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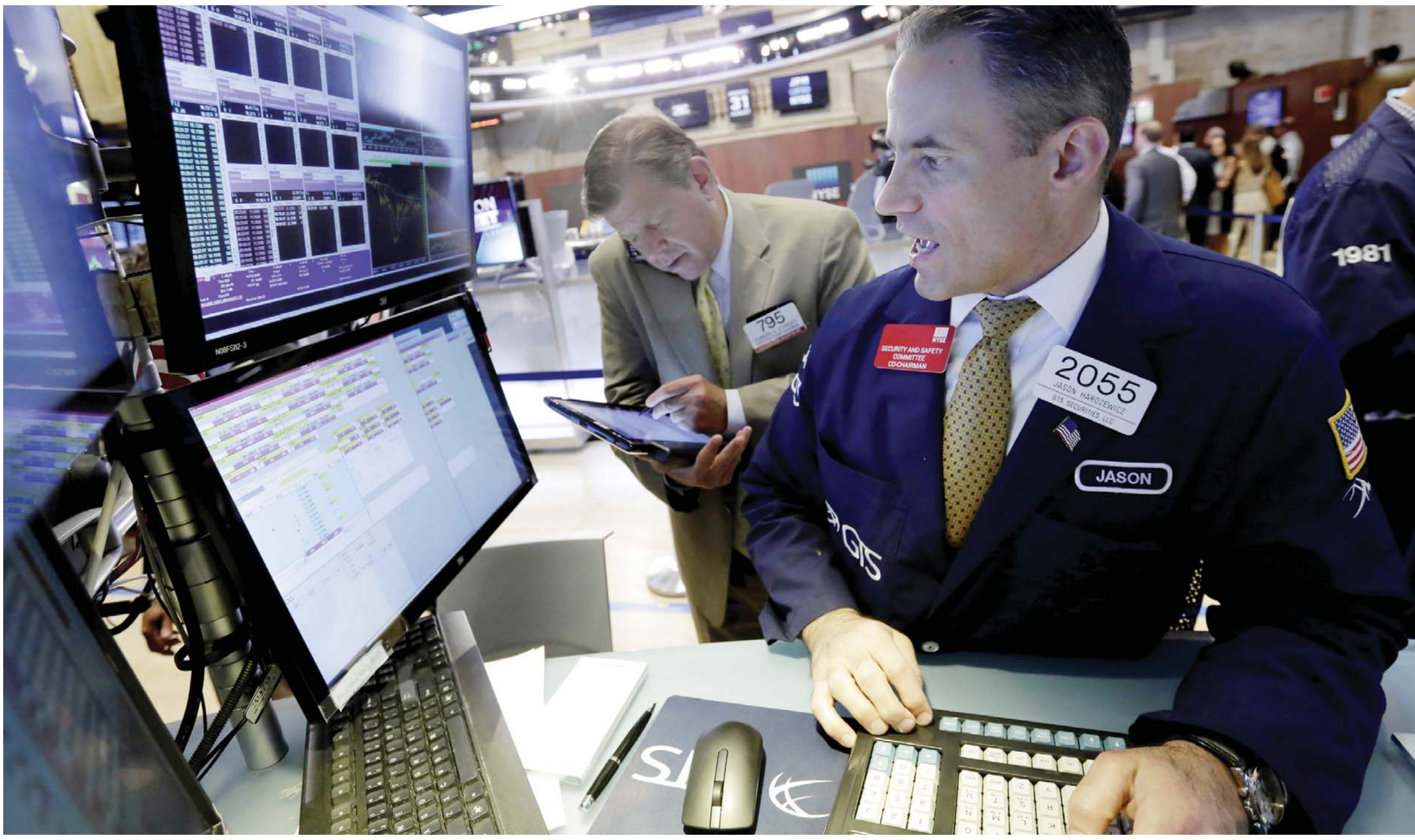


NEW YORK: Specialist Jason Hardzewicz (right) works at his post on the floor of the New York Stock Exchange yesterday. Stocks are opening slightly lower on Wall Street as a thin batch of earnings gave investors little to get excited about. — AP

ME funds become more wary of bonds: Poll

Saudi, Kuwait and Bahrain set to issue global bonds

DUBAI: Middle East fund managers have turned negative towards fixed income for the first time since January because of the prospect of US monetary tightening and a flood of bond supply expected from governments in the region, a monthly Reuters poll found. The poll of 14 leading fund managers, conducted over the past week, found 21 percent expect to cut back allocations to Middle East fixed income in the next three months while 14 percent expect to raise them. Last month, 21 percent anticipated reducing their fixed income allocations with 29 percent increasing them. One reason for the shift is statements by Federal Reserve officials suggesting an increased chance of a US interest rate hike by the end of this year.

Also, the last couple of months have seen a strong rally in Gulf Cooperation Council debt instruments, in line with emerging market bonds in general. Meanwhile, supply of GCC debt has been surging as governments cover budget deficits caused by low oil prices, with Saudi Arabia, Kuwait and Bahrain expected to issue international bonds in coming months. Mohamed Eljamal, managing director of capital markets at Abu Dhabi's Waha Capital, said yields of most of regional benchmark names were trading at year-to-date lows, and anticipated supply would weigh on returns.

"For the remainder of the year, a strong pipeline of bond supply from the region - both sovereign and corporate - is anticipated north of $30 billion, which should cap performance until the supply clears."

SELECTIVE ON STOCKS

The poll found 36 percent of funds expect to increase their allocation to Middle East equities and 14 percent to reduce them, a lower net positive than last month's rates of 43 percent and 14 percent respectively. Sentiment has on balance turned negative towards Qatar, where 43 percent now expect to reduce equities allocations and 21 percent expect to increase them - the most bearish balance since April. Last month, 14 percent anticipated a reduction and 36 percent an increase.

Qatar's stock market has been supported in recent weeks by anticipation of index compiler FTSE upgrading the bourse to emerging market status in mid-September. But several fund managers think many Qatari shares are now trading at or above fair value, leaving the market vulnerable to a correction. Islamic lender Masraf Al Rayan, trading around 38.90 riyals, is at a 33 percent premium to the mean fair value of 29.19 riyals estimated by six analysts surveyed by Reuters.

Funds have also turned less positive towards Saudi Arabia's stock market with 29 percent expecting to increase allocations and 21 percent to cut them back, compared to last month's rates of 50 percent and 14 percent.

Riyadh's bourse has lagged its peers over the last month because of factors including a sharp economic slowdown due to low oil prices and government austerity steps, and political tensions linked to Saudi Arabia's military intervention in Yemen. "Weaker third-quarter earnings expectations, as the fiscal tightening bias continues, are another major concern for the near-term outlook," Eljamal of Waha Capital said.

Funds are most bullish towards United Arab Emirates equities. Talal Samhouri, head of asset management at Qatar's Amwal, cited relatively strong corporate results in the UAE and its diversification away from oil.

Egypt's stock market has not benefited much from Cairo's preliminary agreement early this month to obtain a $12 billion loan from the International Monetary Fund. Fourteen percent of funds now expect to increase equity allocations and 21 percent to decrease them; last month, the rates were 28 and 43 percent. Foreign investors are reluctant to move back into Egypt in a big way until details of the loan agreement are known. Sebastien Henin, head of asset management at Abu Dhabi's The National Investor, said that once the deal was approved and the government adopted ambitious economic reforms, foreign interest would revive. — Reuters

G20 to go long on rhetoric, short on economic policy

BEIJING: G20 leaders will meet in China this weekend in a climate of economic uncertainty and sluggish global growth-but the absence of an urgent crisis means the forum will be short on breakthroughs, analysts say. Eight years after the first G20 summit in Washington, when countries coordinated a response to the financial meltdown, Beijing has set a modest agenda for the Hangzhou gathering-focusing on making the world economy "innovative, invigorated, interconnected, and inclusive".

But as countries' economic needs diverge-the US is mulling a rate hike, Japan is toying with fresh easing, Germany is skeptical of fiscal stimulus, Chinese overcapacity remains huge, and Britain has voted to quit the EU-the prospects for major unified action are dim.

"At the moment there's simply not a lot of common overlapping interests between the major economies," Christopher Balding, professor of economics at Peking University HSBC Business School, told AFP. The G20 is made up of the world's leading industrialised and emerging economies, which together account for 85 percent of the world's gross domestic product and two-thirds of its population.

But its failure to deliver on past pledges has raised questions about the credibility of future promises. Compliance with vows made in 2015 has fallen to a low of 63 percent, according to analysis by the University of Toronto.

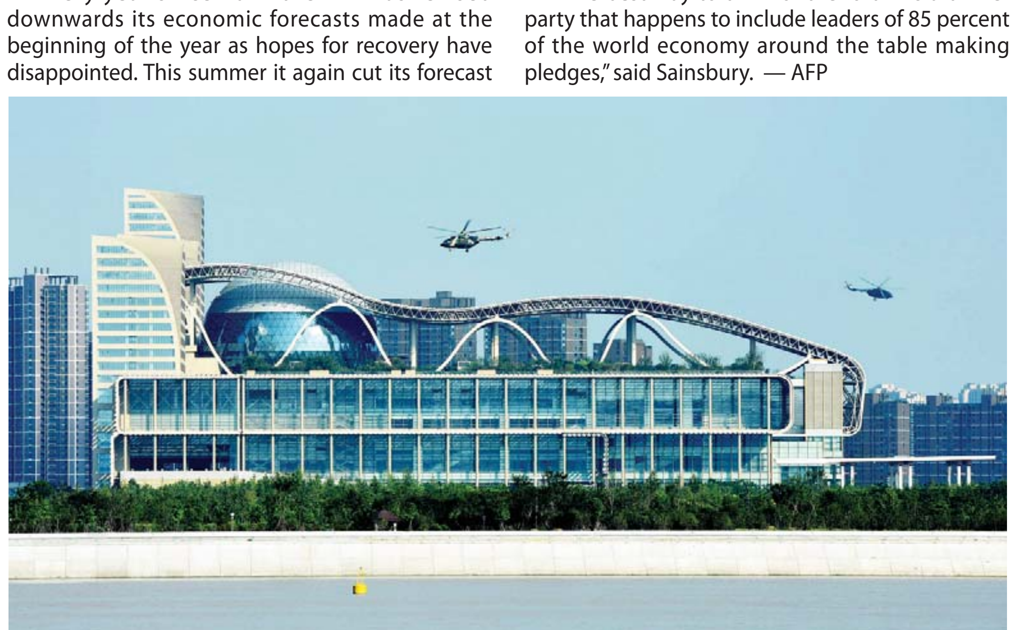
Disappointing growth

"Ongoing economic malaise has been accompanied by the unwillingness of G20 members to sustain their commitment to the structural reforms needed to meet the growth pledge," said Tristram Sainsbury and Hannah Wurf of the G20 Studies Centre at Australia's Lowy Institute in a report.

Despite repeated promises to achieve the G20's mission of strong, sustainable, balanced growth, members are "not achieving any of those three terms", Sainsbury told AFP.

Every year since 2011 the IMF has revised downwards its economic forecasts made at the beginning of the year as hopes for recovery have disappointed. This summer it again cut its forecast for global growth in 2016 to 3.1 percent. It is a far cry from the sunny pledges of the Brisbane Action Plan two years ago, when G20 leaders set a goal of lifting collective GDP an extra 2.1 percent beyond baseline IMF predictions by 2018. Leaders said at the time that doing so would add $2 trillion and millions of jobs to the world economy.

"The best way to think of the forum is a dinner party that happens to include leaders of 85 percent of the world economy around the table making pledges," said Sainsbury. — AFP



HANGZHOU: Helicopters hover around the main venue which will hold the upcoming G20 summit in Hangzhou in east China's Zhejiang province. — AP

OPEC output hits record; Gulf gains counter African losses

LONDON: OPEC's oil output is likely in August to reach its highest in recent history, a Reuters survey found on Wednesday, as extra barrels from Saudi Arabia and other Gulf members make up for losses in Nigeria and Libya. Production in top OPEC exporter Saudi Arabia has likely reached a fresh record, sources in the survey said, as it meets seasonally higher domestic demand and focuses on maintaining market share.

Other big Middle Eastern producers, except Iran, also boosted output. Supply from the Organization of the Petroleum Exporting Countries has risen to 33.50 million barrels per day (bpd) from a revised 33.46 million bpd in July, according to the survey based on shipping data and information from industry sources.

The gain could add to scepticism about renewed OPEC talk of freezing output to support prices. Oil has risen towards $48 a barrel from $42 at the start of August, helped by such speculation, but these hopes have waned in recent days. "OPEC does not really want to freeze production," said Olivier Jakob, oil analyst at Petromatrix. "But it dreams of freezing prices at current levels."

Supply has risen since OPEC in 2014 dropped its historic role of fixing output to prop up prices as Saudi Arabia, Iraq and Iran pumped more. Production has also climbed due to the return of Indonesia in 2015 and Gabon in July as members. The membership changes have skewed historical comparisons. August's supply from OPEC excluding Gabon and Indonesia, at 32.54 million bpd, is the highest in Reuters survey records starting in 1997.

In August, Saudi Arabia is expected at least to match July's record of 10.67 million bpd, sources in the survey said. Other industry sources told Reuters a new record as high as 10.90 million bpd was possible in August. There is no sign of any deliberate cutbacks. Saudi Energy Minister Khalid Al-Falih told Reuters last week that August production had remained around July's level, without giving a precise figure. The United Arab Emirates continues to expand output, hitting 3.0 million bpd in August for the first time in the Reuters survey. Iraq and Kuwait pumped slightly more than in July, the survey found.

Supply in Iran, OPEC's fastest source of production growth earlier this year after the lifting of Western sanctions, has held steady this month as output nears the pre-sanctions rate. Iran is seeking investment to boost supply further. Of countries with lower output, the biggest drop came from Nigeria as militants attacked oil facilities. The Qua Iboe stream, the country's largest, was under force majeure for the whole month, reducing exports.

Libyan output slipped further and another decline occurred in Venezuela, hit by an economic crisis. The Reuters survey is based on shipping data provided by external sources, Thomson Reuters flows data, and information provided by sources at oil companies, OPEC and consulting firms. — Reuters