

SAUDI LONG BOND SHINES IN VOLATILITY AFTER TRUMP WIN

SAUDI 2046 BONDS OUTPERFORM QATAR BY BIG MARGIN

DUBAI: Saudi Arabia's 30-year bonds are outperforming other Gulf debt during volatility triggered by Donald Trump's election as US president, a sign of unsatisfied demand for Saudi debt and a good omen for issuance expected from Riyadh next year. The week to Nov 16 saw the largest outflows from emerging market debt on record, according to Bank of America Merrill Lynch, partly because Trump's election fuelled expectations of inflationary economic policy and higher US interest rates.

The \$17.5 billion of paper which Riyadh issued last month, in its first international sovereign bond sale, was initially hit hard. The 2046 tranche sank to 90.5 cents on Nov. 14 from 98.1 cents on election day, Nov. 8.

But Saudi 30-year bonds have since bounced back, to 95.6 cents, outperforming Qatari debt which was previously seen as the benchmark for 30-year bonds in the Gulf. "The bond is still trading very tight, and very tight to Qatar too, even tighter than before the Trump win," a London-based trader said of Saudi 30-year bonds, which have also outperformed US Treasuries. Their yield is up 16 basis points since the US election, compared to a rise of 37 bps for the 30-year US Treasury.

"We are seeing capital outflows from emerging market debt, but Saudi is not hit by it," said a Dubai banker, adding that there was strong demand from Asian banks for the longer bonds.

Shorter-term Saudi bonds have also outperformed, to a lesser extent. Saudi Arabia's 10-year paper is at 95.3 cents against 98.4 cents on Nov. 8; Qatar's 2026 notes are at 97.7 cents against 101.3 cents.

Gravitational pull

One factor bankers say is behind the outperformance is the "gravitational power" of the Saudi issue's huge size, the biggest emerging market sovereign debt sale in history. Because the issue is so big, investors are attracted by its ample liquidity in the secondary market and have been selling less liquid Gulf paper to buy Saudi bonds. Another factor is the structure of primary market allocations. Asian investors took 22 percent of the \$6.5 bil-

lion of Saudi 30-year notes and US buyers, 44 percent.

European investors also took a share, leaving an unusually small allocation for Gulf banks, which are now buying in the secondary market, a United Arab Emirates-based fixed income trader said.

A third factor is an easing of concern about Saudi Arabia's ability to cope with low oil prices. Although the long-term outlook remains uncertain, many investors think draconian state spending cuts and the success of last month's sovereign bond issue have averted the threat of a financial crisis for now. The cost of insuring Saudi sovereign debt against default over the next five years dropped this week to its lowest since October 2015. — Reuters

News

in brief

Kuwait oil price rises \$1.05 to \$43.56 pb

KUWAIT: The price of Kuwaiti oil went up by \$1.05 to \$43.56 per barrel on Tuesday after being at \$42.51 pb last Monday, said a statement by Kuwait Petroleum Corporation (KPC) yesterday. At the global level, the price of oil fluctuated due statements from an OPEC meeting in Vienna regarding the organization's intention to lower production. The price of the Brent crude was up by 22 cents to settle at \$49.12 per barrel.

US dollar stable against KD at 0.304

KUWAIT: The exchange rate of the US dollar stabilized at KD 0.304 the same case with the euro was at KD 0.323 rate compared with numbers Tuesday, said the Central Bank of Kuwait (CBK) yesterday. According to the CBK, the rate of the pound sterling was down to KD 0.378 while the rate of the Swiss franc was stable at KD 0.301. The Japanese yen stood firm at KD 0.002.

Ethiad Airways sets final size of 5-year sukuk at \$1.5bn

DUBAI: Ethiad Airways has set its planned five-year sukuk at \$1.5 billion, the upper end of an expected range of \$1.25 billion to \$1.5 billion, banks leading the transaction said yesterday. The UAE airline set the final spread for its debut Islamic debt issuance at 210 basis points over midswaps, after one bank involved said on Tuesday that final pricing was seen at around 215 basis points over midswaps. Allocation of the privately placed bond is expected to start on Wednesday and the bond will price immediately afterwards. The sukuk is being arranged by HSBC, JP Morgan and National Bank of Abu Dhabi. The bookrunners are Abu Dhabi Islamic Bank, Dubai Islamic Bank and First Gulf Bank.

Investcorp makes \$250m investment in Boston, Denver

DUBAI: Investcorp said yesterday its US-based real estate division had bought a portfolio of properties in the Boston and Denver metropolitan areas for about \$250 million. The five investments included 20 buildings and 1.8 million square feet of office, industrial, flexible and laboratory space, the Bahrain-based alternative investment firm said in a statement. On Tuesday, investment management firm Arcapita, also based in Bahrain, said it had bought three housing schemes for senior citizens in the metropolitan areas surrounding Washington DC and Atlanta for about \$110 million.

GOVT INCENTIVES BOOST PAKISTAN ISLAMIC BANKS

ISLAMABAD: Pakistan's Islamic banks are introducing new products and adjusting policies to take advantage of government incentives designed to boost growth in the industry.

Sharia-compliant banks in the country, the world's second most populous Muslim nation, held 11.4 percent of total banking assets in June, barely changed from a year ago. That is well below levels of around 25 percent seen in Gulf Arab states. To help change this, the government introduced a 2 percent tax rebate for sharia-compliant manufacturing firms in July to encourage them to eliminate interest-bearing debt from their balance sheets. The central bank has exempted Islamic banks from using interest-based benchmarks for some financing products.

Abdullah Ghaffar, head of investment banking at Al Baraka Bank Pakistan, a unit of Bahrain's Al Baraka Banking Group, said he detected signs of an increase in demand for both short- and long-term Islamic financing. The bank has launched sharia-compliant products to finance purchases of tractors by customers and structured short-term sukuk for a white-label electronic equipment manufacturer in Lahore.

"The customer opted for sukuk - slightly more expensive to float - over quick-to-market commercial paper," Ghaffar said. Last month, Islamic lender Meezan Bank approved a new financing structure for use in the airline industry; it uses plane tickets as an asset to back Islamic deals in cases where fixed assets are not available.

Islamic banks are also adjusting internal policies which limit financing to manufacturing companies and the use of long-term maturities, said Syed Abubakar, sharia board member of Emaan Islamic Banking, a unit of Silk Bank.

There is some demand for new products from conventional banks planning to convert their operations into fully-fledged Islamic banks, including Faysal Bank and Summit Bank, Abubakar added.

These banks have large portfolios of conventional credit card and personal loan facilities, but sharia-compliant equivalents are needed to retain customers, he said.

Such moves could help Islamic banks continue to grow at double-digit rates; the sector's assets grew 16.8 percent year-on-year in June, a slowdown from 37.3 percent growth recorded in the year to June 2015. Pakistan's government believes it can pull more people into the formal banking sector-especially in rural areas — by expanding the Islamic finance sector, and this could boost economic growth.

Hurdles

However, capitalisation levels could emerge as a constraint on growth, said Ghaffar. In June, Islamic banks had a combined, average risk-weighted capital ratio of 13.4 percent of assets, down 1.2 percentage point from a year ago, central bank data shows, compared to a banking industry average of 16.1 percent. This has prompted some Islamic banks to issue capital-boosting sukuk; in September Meezan raised 7 billion rupees (\$66.9 million) via a private placement of subordinated sukuk.

Others have opted for consolidation: Al Baraka Bank Pakistan completed a merger with Islamic lender Burj Bank last month. The central bank helped earlier this month by lowering Islamic banks' statutory liquidity requirement to 14 percent of total demand liabilities from 19 percent, reducing the amount of liquid assets which banks must maintain as reserves.

The ratio compares to 15 percent for conventional banks. Islamic banks face an acute shortage of sharia-compliant liquid assets, aggravated by limited supply of local currency sovereign sukuk. — Reuters



KARACHI: In this photograph taken on November 16, 2016, Pakistani stockbrokers monitor index board during a trading session at the Pakistan Stock Exchange (PSE) in Karachi. — AFP

GREEK BUSINESSES MOVING ABROAD TO AVOID AUSTERITY

PETRITSI, Bulgaria: Greek businessman Prokopis Makris believes moving to Bulgaria three years ago was the best decision he ever made. The accountant shut his failing furniture company in Greece and opened a business helping other entrepreneurs move to Bulgaria to escape a 29 percent tax rate, which has jumped since Athens adopted austerity as part of an international bailout.

"We are bombarded with taxes in Greece, businesses are being annihilated," he says in his plush office overlooking the town square of Petritsi, a Bulgarian town about 12 km (seven miles) north of the border with Greece. The debt crises faced by Greece and several other European countries led to drastic spending cuts and tax increases to improve government finances. But the higher taxes punished businesses forcing many to shut or move to lower tax jurisdictions such as Bulgaria or Cyprus, helping those economies but undermining the recovery needed to balance the books at home.

The number of Greek owned businesses based in Bulgaria, where the corporate tax rate is only 10 percent, has risen to 17,000 from 2,000 in 2010, when Greece had its first bailout, according to Bulgarian authorities. The Greek government is concerned. It plans a series of tax audits in cooperation with Bulgaria to determine if these business defections are merely changes of address designed to avoid tax rather than a physical relocation of operations.

"Many Greek businesses in neighboring countries may actually be most economically active in Greece," said George Pitsillis, head of Greece's Public Revenues Agency, adding that he suspected many firms were using

Bulgarian shell companies. "They may soon be in the unpleasant position of paying tax in both countries, plus fines." Businesses relocated from Greece generate about 5 billion euros (\$5.3 billion) annually and employ an estimated 53,000 people, according to 2014 data from Greece's embassy in Sofia. Numbers are rising fast: 3,642 Greek businesses have been registered in Bulgaria so far this year, up from 3,262 for all of 2015, according to the Bulgarian Registry Agency.

Bulgaria says it will share tax details with Greece to help the audits. A bilateral tax treaty says a company cannot be taxed in both countries and the tax domicile is determined by wherever its principal activity is located. "If needed, we will cooperate with the Greek tax authorities under the mechanisms for exchange of tax information between EU member states," Rosen Bachvarov, spokesman for Bulgaria's national revenue agency, said when asked about the audits.

"Land of opportunities"

Six hundred kilometres (372 miles) north of Athens, the Greek-Bulgarian border is teeming with traffic. A ravine through mountains on the Greek side gives way to a sweeping valley where agriculture and vineyards are the mainstay of the local economy.

At two small industrial parks 5 km inside Bulgaria, Greek signs are everywhere, advertising storage and office space. "There are dozens of Greek businesses just in this area alone, from transport companies to textile businesses and construction materials," said Yiorgos Kalaitzoglou who runs a logistics business out of one of

the industrial parks where a sign reads, "Land of Opportunities".

Three years ago, his business was stuttering in Greece. He moved to Bulgaria, leaving his wife and family in Thessaloniki, Greece's second largest city an hour's drive away. "The taxman in Greece takes 70 to 90 percent of earnings, Greece simply doesn't let you live," the 50-year-old said as he walked through a warehouse stacked with ladders and paint tubs. It took him a few days to register his company in Bulgaria. Eighty percent of the goods he handles is imported from other European states and then exported to his customers in Greece. A sole trader, Kalaitzoglou now nets about 50,000 euros a year after paying the 10 percent corporate tax, a 5 percent tax on dividends and about 100 euros a month in pension contributions.

Hard times

Serres, a town of just under 100,000 people on the frontier, has been hit by business flight. Membership of the Serres Chamber of Commerce and Industry has fallen to 10,000 from 17,000 pre-crisis as businesses have closed. Of the 7,000 that shut, 1000 went to Bulgaria, the chamber's president Christos Meglas said. The departures have contributed to a rise in unemployment to 29.1 percent in 2015 from 13.8 percent five years earlier. Per capita GDP has fallen 15 percent to 9,676 euros for the region, the second-lowest in Greece. It was 11,421 euros in 2008. "Serres is a living example of how the rich became poor ... we were one of the richest prefectures, now we are among the poorest," said Meglas. — Reuters

EXCHANGE RATES

AL-MUZAINI EXCHANGE CO.

ASIAN COUNTRIES

Japanese Yen	2.757
Indian Rupees	4.492
Pakistani Rupees	2.919
Sri Lankan Rupees	2.067
Nepali Rupees	2.814
Singapore Dollar	215.130
Hongkong Dollar	39.415
Bangladesh Taka	3.871
Philippine Peso	6.564
Thai Baht	8.612

GCC COUNTRIES

Saudi Riyal	81.574
Qatari Riyal	84.018
ani Riyal	794.439
Bahraini Dinar	812.280
UAE Dirham	83.274

ARAB COUNTRIES

Egyptian Pound - Cash	24.100
Egyptian Pound - Transfer	18.990
Yemen Riyal/for 1000	1.228
Tunisian Dinar	134.820
Jordanian Dinar	430.720
Lebanese Lira/for 1000	2.038
Syrian Lira	2.180
Morocco Dirham	31.036

EUROPEAN & AMERICAN COUNTRIES

US Dollar Transfer	305.700
Euro	325.880
Sterling Pound	379.070
Canadian dollar	227.880
Turkish Lira	91.000

Swiss Franc	304.790
Australian Dollar	226.520
US Dollar Buying	304.500

GOLD

20 Gram	188.17
10 Gram	127.01
5 Gram	64.35

DOLLARCO EXCHANGE CO. LTD

Rate for Transfer

US Dollar	304.200
Canadian Dolla	225.044
Sterling Pound	383.455
Euro	329.642
Swiss Franc	301.458
Bahrain Dinar	805.769
UAE Dirhams	83.216
Qatari Riyals	84.433
Saudi Riyals	82.003
Jordanian Dinar	429.495
Egyptian Pound	19.620
Sri Lankan Rupees	2.065
Indian Rupees	4.498
Pakistani Rupees	2.902
Bangladesh Taka	3.875
Philippines Pesto	6.189
Cyprus pound	160.643
Japanese Yen	3.826
Syrian Pound	2.427
Nepalase Rupees	3.860
Malaysian Ringgit	72.482
Chinese Yuan	45.243
Thai Bhat	9.664
Turkish Lira	94.850

Selling Rate

US Dollar	304.200
Canadian Dolla	225.044
Sterling Pound	383.455
Euro	329.642
Swiss Franc	301.458
Bahrain Dinar	805.769
UAE Dirhams	83.216
Qatari Riyals	84.433
Saudi Riyals	82.003
Jordanian Dinar	429.495
Egyptian Pound	19.620
Sri Lankan Rupees	2.065
Indian Rupees	4.498
Pakistani Rupees	2.902
Bangladesh Taka	3.875
Philippines Pesto	6.189
Cyprus pound	160.643
Japanese Yen	3.826
Syrian Pound	2.427
Nepalase Rupees	3.860
Malaysian Ringgit	72.482
Chinese Yuan	45.243
Thai Bhat	9.664
Turkish Lira	94.850

BAHRAIN EXCHANGE COMPANY WLL

CURRENCY BUY SELL

Europe		
British Pound	0.372381	0.382381
Czech Korune	0.003988	0.015988
Danish Krone	0.039553	0.044563
Euro	0.319078	0.328078
Norwegian Krone	0.031812	0.037012
Romanian Leu	0.071807	0.071807
Slovakia	0.009155	0.019155
Swedish Krona	0.029082	0.034082
Swiss Franc	0.295493	0.306493
Turkish Lira	0.087442	0.097742

Australasia

Australian Dollar	0.218724	0.230724
New Zealand Dollar	0.209503	0.219003

America

Canadian Dollar	0.221877	0.230877
Georgina Lari	0.138026	0.138025
US Dollars	0.301500	0.306200
US Dollars Mint	0.302000	0.306200

Asia

Bangladesh Taka	0.003387	0.003971
Chinese Yuan	0.042946	0.046446
Hong Kong Dollar	0.037314	0.040064
Indian Rupee	0.000391	0.004602
Indonesian Rupiah	0.000019	0.000025

Japanese Yen

0.002667	0.002847	
Kenyan Shilling	0.002993	0.002993
Korean Won	0.000249	0.000264
Malaysian Ringgit	0.065612	0.071612
Nepalase Rupee	0.002837	0.003007
Pakistan Rupee	0.002712	0.003002
Philippine Peso	0.006035	0.006335
Sierra Leone	0.000051	0.000057
Singapore Dollar	0.208830	0.218830
South African Rand	0.015686	0.024186
Sri Lankan Rupee	0.001640	0.002220
Taiwan	0.009453	0.009633
Thai Baht	0.008274	0.008824

Arab

Bahraini Dinar	0.804039	0.812539
Egyptian Pound	0.015609	0.024862
Iranian Riyal	0.000085	0.000086
Iraqi Dinar	0.000188	0.000248
Jordanian Dinar	0.425976	0.434976
Kuwaiti Dinar	1.000000	1.000000
Lebanese Pound	0.000152	0.000252
Moroccan Dirhams	0.020095	0.044095
Nigerian Naira	0.000401	0.001036
Omani Riyal	0.787345	0.793025
Qatari Riyal	0.083129	0.084579
Saudi Riyal	0.080407	0.081707
Syrian Pound	0.001296	0.001516
Turkish Dinar	0.129912	0.137912
Tunisian Lira	0.087442	0.097742
UAE Dirhams	0.081779	0.083479
Yemeni Riyal	0.001381	0.001461