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Global central banks wait for UK referendum
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Turkish Airline expands ME network, to launch Kuwait-Antalya flight
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Etihad Airways and Avianca Brasil announce codeshare partnership
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Ahli United Bank celebrates 50 years of banking in UK
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BELGRADE: Workers at the Zelezara Smederevo steel plant, recently bought by a Chinese steel giant, hold posters depicting Xi Jinping, China's President, during Xi's tour of the plant in Smederevo, 40 kilometers (24 miles) southeast of Belgrade, Serbia, yesterday. —AP

Abu Dhabi banks soar on merger talks

Egypt rate hike much harsher than expected

DUBAI: Shares in Abu Dhabi banks soared yesterday after National Bank of Abu Dhabi (NBAD) and First Gulf Bank (FGB) confirmed they were in merger talks. Other Gulf stock markets were mixed while an interest rate increase dragged Egypt down.

NBAD and FGB confirmed in a brief statement they were discussing a merger or combination of their businesses, in what would create one of the largest banks by assets in the Middle East and Africa.

Many analysts said it was too early to take positions in the stocks before details were known. Some said a merger could benefit both shareholders. Arqaam Capital said FGB would benefit from a stronger wholesale banking operation while NBAD was underrepresented in retail banking.

"We see strong merits of this potential transaction for both parties," Arqaam said. But HSBC predicted a pure merger would benefit only NBAD, while a merger through acquisition would destroy shareholder value at both banks. "A share swap scenario presents significant dilution risks to shareholders of both banks," it said.

Nevertheless, local retail investors cheered the idea of an Abu Dhabi mega-bank, with NBAD shares jumping the 15 percent daily limit in their heaviest trade since April 2015, and FGB gaining 11.5 percent in its highest volume since November 2014.

Other Abu Dhabi bank shares also rose, partly on speculation they might be involved in further mergers and acquisitions activity as the industry consolidated. Union National Bank climbed 7.0 percent.

Abu Dhabi's main stock index added 4.7 percent in its heaviest trading day since November 2014. As attention switched to Abu Dhabi, trading volume in Dubai shrank to very low levels and the index fell 0.3 percent. Dubai's largest listed lender, Emirates NBD, edged down 0.1 percent.

Saudi Arabia closed flat in modest volume after spending most of the day higher. Petrochemical shares were firm after oil prices rebounded on Friday. National Gas and Industrialisation rose sharply for a fourth straight day in unusually heavy trade, gaining 5.0 percent. The firm, which distributes liquefied petroleum gas, has been rising partly on hopes it may benefit from projects in Saudi Arabia's economic reform plan announced this month.

KUWAIT, EGYPT

Kuwait's index rose 1.2 percent, buoyed by news an investment group led by prominent Dubai businessman Mohamed Alabbar had agreed to buy a majority stake in Kuwait Food Co (Americana) from the Kharafi family for about $2.4 billion.

After the Dubai group completes the purchase, it will launch a mandatory takeover offer to remaining Americana shareholders at 2.650 dinars. Americana shares were bid at their upper daily limit of 2.2 dinars on Sunday but did not trade because holders were not willing to sell at that level.

Nevertheless, the boost to the finances of the Kharafis, a major merchant family in Kuwait, was seen as positive for the market as a whole. National Investment Co, an investment and asset management vehicle of the family, jumped 5.3 percent.

In Egypt, the central bank raised its key interest rates by 100 basis points after the close on Thursday to their highest levels in years to rein in surging inflation and ease downward pressure on the Egyptian pound.

Analysts had been roughly evenly split on whether the central bank would tighten policy. Few analysts who expected a tightening had predicted such a large increase, so the decision hurt the stocks, especially since many economists think more tightening and currency depreciation are likely in the second half of this year.

The Cairo stock index <.EGX30 dropped 1.1 percent. Ezz Steel , exposed to higher interest rates as a borrower for capital-intensive projects, dropped 2.3 percent.

YESTERDAY'S HIGHLIGHTS

SAUDI ARABIA
The index was flat at 6,542 points.

DUBAI
The index slipped 0.3 percent to 3,297 points.

ABU DHABI
The index jumped 4.7 percent to 4,524 points.

QATAR
The index edged up 0.1 percent to 9,806 points.

EGYPT
The index dropped 1.1 percent to 7,338 points.

KUWAIT
The index rose 1.2 percent to 5,458 points.

OMAN
The index was flat at 5,808 points.

BAHRAIN
The index fell 0.4 percent to 1,113 points. —Reuters

Could British EU exit be watershed for global economy?

FRANKFURT: A British exit from the European Union could cause global market swings for a while. But that would soon pass.

If we're lucky, that is. Much darker scenarios for the global economy are also being discussed by economists as they try to gauge the risks of Thursday's referendum for the wider world. While economists say a British exit from the EU - or Brexit, as it is known - would be painful mainly for the country itself and to a lesser extent for rest of the Europe, the consequences for the global economy are harder to estimate.

In the gloomier narratives, a Brexit becomes a turning point, an event that snowballs and leads to much larger and nastier problems. It could deal a setback to free trade and globalization, which many disgruntled voters around the world are already cool on. And it could trigger more defections from the EU, destabilizing the region and unsettling companies and consumers. So forecasts are ranging from the benign to the apocalyptic. Some, like outgoing Finnish Finance Minister Alexander Stubb, compare Brexit to the 2008 collapse of US investment bank Lehman Brothers, which spread financial ruin across the globe. Or, it could be more like Y2K, in which computers worldwide were supposed to fail on Jan. 1, 2000 because software was written for years beginning with 19-. In the event, not much happened. Here's a quick run-through of the global risks from a Brexit.

FLIGHT TO SAFETY

It's reasonable to assume that a vote to leave would cause global financial market swings in the short term, with investors selling riskier assets such as stocks and seeking safety in government bonds, analysts say. The pound has already fallen in value against other currencies and would likely fall more. Gold, seen by some as a refuge in troubled times, might rise. Markets seem to be betting that "remain" will win, so if they're wrong, there could be some scrambling to adjust.

LOWER FOR LONGER

Faced with churning markets, central banks could try to steady things with extra loans for banks or other ways of making credit more readily available. Market swings could help persuade the US Federal Reserve to postpone interest rate increases once thought likely this year and now in doubt. That could be good news for mortgage holders but could prolong savers' agony over low rates and non-existent returns on deposits.

MANAGEABLE?

The direct impact of a Brexit would likely not be too bad on growth - if you're not British. A year after a vote to leave, Britain's economy would be one percent smaller than it would have been otherwise, while the 28-country EU would lose 0.25 percent and the world 0.1 percent, according to Moody's Analytics chief economist Mark Zandi. "I think the immediate effect is modest," he said. "It's not cataclysmic in any way. It's corrosive, certainly. It diminishes the UK economy going forward."

Taking 0.1 percentage point off global growth might not seem like much, but the world economy, though not in crisis, is not in great shape right now. The International Monetary Fund predicts 3.2 percent growth this year and 3.5 percent next year. IMF head Christine Lagarde says that's not enough to lift living standards and get the globe's 200 million unemployed back to work. "There is a risk that middle class families and the poor actually remain behind, which would embolden the voices of protectionism and fragmentation," she said in April. The World Trade Organization says international trade will remain sluggish this year, growing 2.8 percent, well below the average of 5 percent since 1990. And the effects of a Brexit could be long-lasting: permanently lower growth in Britain and Europe. After five years, Britain's economy would be 4 percent smaller than otherwise; the EU 1 percent and the global economy 0.25 percent, according to Zandi. So it could add up.

UNCERTAINTY

The "U-word" is prominent in most assessments of Brexit. That's because it would take years for Britain to sort out new trade relationships if it leaves the EU, whose members trade freely with each other without charging tariffs. Businesses wouldn't know where to locate production or how much it would cost to trade.

The EU and Canada, for instance, have been negotiating a trade agreement for seven years. And uncertainty can be very hard on growth. It makes executives hold off on building new plants or hiring permanent employees, while consumers might wait on buying a new car or kitchen. Uncertainty is one reason investment is relatively weak in the developed world. A Brexit would only add another reason to wait.

THE BUTTERFLY EFFECT

Although the direct impact seems manageable outside Europe and the UK, economists can't help painting darker scenarios. If other countries decide to leave the EU or if a "leave" vote energizes populist political forces and leads to a broader retrenchment in trade and globalization, a Brexit would be seen as a turning point with outsized influence on the globe. —AP

WASHINGTON: In this Saturday, April 16, 2016 file photo, International Monetary Fund (IMF) Managing Director Christine Lagarde speaks during a news conference after the International Monetary and Financial Committee (IMFC) conference at the World Bank/IMF Spring Meetings at IMF headquarters in Washington. While economists say a British exit from the EU — or Brexit, as it is known — would be painful mainly for the country itself and to a lesser extent for rest of the Europe, the consequences for the global economy are harder to estimate. —AP