Experts address financial challenges in GCC

EDB, Euromoney host 600 delegates from 24 countries at Bahrain forum

KUWAIT: The Bahrain Economic Development Board (EDB) and Euromoney hosted 600 attendees - the biggest crowd to date - at the GCC Financial Forum. Senior government officials, regulators and economists joined local and international financiers and business leaders in Manama for two days of high level discussions and networking.

Khalid Al-Rumaihi, Chief Executive of the EDB, who opened the conference, said: 'The forum attracts a high-level audience, both locally and internationally, and is a testament to Bahrain's significance as a financial services hub in the region. Our annual forum affords us an excellent opportunity to welcome a wide range of key market participants from all over the world, allowing us to showcase Bahrain, its strategic importance in the GCC and the myriad of opportunities in financial services that the country has to offer.'

Francis Fukuyama, the renowned political commentator, futurist and author was joined by Lord Adair Turner, Chairman of the Institute of New Economic Thinking and former head of the UK Financial Services Authority. They provided a global context to the day's discussions, examining the impact of the new US administration on the international stage, analyzing economic indicators in key global economies and the future prospects for growth. Highlights of the first day of the event also included a keynote interview with Jean Lemierre, Chairman of BNP Paribas, who spoke on the importance of the GCC and Bahrain to the bank's overall strategy.

MANAMA: Panel discussion in progress at GCC Financial Forum 2017.

MANAMA: Khalid Al-Rumaihi, Chief Executive of the EDB

MANAMA: A cross-section of the audience at GCC Financial Forum.

The traditional highlight of the conference was the open 'Town Hall Discussion' with Rasheed Mohammed Al-Maraj, Bahrain's Central Bank Governor. His Excellency spoke about the outlook for Bahrain's economy and financial sector and answered questions from the audience on Bahrain's currency and exchange-rate policy, Bahrain's approach to catalysing innovation in non-oil businesses and the development of the banking sector, among many other topics.

Atif Abdulmalik, CEO of Arcapita said: 'The high-calibre and diverse line-up of speakers from Bahrain and from overseas made for some very thought-provoking and constructive discussions. The forum provided an excellent opportunity for key decision-makers in the regional and international financial markets to come together for open and honest debate and to discuss tangible solutions for tackling the key challenges that we face in the region.'

Day two examined how innovation in financial services can provide solutions to the GCC's financing challenges. In particular the role of fintech and innovative financing platforms was discussed with presentations from Rita Liu, Head of Europe, Middle East and Africa at Alipay and Marcus Treacher, Global Head of Strategic Accounts at Ripple. The conference closed with a lively debate on the fast evolving fintech landscape and what this means for banks, retail payment providers and technology firms.

Brexit plunges EU fishing into troubled waters

BRUSSELS: EU fishing fleets are increasingly anxious about their future access to teeming British waters as Britain prepares to trigger the two-year countdown to its exit from the bloc.

Fleets from nine EU countries including France, Germany and Spain have banded together in a newly-created European Fisheries Alliance, formerly launched at the European Parliament last week, warning of steep losses if divorce proceedings turn bitter.

Alain Vidalies, France's secretary of state for fisheries, stressed in Paris last week "the importance of preserving fairness between European and British fleets" post-Brexit. European fleets obtain one-third of their catch in the exclusive economic zone around the British Isles, and loss of access to those waters could cut their profits in half in the short term, the fishing alliance says.

In the long term, EU fleets could lose a combined 500 to 600 vessels if they were excluded from British waters, representing 15 percent of the total, and up to 3,000 fleet jobs.

Industry officials are pressing for negotiations on Britain's post-Brexit future to include continued access to British waters. "If you don't want to pay 30 percent tariffs you will have to negotiate. Negotiations should be tied to access to the market," Ivan Lopez Van der Veen, who represents the Spanish fishing association Pesquera Ancora, said at the EU Parliament last week.

Linked fortunes

Non-British EU vessels currently land almost eight times more fish and shellfish by weight from British waters than UK boats, or almost five times more by value, said Ian Napier, senior policy advisor at the NAFC Marine Centre, based on Scotlands' Shetland Islands.

From 2011 to 2015, European fleets caught 700,000 tons of fish and seafood in British waters, valued at about 530 million pounds (612 million euros, $660 million), the NAFC said in a report published in January. British vessels, by contrast, caught just 92,000 tons, valued at 110 million pounds, in other EU waters.

And the European Fisheries Alliance notes that Britain cannot eat all the salmon, lobster, scallops and other fish and seafood its boats produce: about 70 percent of production, worth a billion euros a year, is exported to its European partners. Despite this, a UK parliament White Paper published in December found that the majority of fish consumed in Britain are imported.

"Continued access to free, or preferential, trade in fish and seafood will therefore be crucial for the seafood industry and UK consumers" after Brexit, the paper said. And depending on whether Britain negotiates a "hard" or "soft" exit, the viability of dozens of fishing centres, from Concarneau in France and Rostock in Germany to Galway in Ireland or Gdansk in Poland, could be at stake.

But others say that leaving the EU would give Britain a chance to revive homegrown fleets. "Brexit is an opportunity for the UK to revitalize its fishing industry, stabilize threatened ecosystems and create thousands of new jobs," said Lasse Gustavsson, executive director in Europe for Oceana, an environmental advocacy group. "But this will only happen if overfishing is stopped." —AFP

Markets under pressure as Trump tastes first defeat

KUWAIT: During the first quarter of 2017, the FOMC raised interest rates while expressing optimism about the outlook of the US economy and signaling continuous gradual rates hikes in 2017. The message was perceived as if the Fed gave the green light to extend the risk assets rally based on additional fiscal stimulus hopes, potential higher corporate earnings on the back of falling oil prices despite a stronger US dollar.

Last week, markets start to send different mixed signal under the continued influence of US politics. Indeed, equities, treasury yields and the US dollar dropped reflecting moderating expectations for President Donald Trump's ability to pass meaningful and timely reforms and substantially increase infrastructure spending. Despite the first failure of the President, market implied fed funds probabilities were not heavily affected and continued to price rates hikes over the next six months. The ongoing US economy underlying fundamentals and the hawkish tone that Fed officials began to exhibit in February remain the pillars of the strong dollar we have witnessed in the past three years.

As it became clear that President Trump may not have enough support to pass his first big agenda item; repealing and replacing Obama care with the American Health Care Act, expectations began to sink and impacted equity markets with the S&P 500 experiencing its worst one day loss in five months by the middle of the week.

Debt ceiling

Although the president will have time to pass tax reforms, also deem a controversial subject, many more hurdles lie ahead. Additionally, the failure to pass the AHCA has likely the potential to erode the current support for the President and could encourage his opposition to delay or dilute parts of his agenda that have helped drive markets higher. Another key debate on the horizon will be the budget bill. Currently the government is only funded through April 28, and Congress in the US will soon have to address the debt ceiling.

On the monetary policy front, Chicago Federal Reserve President Charles Evans reinforced the perception that the US central bank won't accelerate the pace of its interest rate hikes. However, he added that an additional hike was possible if inflation was to pick-up. In addition, Dallas Fed President Kaplan said Thursday that the Fed should raise interest rates two more times this year and continue working on a plan to gradually reduce its balance sheet.

In Europe, ECB Peter Praet stressed the fact it was premature to consider exiting monetary accommodation. Although he mentioned that things were improving "but the upward trend and hence the normalization of inflation are still very dependent on monetary policy stimulus". He added that "the underlying inflation trend is still noticeably weak" and that there is "more slack than the jobs data show" Finally in the UK, BoE's Vlieghe said that inflation might not mean a rate increase. Pouring cold water on inflation hawks, he mentioned that the current run-up in inflation is largely due to the weaker GBP suggesting that even if it rose more quickly than expected, it would likely fall more quickly thereafter. It might not have an impact on policy.

Dollar hit

On the foreign exchange side, the dollar continues to be affected by the less-hawkish-than expected interest rate hike of last week as well as the failure of President Trump election promises. The dollar index opened the week at 100.370 and quickly fell below the 100 level. The index reached a 7-week low of 99.547 and closed the week at 99.760.

The euro opened the week at 1.0738 and continued to surge reaching a six-week high of 1.0825 on Tuesday following the EU's statement regarding the UK's exit from the union and support by higher than expected PMI figures. The currency closed the week at 1.0797.

The pound sterling had a week of gains even though Prime Minister Theresa May announced the official date for Brexit which will be on the 29 of March. The Pound reached a four weeks high of 1.2530 as inflation figures surpassed BOE's target for the first time in three years. The currency closed the week at 1.2468.

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The Japanese yen also reached a four month highs at 110.60 against the dollar but softened following the less than expected manufacturing PMI figures on Friday. The currency closed the week at 111.33.

On the commodities side, oil prices continued under pressure even with the potential extension of the current OPEC's production cut increased oil prices while a build-up in US crude inventories drove prices down as Brent Crude closed the week at $50.80. Furthermore, gold prices continue to be volatile as investors remain hesitant amid the current political uncertainty.

Durable Goods

Orders for US durable goods increased more than forecast in February, a sign companies are confident about the outlook for the economy. Orders for goods meant to last at least three years rose 1.7 percent after a 2.3 percent advance the prior month that was larger than previously estimated, Commerce Department data showed Friday. The median forecast of economists surveyed by Bloomberg called for a 1.4 percent increase. A sixth straight gain in orders for durable goods minus transportation equipment underscores rising demand that will help to broaden economic growth.

US existing home sales stumbled for the month of February. The monthly figure was at 5.48M versus an expectation of 5.59M yet remained above year ago levels, the sales pace is still 5.4 percent more than last year. On the other hand, purchases of new homes increased in February to a seven-month high, indicating the effects of the recent rise in costs on the US residential real estate market have been modest. Sales rose 6.1 percent to a 592,000 annualized pace, Commerce Department data showed Thursday. The median forecast in a survey called for a 564,000 rate. Warmer winter weather probably played a role in boosting demand as purchases in the Midwest surged by the most since October 2012.

Europe & UK; Manufacturing

Eurozone economic growth gathered further momentum in March, reaching a near six-year high. The data also saw the best employment growth for almost a decade as both manufacturing and service sector firms responded to surging order books. Business optimism meanwhile hit a new peak, but price pressures also intensified to a near six-year high. The eurozone PMI rose to 56.7 in March, according to the preliminary 'flash' estimate up from 56.0 in February; the latest reading was the highest since April 2011. The first quarter average of 55.7 is the highest since the first quarter of 2011.

Both service sector and manufacturing input costs and selling prices were found to have been rising at the steepest rates since the first half of 2011 during the first quarter. Growth in Germany increased to the strongest since May 2011, driving job creation to the highest for six years. Output and order book growth accelerated in both manufacturing and services, as did job creation. The German service sector saw jobs being added at a rate not beaten in 20 years of data collection.

UK inflation on the rise

UK inflation accelerated more than economists forecast in February, breaking through the Bank of England's target for the first time in more than three years. The 2.3 percent increase in the consumer prices index was the fastest since September 2013 and above the median prediction for 2.1 percent. The rate is up from just 0.3 percent a year ago, reflecting sterling's 17 percent drop since the Brexit vote in June, as well as an increase in oil prices

The BOE has said it will tolerate inflation overshooting its 2 percent goal as it provides support to the economy, though that stance could be tested if it starts to push up domestic price pressures. One policy maker, Kristin Forbes, broke ranks this month and voted for an interest-rate increase, and some others indicated that they may also be leaning that way.

BoJ to keep policy in route

Bank of Japan Governor Haruhiko Kuroda said on Friday there is "no reason" to withdraw the bank's massive monetary stimulus now, or raise its bond yield targets, as inflation remains far from its 2 percent goal. Kuroda also dismissed financial market concerns that the BOJ will eventually lose its ability to control long-term interest rates under its yield-curve-control framework. Kuroda added that the BOJ won't increase its bond yield target just because overseas long-term interest rates are rising, a scenario some traders believe is inevitable. The BOJ maintained its short-term interest rate target of minus 0.1 and a pledge to guide the 10-year government bond yield JP10YT at around zero percent after a policy meeting on March 16.

China system remains fragile

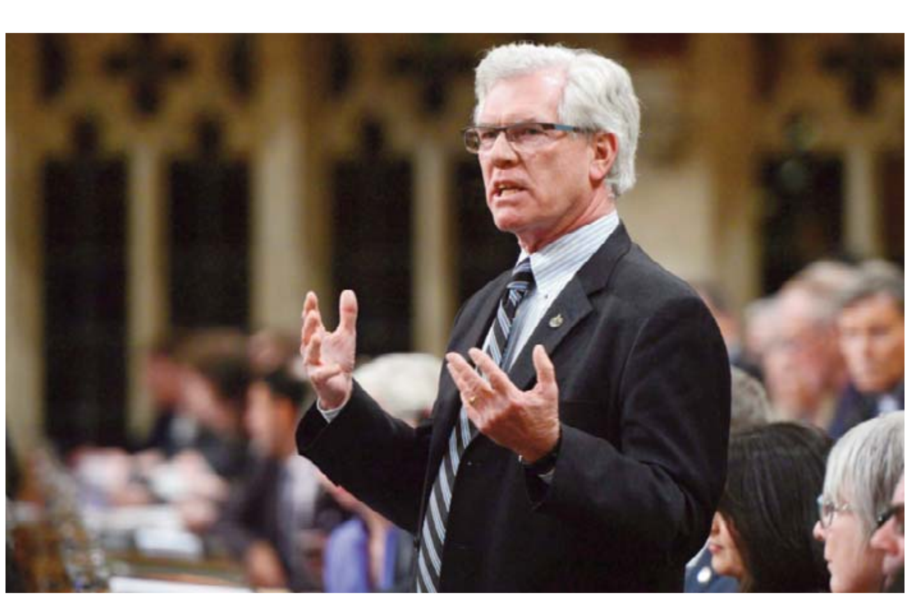
China's financial system continues to display weakness and liquidity issues. China's seven days repo rate jumped by middle of the week to 5.5 percent, the highest level since late 2014. PBOC's reacted quickly by injecting RMB 80-90B to the as some small banks failed to repay debts in the interbank market. Last week, the PBOC raised a range of short-term interest rates to reduce financial risks, thought to be a response to Fed funds rate hike. Interbank rates should remain volatile over the coming week, ahead of PBOC's quarterly assessment in late March.

Although recent data suggested that the problem of capital outflow eased in February, ongoing interest rate normalization in the US would prolong China's capital outflow problem, sustaining the challenges facing China in the implementation of its monetary policy.

Kuwait

Kuwaiti dinar at 0.30460

The USDKWD opened at 0.30460 yesterday morning.



OTTAWA: Natural Resources Minister Jim Carr stands during question period in the House of Commons on Parliament Hill in Ottawa. Carr said on Saturday his government is happy the Keystone XL pipeline has finally been approved by the White House. —AP

Canada determined to diversify despite Keystone XL approval

TORONTO: Canada's natural resource minister said Saturday his government is happy the Keystone XL pipeline has finally been approved by the White House, but he noted that obstacles remain and said Canada remains determined to diversify its oil exports beyond the United States.

The minister, Jim Carr, told The Associated Press that President Donald Trump's approval of the pipeline is "good news." But he said there are other important projects like the recently approved TransMountain pipeline that will allow for exports to Asia. Ninety-eight percent of Canada's oil exports now go to the US.

"We want to ensure we have access to Asian markets," Carr said in a telephone interview. "We want to ensure we have more than one customer, as much as we love Americans." Canada needs infrastructure to export its growing oil sands production. Alberta has the third-largest oil reserves in the world and is America's largest supplier of foreign oil. Keystone XL would carry more than one-fifth of the oil Canada exports to the United States. The pipeline owned by TransCanada received a presidential permit Friday, but Carr said he expects protests and noted it still needs a permit from the state of Nebraska. He's heard the Nebraska process could take eight months.

"Canadians aren't going to go down there and tell state legislators what to do. They have their own process. We'll respect that," he said. Carr will, however, meet with US Energy Secretary Rick Perry in Washington on Thursday. "The objective is to make the point that the energy economies are integrated," he said. "So much of the Canadian interest is aligned with the American interest. Keystone XL is a good example of that." — AP