

Sinopec mulls China oil refinery joint venture

Oil falls from 8-week high on stock build forecast

CAPITALS: China's largest oil refiner Sinopec is considering teaming up with Saudi Aramco and US oil giant ExxonMobil to build an oil refinery able to process 12 million tons of crude per year (240,000 barrels-per-day (bpd)) in the southeast China's Fujian Province, the state-run China Daily reported Tuesday. The project would expand Sinopec's existing integrated oil refinery and petrochemical complex in the province, the newspaper said. "The project would include cooperation with ExxonMobil and Aramco," said former vice-governor of Fujian Jia Xitai, a deputy to the National People's Congress (NPC), or parliament, adding that the companies have started a feasibility study on the project.

"The petrochemical complex can also produce 1 million tons of ethylene per year (tpy), and the project is part of Sinopec's plan to expand its existing joint-venture project in Quanzhou City, Fujian province," the daily quoted Jia as saying.

State-run Sinopec, together with ExxonMobil and Aramco, started commercial operations at their CNY 40 billion (5.86 billion US dollars) oil refining and petrochemical complex last November. Rapidly growing demand for refined oil products in Fujian is fueling the project, said Jia. Sinopec is also working with state-run Kuwait Petroleum Corporation (KPC) to build a complex of 300,000 bpd refinery and 1 million tpy ethylene cracking facility in neighboring Guangdong Province. China adopted a new oil pricing mechanism last year, which is expected to help domestic refiners operate more efficiently. Under the mechanism China altered domestic gasoline and diesel prices eight times last year - including five price hikes and three price reductions. China's petrochemical industry may see 13 to 15 percent year-on-year revenue growth this year, thanks to the economic recovery, according to the China Petroleum Chemical Industry Association (CPCIA). Total investment in the petrochemical industry is expected to grow by 15 percent this year, it said. China's petrochemical industry includes oil and gas extraction, oil refining, chemical production and equipment manufacturing. The sector posted turnover of



China's Sinopec building (KUNA)

6.63 trillion Chinese yuan (\$971 billion) in 2009, up 0.3 percent from a year earlier, statistics from CPCIA showed.

In other news, oil prices slipped back from eight-week highs on Tuesday on expectations of a rise in US crude inventories and a slightly stronger dollar.

US crude inventories probably rose for a sixth straight week as imports edged up and refinery utilization remained flat, a Reuters survey showed.

Crude oil futures fell more than one US dollar per barrel on both sides of the Atlantic, with benchmark US futures for April dropping to a low of \$80.16, down \$1.71, before

recovering slightly to trade around \$80.95 by 1450 GMT. North Sea Brent crude oil futures slipped to a low of \$78.70, down \$1.77, before paring losses to stand at \$79.52.

"The market is going lower ahead of the inventories report," said Commerzbank analyst Carsten Fritsch. "Forecasts of a yet another build in US crude stocks show the disconnect between the fundamentals of oil supply and demand, which are quite bearish, and hopes of economic recovery, which are bullish."

The Organization of the Petroleum Exporting Countries (OPEC) will keep oil production targets on hold when it

meets in Vienna on March 17, but could raise output later this year as the world recovers from recession, pushing up demand for fuel, a Reuters poll showed on Monday.

Content

OPEC ministers say they are content with oil prices where they are and analysts say they are unlikely to do anything to alter the current trading range between \$70 and \$85 per barrel (pb). The US Energy Information Administration (EIA) is expected to hold its global oil demand growth forecast steady for this year at 1.2 million barrels in its latest report, although some analysts believe the EIA might be too optimistic given stubbornly high oil prices and an uncertain economy.

The EIA's monthly short-term supply and demand forecast will be published on Tuesday at 1500 GMT. The industry-funded American Petroleum Institute (API) will publish inventory data on Tuesday at 2130 GMT, followed by government statistics from the EIA on Wednesday at 1530 GMT. US crude inventories gained 1.9 million barrels in the week to March 5, the Reuters poll showed, while gasoline stockpiles may have increased by 300,000 barrels.

Distillates, a fuel category that includes heating oil and diesel, were expected to have dropped 900,000 barrels because of lingering winter weather conditions in the US Northeast, the biggest heating market. The dollar, which for months has been inversely correlated with oil prices, edged up on Tuesday against a basket of currencies, putting some pressure on oil prices. But some traders said the impact of the currency on the crude prices has lessened, especially at times when economic data releases enter the spotlight.

Crude basket

Meanwhile, the 12-crude basket of OPEC was up 59 cents to \$77.86 pb, compared to \$77.27 on Friday, OPEC said on Tuesday. The OPEC price bulletin said the average for February 2010 was \$72.99 per barrel in comparison to \$76.01 per barrel in January 2010, as for the annual average of the basket in 2009 was \$95.45 pb. The OPEC basket is made up of Saharan Blend (Algeria), Girassol (Angola), Oriente (Ecuador), Iran Heavy (Islamic Republic of Iran), Basra Light (Iraq), Kuwait Export (Kuwait), Es Sider (Libya), Bonny Light (Nigeria), Qatar Marine (Qatar), Arab Light (Saudi Arabia), Murban (UAE), and Merey (Venezuela). -Agencies

Blue chip trading leads to Kuwait's high of 14%

KUWAIT: Gulf Cooperation Council (GCC) markets saw gains in February, with a high of 14 percent in Kuwait's Weighted Index on account of trading up in blue chips like Zain and National Industries Group (NIG) in the recent report published by Kuwait Financial Center 'Markaz.'

In Kuwait, the story revolved around the nine billion US dollar sale of Zain's African assets to India's Bharti Airtel which pushed up trading in the stock as well as other Kuwait blue chips like National Bank of Kuwait (NBK), Kuwait Finance House (KFH) and NIG. In the United Arab Emirates (UAE), the Dubai World debt restructuring process continued to dominate headlines although investors have calmed somewhat in their responses to news concerning the debt plan. Morgan Stanley Capital International (MSCI) GCC total return index posted a monthly gain of 4.77 percent in February, bringing the year-to-date (YTD) gain to six percent.

Volume traded in the GCC was down 19 percent in February while Value Traded contracted 12 percent to \$23.6 billion. Kuwait's value traded expanded 37 percent to \$5.75 billion. Overall volatility in the GCC was flat as per the Markaz Volatility Index; the UAE, Saudi Arabia and Qatar saw their volatility decline by 25 percent to 40 percent in February.

Global markets review

Global markets showed mild returns as sovereign debt woes in Greece took center stage. MSCI World gained one percent in February following a four percent loss in January, bringing the YTD loss to three percent. On a market cap weighted basis, MSCI UK contributed 0.5 percent to the loss while MSCI France, MSCI Germany and MSCI Spain contributed losses of 0.4 percent each. Global investors turned their

eyes to Greece as the European Union (EU) grappled with the possibility of its first ever sovereign bailout.

Concerns about Greece's ability to finance its significant fiscal deficit came to a head in late-January, resulting in the Greek-German spread (which measures the premium that investors demand when buying Greek debt over German bonds) spiking 396 basis points, the highest level since the euro's inception.

EU members have demanded fiscal austerity from Greece in exchange for a possible \$34 billion bailout. As a result, the Greek government has spent the last two months slashing its fiscal budget deficit by up to \$6.6 billion by hiking sales taxes and cutting wages and bonus payments. These measures, coupled with firm statements of support by EU members, have allayed investor concerns somewhat; despite Greek Prime Minister, George Papandreu, tossing around words such as 'catastrophe' and budget 'landmines.'

Economic recovery seems to be strengthening sequentially, with analyst consensus being that the recession ended in June of last year. The US inflation rate is at 2.6 percent, which is below average for this stage of recovery. The consensus seems to be that the US will go through a 'W' shaped recovery, which should keep inflationary fears at bay.

US real gross domestic product (GDP) grew at a 5.9 percent annual rate in the fourth quarter of 2009 boosted by slower inventory liquidation.

However, economists have been quick to point out that inventory-led GDP growth is a 'cyclical phenomenon' which normally follows an economic downturn and is therefore unsustainable, leading to slightly slower growth figures expected in the coming quarter.

KAMCO Research analyzes Feb performance of GCC equity markets

KUWAIT: Despite the drop among the world's oil prices and earnings of numerous companies falling below expectations, all seven equity markets in the Gulf Cooperation Council (GCC) region ended the month on a positive note on the back of further companies' earnings and dividend announcements and positive investor sentiment throughout the month. Led by the gains registered by the market heavyweight Services sector, Kuwait Stock Exchange (KSE), which is represented through Kuwait Projects Company (KIPCO) Asset Management Company (KAMCO) TRW Index, gained 9.57 percent thus ending the month as the best performing market in the GCC region.

Out of the total 626 listed stocks in the seven GCC equity markets, 358 companies announced their FY-09 earnings by the end of February. Excluding the financial results announced by Kingdom Holding Company which incurred massive losses of 30 billion Saudi Riyals in FY-08, the aggregate profit for the seven markets totaled 32.87 billion US dollars, down by 18.11 percent from last year's aggregate profit of \$40.14 billion.

Dubai Financial Market witnessed the largest hit in its 2009 earnings as it registered a 47.49 percent drop from its FY-08 earnings as uncertainties regarding state-owned Dubai World's restructuring plans continue to hinder the market's overall performance.

As investors believe that markets' performance is bound to improve in 2010 as the worst of the financial crisis is over and its impact has already been factored in FY-09 results. Consequently, GCC Equity Markets ended the second month of the year 2010 on a positive note with all seven markets ending in green, led KSE - KAMCO TRW Index, the QE 20 Index, and Tadawul All Share Index which recorded monthly gains of 9.57 percent, 4.79 percent, and 2.96 percent respectively.

Most GCC economies are expected to recover during 2010, after the global financial crisis froze credit in the world's top oil producing region last year, with Qatar and Saudi Arabia's expectations to outperform their neighbors while the United Arab Emirates (UAE) is seen lagging due to its debt and leverage concerns.

Corporate earnings announced for FY-09 have shown weak financial performance, mainly driven by provisions charged against credit losses and impairment in the value of investments due to the deterioration in financial asset and proper-

GCC Equity Markets Benchmark Return & Volatility					
	Value	Return		Volatility	
		Feb-10	YTD-10	Feb-10	YTD-10
Tadawul All Share Index	6,437.50	2.96%	5.16%	7.61%	8.76%
KAMCO TRW Index - KSE	2,684.52	9.57%	7.32%	11.03%	11.69%
ADX General Index	2,703.56	2.67%	(1.46%)	11.85%	11.73%
DFM General Index	1,592.91	0.18%	(11.68%)	22.16%	22.16%
QE 20 Index	6,872.82	4.79%	(1.24%)	16.12%	14.97%
BSE All Share Index	1,518.06	2.69%	4.10%	9.88%	8.33%
MSM 30 Index	6,689.31	2.41%	5.03%	8.77%	9.81%

Source: KAMCO Research

Market Capitalization Summary					
	Listed Stocks	Market Cap (Mln USD)		M-TM % Chg	% of Total
		31-Jan-10	28-Feb-10		
Saudi Stock Exchange	138	331,131	339,149	2.42%	46.53%
Kuwait Stock Exchange	207	103,038	116,655	13.22%	16.00%
Abu Dhabi Securities Exchange	67	78,773	81,499	3.46%	11.18%
Dubai Financial Market	66	52,784	52,571	(0.40%)	7.21%
Qatar Exchange	44	100,879	105,114	4.20%	14.42%
Bahrain Stock Exchange	43	16,457	16,906	2.73%	2.32%
Muscat Securities Market	61	16,613	17,005	2.36%	2.33%
Total GCC Equity Markets	626	699,675	728,900	4.18%	100.00%

Source: KAMCO Research

ty prices. The combined market capitalizations of the seven GCC bourses increased by 4.18 percent or \$29.2 billion to record \$728.9 billion at the end of February 2010 compared to \$699.7 billion in January 2010. Saudi Stock Exchange, which accounts for around 46.5 percent of the aggregate market capitalization of the GCC bourses, gained around \$8.0 billion for the month while Kuwait Stock Exchange, the second largest stock market, recorded gains of around \$13.6 billion over the same period.

In Kuwait, the KAMCO Total Return Weighted (TRW) Index bucked its previous five month downward trend to gain 9.57 percent to end at its highest monthly close since September 2009 at 2,684.52 points. Parliament approval of a 30 billion Kuwaiti dinar four year economic devel-

opment plan coupled with the Central Bank of Kuwait discount rate cut boosted investor sentiments during the month.

Also, market heavyweight Zain's announcement that it has received an offer for its African operations, excluding Morocco and Sudan, for \$10.7 billion from India's largest mobile operator Bharti Airtel added to the positive sentiments during the month.

As a result, Zain, which dominated the course of trade on the KSE since September 2009, witnessed its share price surge 40.7 percent to close at KD 1.280. Total market capitalization, during the month, surged 13.22 percent to KD 33.42 billion (\$116.7 billion). Gains recorded during the month witnessed the KSE end as the best performing market in the GCC region.

OPEC may not raise output if demand grows

TEHRAN: The Organization of Petroleum Exporting Countries (OPEC) may not necessarily boost output if oil demand rises, as producers outside the group could increase their production, Iran's OPEC governor was quoted as saying on Tuesday.

Mohammed Ali Khatibi did not say what he believed the outcome would be of the March 17 meeting of the Organization of the Petroleum Exporting Countries in Vienna, the official Islamic Republic News Agency (IRNA) reported.

"But, OPEC must consider the increase in crude oil output by non-OPEC countries before making any decision regarding the stability of the global oil market," Khatibi said.

"Any rise in the demand for oil in the wake of improvement in the global economic situation would not necessarily mean that OPEC will raise its output ceiling as non-OPEC producers could increase their production," he added.

Iran, the world's fifth-largest oil producer, is a traditional price hawk within OPEC.

Khatibi said the global oil market was "confronted with an oversupply, though with no major impact on these markets," IRNA reported.

Khatibi told Reuters in a telephone interview on Sunday oil producers are pumping more crude than consumers need, but this surplus is not enough to have a big impact on the market.

He also declined to comment on what decision he thought OPEC ministers would take when they meet in Vienna on March 17. -Reuters

Wataniya Airways celebrates Kuwait's National Day in Jeddah

KUWAIT: Wataniya Airways, one of Kuwait's premium service airlines, celebrated Kuwait's National Day in style by attending and supporting a major event organized by the Kuwaiti Consulate in Jeddah. More than 500 guests, including diplomats and prominent businessmen, and various media representatives were welcomed by the Kuwaiti Consul General and other government officials. This was stated in a press release on Tuesday.

The event started with a speech by Ali Al-Hefi, the Consul General. This was followed by dinner and a raffle. Four lucky winners received air tickets to any destination served by Wataniya Airways from Fahad Bazarra, Wataniya Airways' Airport Manager Jeddah.

"We are honoured to be participating in this event to celebrate Kuwait's National Day in Jeddah, Wataniya Airways is always keen on taking part of any national event taking place anywhere around the world," said Jassim Al-Qames, Wataniya Airways' Public Relations Manager. Wataniya Airways offers three flights a week service between Jeddah and Kuwait, the second largest city in the Kingdom of Saudi Arabia, and the gateway to visitors and pilgrims to the holy city of Mecca.



Drawing of winners for the raffle sponsored by Wataniya Airways.