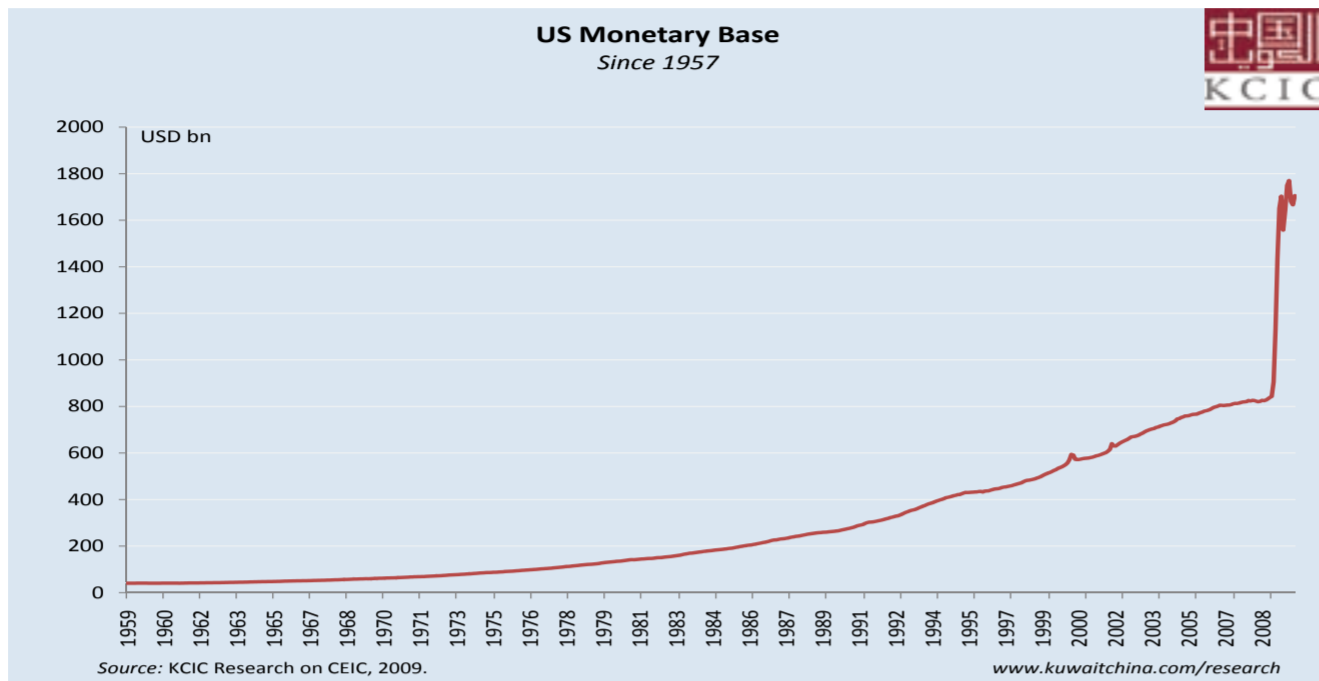


KCIC WEEKLY ANALYSIS



Peak of U.S. monetary base in 2008



Why is this graph important?

At the end of 2008, the US monetary base spiked. What happened? The US central bank (Federal Reserve, or Fed) intervened to mitigate the financial crisis and stimulate the economy. Given that it could not lower the interest rate any further (it was already at zero), it provided liquidity to the financial system by generating "new money." The final goal was to encourage new lending and reduce the cost of borrowing. Concretely, the Fed created money to purchase financial assets (e.g., government paper and corporate bonds) from commercial banks. In technical terms, the Fed increased the U.S. money supply with an extreme form of monetary policy called "quantitative easing."

What does this indicator tell us?

The monetary base is an indicator of the level of "money supply" circulating in the economy. It includes the currency issued by the central bank, used by the public at large - and by commercial banks - to settle financial transactions. In other words, the monetary base is under the control of the country's monetary

authorities - i.e., its size depends on the actions of the central bank. In the US, the monetary base is defined as the sum of currency (notes and coins) in circulation outside the Fed and the Treasury, plus the reserves (both mandatory and excess) held by commercial banks with the Fed.

In policy terms, the monetary base is an instrument by which the monetary policy influences economic activity. A high monetary base can increase aggregate demand and also lead to inflationary pressures in the economy.

What are the implications for the economy and the financial markets?

Between Sept. 2008 and January 2009, the U.S. monetary base doubled: such a rise was mainly due to the exponential increase in reserves held by commercial banks with the Fed, which rose from 32 to 828 billion USD. The quantity of currency in circulation also increased, but by only a modest amount.

Under normal circumstances, a rise in money supply leads to higher spending on both investment and consumption. However, despite the increased liquidity,

commercial banks remained (and still are) reluctant to lend. Today, as shown by the "spike" in the graph, they are holding higher reserves at the central bank.

Because of the weak economic conditions - and given that commercial banks are now entitled to some interest on their reserve holdings with the Fed - a large majority of banks preferred keeping hold of the cash, and maturing an interest, over lending it. Once the global economy and the U.S. financial system recover, these reserves can flow into the market and - by bringing about a rise in asset prices (e.g., commodities and stocks) - lead to inflationary pressures.

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KCIC is an Asia-focused investment company. Licensed and regulated by the Central Bank of Kuwait, it facilitates capital flows between the Middle East and emerging Asia by providing financial and advisory services, and managing third party capital.

Iranian banks have \$38 billion loans in arrears

TEHRAN: The Iranian banking system has loans in arrears of almost twice its amount of capital, a senior official said in remarks published on Saturday, describing it as a "serious problem."

Mostafa Pourmohammadi, head of the National Inspectorate Organization, blamed "defective" legislation as well as "lack of adequate attention" by the banks themselves for the situation.

In comments carried by the Hayat-e No daily as well as other Iranian media, he did not single out any individual banks.

Most banks in Iran, the world's fifth-largest crude exporter, are state-owned, even though it has started to privatize some of them.

Iranian state banks are often tasked by the government to give low-interest loans to companies and other sectors to help boost economic development.

"There are more than 38 trillion Iranian toman (about 38 billion U.S. dollars) in debt arrears to the country's banking system when its current capital stands at less than 20 trillion toman," Pourmohammadi, a former interior minister, said.

"This is regarded as a serious problem which the

National Inspectorate Organization has begun to deal with and has reported that to the relevant officials," he said.

He said his organization had put forward proposals on how to deal with the situation, without giving details, and urged parliament to help find a solution.

"Some of the duties the government entrusts the banking system are beyond its capacity," Pourmohammadi said.

"(The problem) also stems from the lack of adequate attention by the banks in this connection and we regard the banks as responsible and we call on them to act more seriously towards their arrears," he added.

Like other major oil producers, Iran reaped windfall revenue when crude prices were soaring to hit almost \$150 per barrel in mid-2008, but the price has since declined to about \$70 now.

President Mahmoud Ahmadinejad, re-elected in a disputed June poll, was often criticized during his first four-year term of profligate spending of petrodollars and for his policies of keeping interest rates below the level of inflation. -Reuters

Universal House Brokerage ranked 6th in Jordan

AMMAN: Universal House Brokerage, the brokerage arm of Global Investment House (Global) in Jordan that started its operations in April 2008, announced in a press release on Saturday that it has achieved exceptional results and was ranked number six among 68 brokerage companies in Jordan, reference to the disclosure issued by the Amman Stock Exchange on Oct. 8, 2009.

In its short operational period, Universal House Brokerage was able to reach this outstanding rank; were its trading value reached 501.5 million Jordanian dinars by the end of the first week of Oct. 2009 representing a market share of 3.1 percent. These results demonstrate the important role Global plays in the Jordanian market and confirms its continuous commitment to its client base.

Commenting on this achievement, Ashraf Jarar, Head of Local Brokerage, said "This success is a milestone for Universal House Brokerage and reflects our commitment to offer value added products and services in the Jordanian market."

He added that Universal House Brokerage was

able within only four month to enhance its ranking by five positions, from 11th at the end of May 2009 to number six.

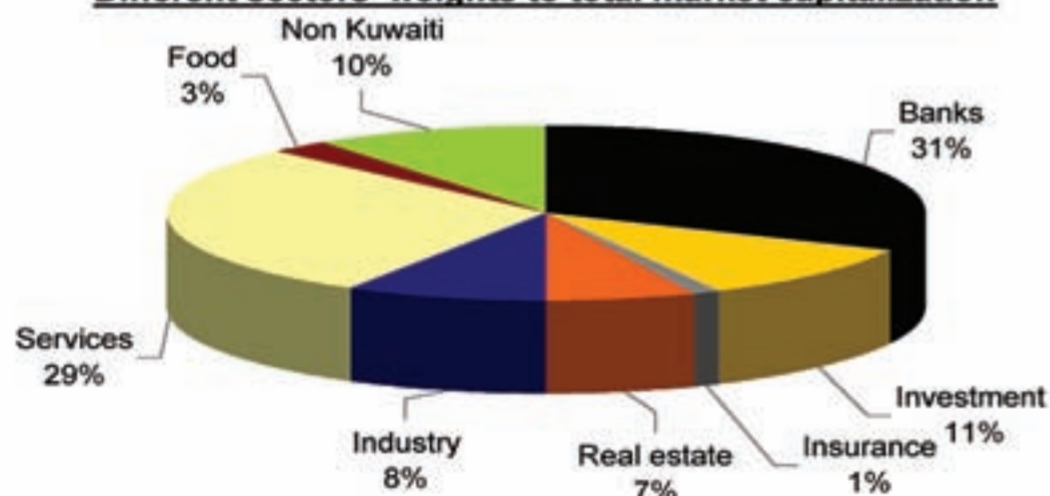
Universal House Brokerage has started earlier this year to offer its clients brokerage services in the Gulf Cooperation Council (GCC) countries, Egypt and Tunisia as part of its expansion strategy and its continuous efforts to ensure client satisfaction.

It's worth mentioning that Universal House Brokerage is a company fully owned by Global Investment House with a paid in capital of 15 million Jordanian dinars. It started its operations in Jordan in April 2008. This is part of Global's strategy and continuous efforts to offer a wide range of investment and brokerage services in the Jordanian market. Since it began trading in April 2008 and till the end of 2008, Universal House Brokerage grew rapidly. This growth was driven by exceptional trading value that reached 697 million dinars by Dec. 2008, gaining a market share of 1.7 percent and ranking 21st amongst 68 brokerage companies in Jordan.

KSE WEEKLY ACTIVITY

Kuwait Stock Exchange Weekly Activity, Oct. 8, 2009

Different sectors' weights to total market capitalization



KUWAIT: Last week witnessed Kuwait Stock Exchange's (KSE) return to the green zone amid limited improvement in trading activity. KSE growth accompanied recorded increases in global and regional stock markets during the week. Growth in international stock markets came in light of positive indicators with regard to financial crisis developments, as new data has shown growth in the services sector in the United States of America and in Europe, in addition to optimism surrounding companies' results for the third quarter of this year. Furthermore, oil prices maintained levels around 70 U.S. dollars as the U.S. Energy Information Administration expected an increase in world demand on oil at the end of the current year. On the other hand, KSE reacted positively to news pertaining to a number of listed companies, and thus witnessed diversified buying activities that included stocks of varied weights. Nevertheless, last week's growth was hesitant, as KSE witnessed quick profit reaping transactions during the week's sessions that has restrained its main indices increase.

In terms of last week's day-to-day trades, KSE grew on Sunday after fluctuation during the session amid significant increase in the three trading indicators, thus price index grew by 0.40 percent whereas weighted index recorded daily gain of 1.65 percent. KSE then retreated on the following day due to profit taking activities; however, daily loss was limited. On the following two days, KSE witnessed hesitant growth during the trading sessions. And by the end of Wednesday's session, price index's weekly gains amounted to 1.65 percent while weighted index recorded 2.95 percent growth compared to previous week's closing level. KSE then declined throughout Thursday's session as a result of profit reaping, consequently reducing main indices weekly gains, as price index and weighted index registered daily losses of 0.43 percent and 0.51 percent respectively. By the end of the week, the price index closed at 7,848.6 points, up by 1.21 percent from the week before closing, whereas the weighted index registered a 2.43 percent weekly gain after closing at 462.84 points.

Sectors' indices

All of KSE's sectors ended last week in the green zone except for one sector. Last week's highest gainer

was the Insurance sector, achieving 2.77 percent growth rate as its index closed at 2,912.5 points. Whereas, in the second place, the Food sector's index closed at 4,882.7 points recording 2.44 percent increase.

The Investment sector came in third as its index achieved 2.26 percent growth, ending the week at 6,623.5 points. The Services sector was the least growing as its index closed at 15,965.0 points with a 0.45 percent increase. On the other hand, the Non-Kuwaiti sector was last week's only loser as its index declined by 0.30 percent to end the week's activity at 8,113.3 points.

Sectors' activity

The Investment sector dominated total trade volume during last week with 582.14 million shares changing hands, representing 36.11 percent of the total market trading volume. The Real Estate sector was second in terms trading volume as the sector's traded shares were 21.38 percent of last week's total trading volume, with a total of 344.72 million shares. On the other hand, the Services sector's stocks where the highest traded in terms of value; with a turnover of 82.92 million Kuwaiti dinars or 25.43 percent of last week's total market trading value. The Banking sector took the second place as the sector's last week turnover of KD 76.50 million represented 23.46 percent of the total market trading value.

Market capitalization

KSE total market capitalization grew by 2.31 percent during last week to reach KD 34.96 billion, as all of KSE's sectors recorded an increase in their respective market capitalization. The Services sector headed the list as its total market capitalization reached KD 10.14 billion, increasing by 5.22 percent. The Insurance sector was the second in terms of recorded growth with 3.63 percent increase after the total value of its listed companies reached KD 349.79 million.

The third place was for the Real Estate sector, which total market capitalization reached KD 2.28 billion by the end of the week, recording an increase of 2.85 percent. The Industry sector was the least growing with 0.61 percent recorded growth after its market capitalization amounted to KD 2.95 billion.

Overwhelming investor response to launch of Venus Towers

\$100 million in off-plan sales booked in just 48 hours; 25% of investors hail from Gulf States

BEIRUT: Venus Real Estate Development Co., the developer of Venus Towers, in collaboration with Plus Properties, the party in charge of all sales and marketing activities, announced, in a press release on Saturday, the overwhelming investor response to the launch of Venus Towers in Beirut, including 100 million U.S. dollars in off-plan sales booked in just 48 hours.

Approximately 25 percent of these investors hail from the Gulf States, which has strong ties with Lebanon and,

specifically, the country's real estate sector. The launch event took place recently at the Phoenicia Hotel. The event was attended by a broad cross-section of investors interested in learning more about opportunities in Lebanon, especially in the Marina district of Solidere, Beirut.

Plus Properties publicized the project through a vast media campaign, including special pre-launch offers. Heavy pre-launch marketing by sales agents Plus Properties culminated in a two-day private event with developer Venus Real Estate Development Co. Stimulated by attractive off-plan prices, significantly lower than those set for the construction period, the intense demand was described as "unprecedented" in Lebanon's real estate sector.

Americana opens the first Signor Sassi Italian restaurant branch in Kuwait

Sara Mustafa
Staff Writer

KUWAIT: CEO of Americana group, Marzouk Al-Kharafi, celebrated the opening of their latest addition of international famous restaurants, Signor Sassi on Wednesday Oct. 7, in the attendance of a great audience and Italian cuisine fans, the guest of honor was the ambassador of Italy and a number of Italian officials from the embassy.

The restaurant is located at a very special location in the gulf road right next to the Kuwait towers.

For the first time we are getting a chance to taste the true Italian dishes in Kuwait and the Middle East, the restaurant has been very well recognized in London and attended by many famous celebrities, such as actress and athletes.

Al-Kharafi noted that America has signed an agreement with San Carlo international group to open the Signor Sassi chain around the Middle East area. It is during the company's plan to provide a wider variety of choices for its customers, insuring that the San Carlo group experience will be admired by the consumers in the Middle East, because it specializes with a unique taste and great services. Furthermore, Americana will be providing Signor Sassi with all the fresh ingredients which guarantee to deliver all Signor Sassi dishes with its unique and delicious taste.

Al-Kharafi explained that the choice of having the first branch in the chain next to Kuwait towers is an insurance that Americana is keen on developing this



CEO of Americana food stuff group, Marzouk Al-Kharafi with CEO of San Carlo group, Marshalo Destifano, along with the Italian ambassador at the grand opening of Signor Sassi.

chain and that they have a great trust in the Italian cuisine, and an assurance that it will gain the admiration of many Arabic consumers, especially when the Italian dishes are delivered with Italian experience and management.

Al-Kharafi also highlighted that the world financial crisis has not affected the achievements of Americana, especially in the restaurants field as the company depends on Arabic resource in its production, whether its raw materials or work force. All the company's factories in the Arab world have not been affected either,

insuring that no employees were forced to leave due to the crisis, and the opening of Signor Sassi is the biggest evidence that the company is willing to develop its projects not just in Kuwait but also in many Arab capitals. For his part, CEO of San Carlo the owners of Signor Sassi, Marshalo Destifano, expressed that the opening of the restaurant in Kuwait is considered as a great move for the San Carlo group. The first branch of Signor Sassi was opened in 1984 in London, and now it is opened for the first time in a country other than the U.K.