

KCIC WEEKLY ANALYSIS



China's industrial production to rebound



Why is this graph important?
The above graph shows the growth rate (year-on-year) of "power consumption" in China. After a crisis-induced negative shock in late 2008 and early 2009, electricity utilization has picked up, and is now rising steadily. This is good news: strong "power consumption" data prove that the Chinese "industrial production" (IP) is recovering, and that the economy is rebounding.

What does this indicator tell us?

The accuracy of China's economic statistics is often questioned. This is why investment professionals monitor 'proxy variables' - i.e. data series used to infer the value of the 'variable of interest'. In China's case, "power consumption" is monitored as the proxy variable for 'IP'.

Why is IP important? In China, the industrial sector accounts for almost 50 percent of the Gross Domestic Product (GDP). As a consequence, IP data should give important insights into the state of the economy. However, the reliability

of IP statistics is frequently questioned. This is the case where a 'proxy variable' helps.

How does it work in practice? First, it is important to notice that Chinese industrial companies are the most important consumers of electricity; hence, "power consumption" should - by and large - mirror IP. Second, "power consumption" data are less prone to manipulation, as they provide a factual reading of electricity use. As a result, "power consumption" data are a key proxy variable to check the accuracy of IP data.

This check is particularly useful when IP diverges from the trend of "power consumption." For example, from January 2009 to May 2009, IP kept growing year-on-year, while "power consumption" was in the negative territories. This inconsistency raised doubts about the recovery of China's IP, even when conceding that the heavy industry (especially steel manufacturing) - which utilizes the lion share of total "power consumption" - had taken the biggest hit during the crisis.

What are its economic and financial implications?

The fact that "power consumption" growth (year-on-year) turned positive in June 2009, and has been on an upward trend ever since, is indicative that: (1) China's IP recovery is now genuine and strong; (2) the rebound in GDP is real and likely to be sustainable, at least in the short run; and (3) the revenue forecast for industrial companies is improving. These developments are all positive news for the stock market.

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Reem Mall & Carina Views launch first phase in Abu Dhabi

KUWAIT: The Reem Mall and Carina Views Residences is the most monumental project to be undertaken by the National Real Estate Company (NREC), the Kuwait-based regional real estate investment and development pioneer. Carina Views will serve as a luxurious residential development, consisting of four uniquely-designed, absolute waterfront residential towers offering one, two and three bedroom apartments and studio apartments. Anchoring the base of the four residential towers are private residents' amenities and eight luxury waterfront villas featuring immediate access to exclusive marine and garden areas. The development will provide an exceptional living experience, with commanding views of the unique geographic attributes of Reem Island and the Arabian Gulf. This was released in a press release on Saturday.

Immediately adjacent to Carina Views Towers will be The Reem Island Mall, the largest of its kind in Abu Dhabi, with diverse retail, leisure and restaurant facilities.

A special celebration was held on Tuesday, Sept. 29 to mark the signing of the construction contract with Bauer International Company. NREC was presented by Chief Executive Officer, Khaleel Ibrahim Al-Abdullah while Contract Administrator, Marcel Douaihy, signed the contract on behalf of Bauer International Company.

"Reem Mall and Carina Views Residential Project includes Carina Views Towers that aims to provide exceptional living experiences with spacious rooms, distinctive layouts and a magnificent view," stated Al-Abdullah.

Al-Abdullah continued, "The four residential towers will feature private living facilities and are located adjacent to Abu Dhabi's largest shopping mall, restaurants and entertainment venues. Carina Views offers world-class amenities in modern comfort such as smart home technology, two swimming pools, gym, sauna and jacuzzi, in addition to ample storage. Parking facilities will be available with 24-hour security."

Al-Abdullah also emphasized that The Reem Mall and Carina Views Residential Project is set to become one of the pioneer construction projects which will substantially enhance the company's portfolio of high-end real estate assets. With this objective, NREC has dedicated substantial resources and care towards the project. World-leading international construction companies are partnering with NREC to bring this endeavor to life.

Al-Abdullah ended, "NREC's attention to design detail ensures that families seeking an exquisite luxury home, equipped with the latest technological and architectural innovations, while into account local customs and traditions are not disappointed."

Carina Views Project Manager, Mohammad Ismail from KEO International Consultants, who is respon-



NREC Chief Executive Officer, Khaleel Ibrahim Al-Abdullah with BIC Contract Administrator, Marcel Douaihy, at the signing of the construction contract with Bauer International Company on Sept. 29, 2009.

sible for project design and management, proudly explained, "This project has redefined the concept of living space and put home aesthetics into practical use to provide the highest levels of comfort and serenity."

He highlighted that the four residential towers, each of 25 stories, are situated on a strategic location at the entrance of Reem Island, 300 meters from the main coast of Abu Dhabi, with close proximity to the city beach and built next to the largest shopping mall in the region.

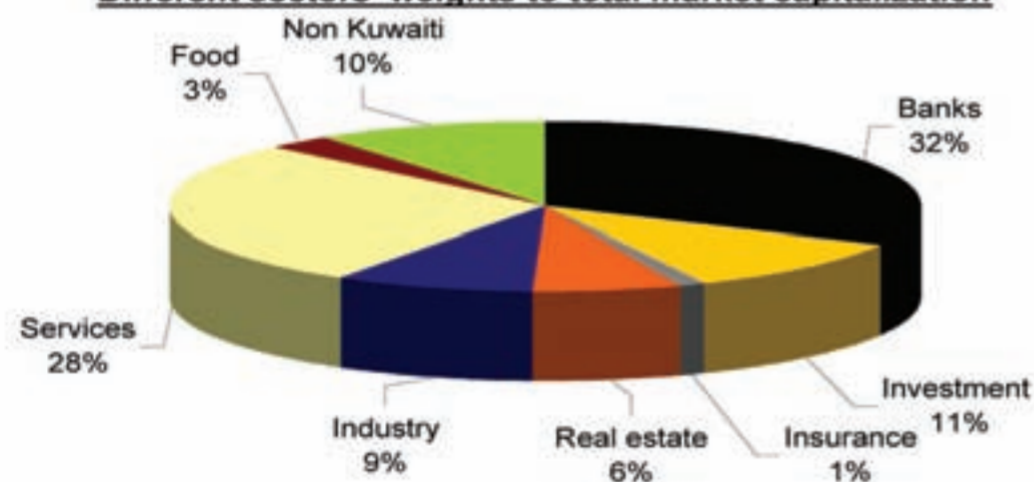
Regarding the living space, Ismail commented, "Carina Views Residential Complex will provide a variety of residential options, catering to both UAE nationals and expatriates who seek an upscale lifestyle. Options such as studios and one, two and three bedroom apartments are available, in addition to more luxurious apartments located on the upper floors."

Ismail concluded that Carina Views Residential Complex will be identified by the presence of light-house-like lantern illuminations radiating from the top of each tower, making this project a truly unique landmark on Reem Island, Abu Dhabi.

KSE WEEKLY ACTIVITY

KSE activity witnesses improvement amid weak trading

Different sectors' weights to total market capitalization



Report by Bayan Investment Company

KUWAIT: Kuwait Stock Exchange (KSE) ended last week by registering a limited loss, as its main indices took a declining trend throughout most of the week's sessions. After the market recorded significant growth on the first day of the week, it witnessed consecutive declines as a result of profit taking activities, which gradually diminished the first session's gains, and eventually moved the markets main indices into the weekly red zone. In addition, last minutes trades have evidently contributed in dampening the intensity of daily retreats in some of the week's sessions. On the other hand, last week's trades were significantly weak due to the prevailing state of cautiousness among traders, as they are anticipating listed companies' results for the third quarter of this year, which ended last Wednesday. KSE concluded the first nine months of this year without achieving evident progress, as its price index recoded 0.45 percent annual growth, whereas other international and regional stock markets managed to overcome losses incurred earlier this year and to record annual growth rates exceeding 20 percent.

By the end of the week, the price index closed at 7,754.6 points, down by 0.58 percent from the week before closing, whereas the weighted index registered a 0.29 percent weekly loss after closing at 451.86 points.

Sectors' Indices

Six of KSE's sectors ended last week in the red zone, while the other two recorded increases. The Food sector headed the losers list as its index declined by 3.61 percent to end the week's activity at 4,766.5 points. The Non-Kuwaiti companies sector was second on the losers' list, which index declined by 1.60 percent, closing at 8,137.4 points, followed by the Investment sector, as its index closed at 6,477.3 points at a loss of 1.40 percent. The Insurance sector was the least declining as its index closed at 2,834.1 points with a 0.07 percent decrease. On the other hand, last week's highest gainer was the Banking sector, achieving 0.78 percent growth rate as its index closed at 9,154.5 points. Whereas, in the second place, the Ser-

vices sector's index closed at 15,893.0 points recording 0.21 percent increase.

Sectors' Activity

The Investment sector dominated total trade volume during last week with 518.88 million shares changing hands, representing 33.52 percent of the total market trading volume. The Real Estate sector was second in terms trading volume as the sector's traded shares were 31.89 percent of last week's total trading volume, with a total of 493.68 million shares. On the other hand, the Banking sector's stocks were the highest traded in terms of value; with a turnover of 96.43 million Kuwaiti dinars or 33.12 percent of last week's total market trading value. The Investment sector took the second place as the sector's last week turnover of KD 64.14 million represented 22.03 percent of the total market trading value.

Market Capitalization

KSE total market capitalization declined by 0.26 percent during last week to reach KD 34.17 billion, as six of KSE's sectors recorded a decrease in their respective market capitalization, whereas the other two recorded increases.

The Industry sector headed the decliners list as its total market capitalization reached KD 2.93 billion, decreasing by 1.85 percent. The Non-Kuwaiti companies sector was the second in terms of recorded decline with 1.31 percent decrease after the total value of its listed companies reached KD 3.45 billion.

The third place was for the Investment sector, which total market capitalization reached KD 3.62 billion by the end of the week, recording a decline of 1.05 percent. The Insurance sector was the least declining with 0.03 percent recorded decrease after its market capitalization amounted to KD 337.52 million.

On the other hand, the Banking sector headed the growing sectors as its total market capitalization reached KD 11.11 billion, increasing by 0.42 percent. The Services sector was the second in terms of recorded growth with 0.25 percent increase after the total value of its listed companies reached KD 9.63 billion.

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