KD 0.3351

Yen/KD 0.0028

British £/KD 0.3711

KSE **–11.13 pts** at closing Sept 4
See Page 23

Dow **+183.33 pts** at 21:00 Sept 4
See Page 24

Nasdaq **+87.87 pts** at 21:00 Sept 4

FTSE **+43.07 pts** at closing Sept 4

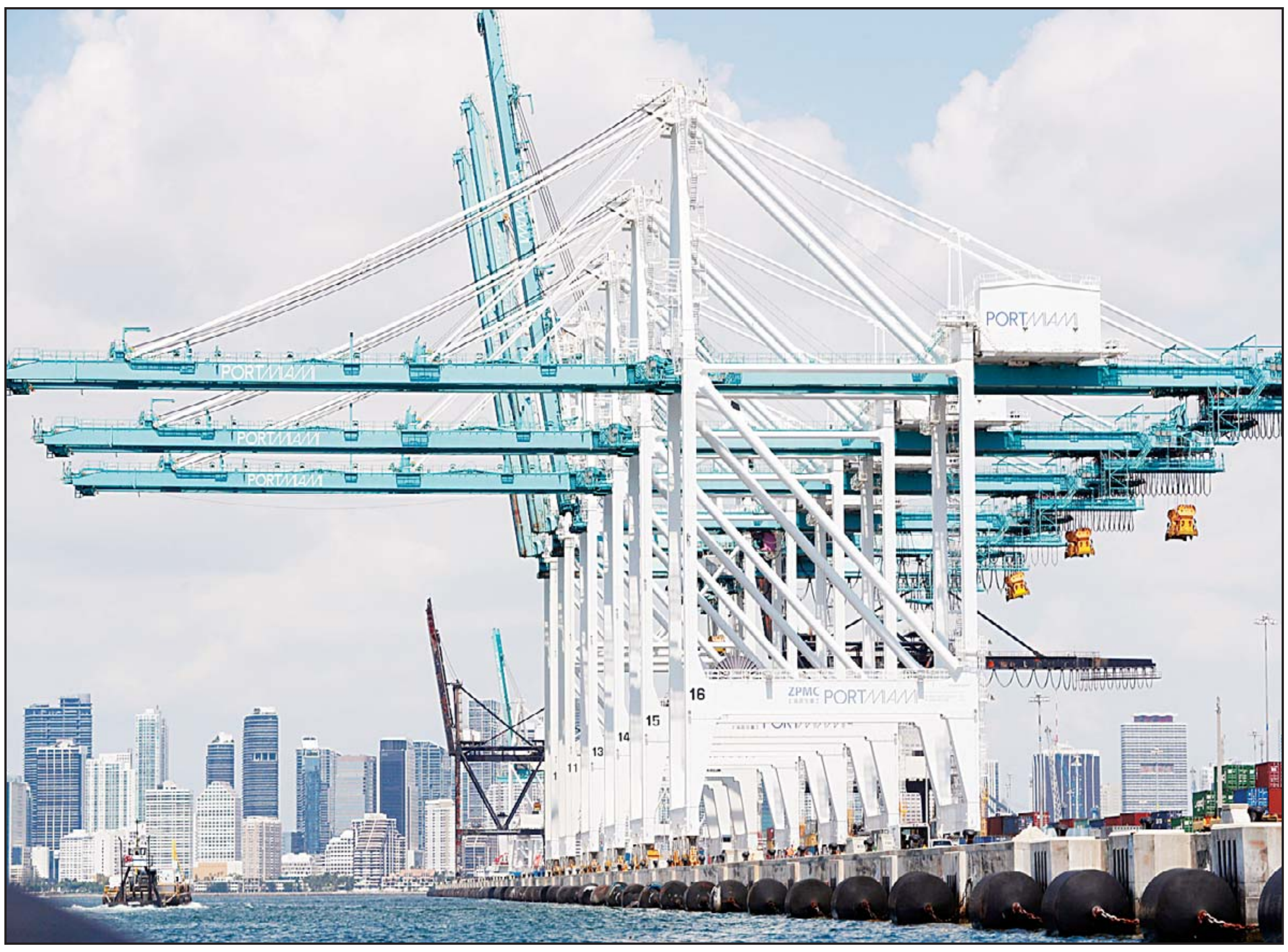
Nikkei **23.98 pts** at closing Sept 4

Gold **$1,532.45** per oz (London)

NYMEX crude $56.53 per barrel

Brent crude $60.87 per barrel

3-month $ LIBOR rate 2.12663%



In this file photo, large cranes to unload container ships are shown at Port Miami in Miami. On Sept 4, the Commerce Department reports on the US trade gap for July. (AP)

Move comes despite Abu Dhabi backing

Aabar's bonds drop on 'adverse' audit

DUBAI, Sept 4, (RTRS): Aabar Investment's bonds, worth 2 billion euros ($2.2 billion), have lost about a quarter of their value this week after an auditor of the Abu Dhabi company gave an "adverse opinion" on its 2018 financial statements.

Aabar was a subsidiary of International Petroleum Investment Co (IPIC), which is now part of Abu Dhabi state fund Mubadala Investment Co.

Its convertible Eurobonds due in 2020 and 2022 which, according to a JPMorgan note, were issued with expectation of support from the government of Abu Dhabi, have lost about 25 cents on the dollar each, Eikon Refinitiv data showed. Aabar said in a regulatory disclosure on Aug. 30 that Ernst & Young audited its 2018 financial statements and gave an adverse opinion "due to losses incurred during the financial year, accumulated losses and a deficiency of assets."

Aabar also said it was "considering the resources and options available to it to continue its normal operating activities and meet its financial obligations as they arise." Aabar's portfolio has included Dubai-listed contractor Arabtec Holding, which over the past few years has experienced financial troubles, and the Swiss bank Falcon Private Bank, which has faced a criminal investigation over links to 1Malaysia Development Berhad (1MDB).

In a note to clients on Tuesday, US investment bank JPMorgan likened Aabar's situation to that of Dubai's state-owned developer Nakheel in 2009.

"We are once again confronted with a 100% state owned entity that lacks much standalone ability to meet financial obligations," said the bank.

Nakheel, developer of palm shaped islands off Dubai, was one of the worst hit by Dubai's 2009-2010 real estate crash, forcing it into a massive debt restructuring. JPMorgan said it expected the state to intervene to help Aabar meet its obligations.

"The company's credit worthiness rested almost entirely on expectation of support from its direct (IPIC) and indirect (Government of Abu Dhabi) shareholders. We continue to believe that shareholders would step in to help support Aabar's repayment of debt," the bank said.

A spokesman for Aabar declined to comment on Aabar's potential support. The Abu Dhabi Department of Finance did not immediately respond to a request for comment sent after office hours.

Emaar head says not aware of plans for new 'Dubai property committee'

In this file photo, a woman walks by a Huawei retail store in Beijing. Chinese tech giant Huawei has accused US authorities of trying to coerce employees to gather information on the company and of trying to break into its information systems. (AP)

DUBAI, Sept 4, (RTRS): The chairman of Dubai's largest listed developer Emaar Properties said on Wednesday he was unaware of a new state property planning commission until it was announced this week, although Emaar was named as a member.

Dubai ruler Sheikh Mohammed bin Rashid al-Maktoum announced on Twitter on Monday that he was establishing the Higher Committee for Real Estate Planning to control supply amid a market glut.

Emaar Chairman Mohamed Alabbar, who has led the firm since it was founded in 1997, said he had "zero knowledge" of the committee that will control the pace at which projects are developed and stop competition between semi-government companies and private firms.

"From what I read on social media, we are a part of it like many other real estate companies. We are waiting to learn more from what they have in mind," he told reporters. Emaar, which is almost 30% owned by Dubai's state fund, and other state-linked property firms were named as members.

Dubai's communication office did not immediately respond when asked if the government had consulted with real estate firms before announcing the committee's formation.

Huawei accuses US of cyberattacks

Chinese telecom equipment maker Huawei accused US authorities on Wednesday of attempting to break into its information systems and of trying to coerce its employees to gather information on the company.

Huawei, which faces mounting American pressure including possible loss of access to US technology over accusations the company is a security risk, said in a statement that Washington has used "unscrupulous means" in recent months to disrupt its business.

American officials have given no evidence to support claims Huawei might aid Chinese spying, accusations the company denies. The United States, Australia, Japan and some other governments have imposed restrictions on use of Huawei technology.

Huawei Technologies Ltd. is the No. 2 global smartphone brand and the biggest maker of network gear for phone companies.

Export controls announced by the Trump administration in May would limit Huawei's access to US technology. Implementation has been postponed to mid-November.

Washington is lobbying European governments to exclude Huawei from next-generation telecom networks. Germany, France and Ireland say they have no plans to ban any supplier.

Huawei, headquartered in the southern city of Shenzhen, gave no evidence to support its accusations. A company spokesman said he had no additional details.

The accusations were included in a statement about an unrelated patent dispute in the United States.

The White House in Washington and the American Embassy in Beijing didn't immediately respond to a request for comment.

The statement said American authorities launched cyberattacks "to infiltrate Huawei's intranet and internal information systems" but gave no indication what information they targeted or whether they succeeded.

Huawei also said FBI agents pressured its employees to collect information on the company.

The Reuters news agency cited a Huawei document it said reported eight employees, all mid- to high-level executives, including several US citizens, were involved in the incidents. (AP)

Bid to refuel economy

China to roll out more 'RRR' cuts

BEIJING, Sept 4, (RTRS): China will implement both broad and targeted cuts in the reserve requirement ratio (RRR) for banks "in a timely manner," China's cabinet said on Wednesday, an indication that a cut in the key ratio aimed at boosting lending could be imminent.

The People's Bank of China (PBOC) has been widely expected by analysts to roll out more RRR cuts this year as the world's second-largest economy sputters amid a trade war with the United States.

"At present, the external environment is becoming more complex and severe, and the downward pressure on the economy is increasing," the State Council said at the meeting, which was chaired by Premier Li Keqiang, according to a statement on the government website.

"(We) will use both broad and targeted RRR cuts in a timely manner as tools to guide financial institutions to guide more funds into inclusive finance, and ramp up support for the real economy," it said.

The reserve requirement ratio is the share of cash that banks must hold in reserve, and cutting it unleashes liquidity for lending. A "broad" cut applies to most or all lenders, while targeted cuts are applied to certain segments of the banking sector.

The last time the PBOC implemented a broad cut was in January, when the RRR was lowered by a total of 100 basis points in two stages, freeing up $116 billion for new lending.

"There is room for cutting RRR and it's necessary to do so," said Wen Bin, economist at Minsheng Bank. "China's investment and consumption face downward pressure. It's necessary to cut RRR for all banks to support the real economy."

The PBOC has cut the RRR six times since early 2018, with Beijing urging cautious banks to keep lending to struggling businesses, especially smaller, private firms that account for over half of the country's economic growth and most of its jobs. The state council, or cabinet, also stressed the need to ensure the economy grows at a "reasonable range", state broadcaster CCTV reported. China aims to achieve GDP growth of between 6% and 6.5% in 2019.

China will maintain a prudent monetary policy, and fine-tune the policy in a preemptive way, the cabinet meeting concluded.

Some bankers and analysts expect the PBOC to start cutting its key interest rates from this month, by lowering the rate on its medium-term lending facility (MLF), paving the way for cutting the new benchmark lending rate, the loan prime rate (LPR).

Beijing has also been trying to spur more infrastructure investment to support the economy. It has accelerated bond issuance in recent months in order to fill the full-year quota by the end of September, and eased some restrictions on special purpose bonds to allow greater leverage from banks.

The state council said on Wednesday China will allow local governments to issue special purpose bonds earlier than normal next year to help steady growth, and specified for the first time that about 20% of all special purpose bonds issued by every province could be used as project capital.

These bonds will be used to fund major infrastructure and energy projects, such as railway, parking lots, power grids, and natural gas pipeline networks, as well as social services, it said, adding that funds raised from these bonds will not be allowed to finance land reserve and real estate related projects.

Oil demand growth to slow to below 1 mln bpd in 2019 – BP

ABERDEEN, Scotland, Sept 4, (RTRS): Global oil demand is expected to grow by less than 1 million barrels per day (bpd) in 2019 as consumption slows, BP Chief Financial Officer Brian Gilvary told Reuters on Wednesday.

Mounting trade tensions between the United States and China and increased signs of a global economic slowdown are also set to weigh on oil refining margins, which BP expects will soften in the fourth quarter of the year, Gilvary said.

Oil demand expanded by 1.3 million bpd in 2018 to nearly 100 million bpd, the International Energy Agency says.

"The macro level is creating huge uncertainty and there is no question that is flowing through to demand," Gilvary said in an interview on the sidelines of the Offshore Europe conference in Aberdeen, Scotland.

"There is a lot of dynamic going on around demand, generally, which started off fairly robust at the start of the year, softened through the mid point. We were seeing a little bit of a pick-up around our results ... but that seems to have softened off again," Gilvary said.