

RIYADH: Dar Al-Arkan, Saudi Arabia's biggest property developer by market value, said it had repaid an Islamic bond, or Sukuk, worth 2.25 billion Saudi riyals (600 million US dollars). The Sukuk's arranger Deutsche Bank had confirmed repayment of the bond, Dar Al-Arkan said in a statement on the Saudi bourse on Saturday. Last month, Dar Al-Arkan said it raised a lower-than-expected \$450 million from a Sukuk sale that was priced at 10.75 percent, the first issue from the region since Dubai's debt problems jolted global markets. The five-year Islamic bond was the fourth issue from the Saudi firm. In other news, Saudi Arabia is considering further steps to open up the Arab world's largest bourse to foreign investment, the head of the Capital Market Authority (CMA) said in remarks published on Saturday. See Page 12

Kuwait stocks keep boosting over favorable stimulus, Zain

Compiled by Al Watan Daily

KUWAIT: Stability and growth at the Kuwait Stock Exchange (KSE) are expected to remain next week in anticipation over Zain's deal and fresh subscription amid optimism over expansive financial policy, according to a recent report. The market is predicted to continue to be at the same pace, buoyed by the reactivation of governmental spending and planned launching of major projects following the government's approval of the new state budget for 2010-2011, the report - released by the Expert House for Training and Consulting and Economic Consulting (EHTC) - indicated. The stock exchange witnessed three days of strong push of trading to close beyond the 7,400-point level to record 7,435.5 points, up 0.77 percent, compared to last week's closing, the report said. The hike was the result of a set of positive factors that emboldened investors to be upbeat; chiefly Zain's deal, it added.

The banking sector is a leading one at the market due to the approaching distribution of dividends once banks general assemblies convene mostly in March, together with high demand for cheap shares, the report showed.

In related news, the Assistant Director of Assets Management at Kuwait & Middle East for Financial Investments (KMEFIC), Bader Al-Ghanim too expects the Kuwait Stock Exchange to continue its rising trend, which started on announcing Zain-Africa deal's arrangement. He asserted that even after finalizing the deal, Zain Group's performance will remain the most active amongst companies in the sector of telecommunication in the region, especially since Zain will be focusing on its operations in the Middle East, in addition to reaping profits which will positively reflect on affiliated companies and on the market's performance.

In a special statement to Al-Watan, Al-Ghanim explained that if Zain decided to distribute big amounts of cash to shareholders, it will create a positive effect on the market but for a short while. However, if profits gained from Zain's deal are utilized to pay up or reschedule the company's loans in addition to profit distribution



A cat looks through a makeshift gate with written couplets at a partially demolished neighborhood in Beijing March 6, 2010. A few residents still live in their one-storey houses in the neighborhood as they did not reach an agreement about compensation with the developer. Chinese banks are taking risks by lending against the collateral of land as land prices might fall, central bank governor Zhou Xiaochuan said on Saturday. The Chinese character reads, "good fortune" (left) and "to have an enjoyable lunar new year with family" (right). (Reuters)

to shareholders, it would create a more positive effect on the market, shareholders and the company in the short and long range.

Regarding the government's development plan, Al-Ghanim commented saying that the plan and the law of Money Market Committee are not in effect yet, so the market's reaction to such plans is only psychological and reaping real profits will not happen before activating such plans.

Meanwhile the rising trend has affected stock markets in the Gulf throughout the past week; the price indices of four markets had increased when three had de-

creased. The index of Abu Dhabi's money market had increased by 0.94 percent to close at 2726.83 points followed by KSE which increased by 0.77 percent to close at 7435.5 points.

According to special report by Global Investment House, the stock market at Saudi Arabia came in the third place with an increase of 0.20 percent to at 6478.58 points and Dubai's stock exchange came in the fourth place with increase of 0.18 percent to at close at the level of 1584.81 points. On the other hand Qatar market's index had shown a decrease by 1.71 percent to close at 6729.23 points, Bahrain's

stock market came in the second place losing 0.96 percent to close at 1503.42 points and the stock market in Masqat came in the third losing position with a percentage of 0.76 percent to close at 6650.44 points.

From a monthly view the market value of stock markets in Gulf Cooperation Council (GCC) states had increased to reach 717 billion US dollars at the end of February, the total volume of traded shares in GCC markets was 16.8 billion shares compared to 20.77 million shares in January 2010, when the value of traded shares had decreased from \$26.81 billion to \$ 23.74 billion.

Iran wants joint development of gas field with Kuwait

TEHRAN: Iran has proposed to Kuwait that the two countries, both a part of the Organization of Petroleum Exporting Countries (OPEC) together develop the disputed Arash natural gas field in the Gulf, a senior official was quoted as saying on Saturday. "Iran has proposed that development, investment, production and management be done on a joint basis by the parties involved," said Mahmoud Zirakchianzadeh, Head of the State Offshore Oil Company.

"Kuwait was expected to accept Iran's idea of joint development of the field," he said, according to the Oil Ministry Web site Shana.

Zirakchianzadeh added, "The Iran Offshore Oil Company has raised the proposal of 'partnership instead of competition' for the development of Arash as well as other joint hydrocarbon fields." Kuwait and Iran dispute the ownership of Arash, but Iranian state media last November said the two countries called for "cooperation in connection to the resolution of the continental shelf issue." Kuwait, a Sunni-led US ally, and predominantly Shiite Iran, a long-time foe of Washington, are both members of OPEC. -Reuters

Abu Dhabi awards \$300 million Shah gas work

DUBAI: Abu Dhabi and ConocoPhillips have awarded a 1.1 billion United Arab Emirates (UAE) dirham (300 million US dollars) construction contract for their Shah gas project to Al-Jaber Group, an Emirati newspaper reported on Saturday. Last month, local media reported the joint venture was planning to award around \$10 billion of contracts in the first half of 2010 to develop the sour gas field.

The two parties would sign the final contract soon, the daily quoted a source as saying. Privately owned Al-Jaber Group will build the project's infrastructure, including its roads as well as units such as gas treatment plants, the newspaper reported. State-run Abu Dhabi National Oil Company (ADNOC) has said it expected to see first production from the joint-venture by late 2013 or early 2014.

It is the first project the United Arab Emirates has undertaken to exploit a sour gas field. The field has a high content of potentially deadly sulphur dioxide, making it tougher to produce than conventional reserves. The project would treat around one billion cubic feet of gas from Shah, and pump around 540 million cubic feet per day of processed gas into the UAE network. The UAE holds the world's fifth largest gas reserves, but has failed to keep up with rising domestic demand.

Meanwhile, the United Arab Emirates' non-oil exports rose to 66 billion dirhams (\$17.97 billion) in 2009, from 60 billion dirhams the previous year, state news agency WAM reported on Saturday. Non-oil imports fell 21 percent to 449.2 billion dirhams in 2009, WAM said, quoting the head of the UAE's Federal Customs Authority. -Reuters

Noor CM offers local investors global online trade options

Jameel W. Karaki
Staff Writer

KUWAIT: There is an increasingly popular activity of buying and selling equities and derivatives over the internet, or to a lesser extent, through a broker's proprietary software due to the technology revolution. This is common enough to the extent that online trading become as a major source of income for some investors. To shed a light on the online trading industry, Al Watan Daily interviewed Khurram Sa'eed, the General Manager of Noor Capital Markets (Noor CM), which is a subsidiary of Noor Financial Investment. Sa'eed said, "I am the general manager and part of my duty is to work hard in order to achieve the strategic vision of Noor Capital Market. We are not only involved in asset management but also in operating assets to generate a constant flow to diversify our portfolio. We have investments in the stock market; some of them are in private equity."

He added, "We observed an opportunity in the Kuwait market and decided to offer investors in Kuwait a unique opportunity. We presented Noor Meta Reader 4 for trading in FOREX and Noor Web trader for trading equity to provide an investment channel. The whole idea behind this is to provide a one-stop platform to trade online for our clients. This is a great opportunity for investors to trade in international markets, where the investor can trade in equity or derivatives such as FOREX Metals, Commodities and others."

"We are affiliated with professional partners such as Mohammed Abu Al-Haj, a company based in Dubai and they are minor shareholders. At the beginning we decided to get involved in this market on a very small scale; the whole thing was taking clients and sending them to Dubai. Then we saw that there is a big volume in the Kuwaiti market and by that time we had a good experience and we spoke to our partners, so we shared our trends." Regarding risk management standards followed at Noor Capital Market he commented, "Our risk management department is monitoring the whole performance of the companies' activities and operations also, the marketing status and a full check for the economic indicators in a transparent way. Our online service is secured and tested there is a back server and all the rules of the central bank of Kuwait are applied."

Regarding the advantage of investing in this online service, Sa'eed explained, "We have unique services where investors can take immediate return on their investments on one platform and which enables them to trade in many markets while giving a variety of options to trade in commodity and equity markets. We also have unique and safe online technology, where the user is provided with a fundamental and technical analysis and he or she has the absolute freedom to sell or buy."

"Furthermore, we are educating our clients and we



Khurram Sa'eed, General Manager of Noor Capital Markets

never recommend any buy or sell orders, we only offer a micro analysis for our clients and they have the absolute freedom to buy or sell, so this is as a part of our ethical codes and standards." Answering a question about flourishing markets in online trading he commented, "There is a flourishing market for Syria, Saudi Arabia and Jordan is our prime market and also Lebanon. The challenges facing this industry and the whole economic conditions markets are very volatile and it's very challenging. That's why we are really focusing on the Kuwait market. As a company, we need to tap into the right opportunity." "Our concept is new but our products are not new. With one portfolio you can trade in many investing channels, through this service they can monitor their portfolio and diversify their asset-base. Clients are self portfolio managers and we conduct a workshop. The Expected trade volume is difficult to evaluate but it is around 3.2 trillion international per day. As Final message, I would say this is the best chance to diversify their asset base and to deal in the equity and derivatives markets." On his part, Maher Marzouk, who is the Director of Business Development for Noor CM, said "Noor with its state-of-the-art platform offers the client immediate and direct contact with multiple markets both local and global which is unique for our Kuwaiti client. Currently the Kuwaiti trader who trades in various markets has to sign with too many brokers to accomplish that, whereas Noor CM offers you the ability to trade in all these markets using one account."



A de-synchronized recovery, with rising volatility

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KUWAIT: No doubt, 2010 had a volatile start. The back and forth between optimists and pessimists pushed stocks and commodity prices up and down. The volatility was driven by hastily changing views on the prospects for the global economy. Did the markets fear the arrival of a 'double-dip' recession? Investors retrenched, and capital flew to safe havens. Did the markets feel that the recovery was finally underway? All indices rallied, and risky assets went up in price.

As 2010 goes by, this volatility is likely to increase. Not a comforting picture, but some trends are emerging: after two years of synchronized movements across countries and asset classes, going forward we are likely to see diverging economic performances and falling correlations. While global investors get comfortable with this shift, expect jittery markets.

In 2008 (quite an eventful year, featuring the worst crisis since the Depression), Gross Domestic Product (GDP) growth contracted everywhere. As fear mounted, asset classes took a dive - all at once. In 2009, to counter the crisis, governments around the globe flooded the world economy with a wave of liquidity; the stimuli - fiscal injections, interest rate reductions, quantitative easing - were coordinated and massive. It worked. Growth returned, markets rebounded, and asset classes rose all at once. In other words, the gravity of the 2008 crisis and the extreme policies put in place in 2009 to avoid a depression induced a synchronized performance across countries and markets.

Starting in 2010, we should expect a de-synchronized recovery, with rising volatility.

First, emerging markets will recover faster than the industrialized economies. In the United States, the European Union (EU) and Japan, economic growth will fare below potential, due to structural fragilities: high unemployment, reduced investment, low confidence, weak consumption, mounting doubts about long-term fiscal sustainability and related sovereign risks. US consumers are likely to save or to pay down debt. The EU is suffering from low competitiveness and fiscal deterioration. Japan has a high debt and an aging population. Conversely, Emerging Asia will grow closer to potential, because of stronger fundamentals, pro-growth domestic policies, debt free households, and a domestic demand in its infancy - and on the rise. The markets expect high 2010 earnings for the Asian economies. In particular, China's demand is likely to drive Asia's growth, with Beijing's stimulus package to keep pulling the export-oriented Asian economies.

Second, volatility is likely to rise because the stimuli will be progressively withdrawn.

In early 2010, the policy-induced wave of liquidity has pushed the inventory cycle and asset prices. As long as the fiscal and monetary stimuli - including quantitative easing - remain generous, growth will keep going. But policies will soon diverge across governments: at this stage, not every country needs massive liquidity injections. China has already started tightening. In contrast, some countries need to keep spending, even if they cannot afford it. The US and UK treasuries are unlikely to stop their quantitative easing programs. Liquidity will begin to asymmetrically dry up.

Historically, the process of monetary and fiscal tightening has bought about markets' jitteriness. Asia's rising prices and its dependence on developed economies will only add to the volatility.

Where to invest then? The base-case scenario is a U-shaped recession in the developed economies and a V-shaped recovery in the emerging markets with Asia on top of the list. This scenario is likely to see Asia's currencies appreciate because of the rapid upturn. Hence, it is important to increase allocations to Asia and to watch carefully the US, EU and Japan, as they are set for a below-potential growth. Still, as a 'double-dip' recession is still possible, at least in some economies, it is important to be ready to manage an increased volatility. When markets are volatile, capital preservation becomes a priority. Indeed, the year began with capital 'flying to safety', hammering emerging markets and strengthening the US dollar. Over the course of the year, we are likely to see more investors moving out of riskier assets, back into safe havens. In short: in 2010 investors cannot ignore that emerging markets will come out ahead, but need to watch - and manage - the volatility inherent to a highly liquid post-crisis environment.

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. For more information please visit: www.kcic-asia.com or email: research@kcic-asia.com.

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