

# Weekly Economic Commentary – April 18, 2010

## Markets

International stock markets were mixed last week, with the start of the earnings season; US earnings overshadowed a data-heavy week. Gulf markets were also mixed as the regional Q1 earnings figures failed to impress; Dubai trade was also influenced by the calling off of the Arabtec deal to sell a 70% stake to Abu Dhabi's Aabar Investments. On the currency front, Greek worries resurfaced, straining the euro yet again while the Asian currencies reached their highest levels after the crisis as expectations for monetary tightening increased. Oil prices retreated on Friday, pressured by energy demand concerns while gold continued to rise on haven buying.

## Global Developments

### **America:**

- US trade balance widens in Feb, reflecting increase in imports and some stagnation in exports. Import prices remained moderate.
- Retail sales for March were up 1.6% mom; excluding autos, building materials, and gasoline service stations, sales rose a sturdy 0.5%. March CPI came in at a weak 0.06% mom, reflecting a weak core index reading; Energy was flat and food was up 0.2%.
- Initial claims rose by 24k to 484k in the week ended April 10; the 4-week average of initial claims also edged up to 458k, still a high level by historical standards. Industrial production data were weaker than implied by the recent manufacturing surveys, rising just 0.1% mom in March, but the weakness entirely reflected a huge 6.4% drop in utility output.

### **Europe:**

- Industrial production in Eurozone was stronger than market expectations, at 4.1% yoy, in Mar 2010.

### **Asia and Pacific:**

- China grew by 11.9% in Q1 2010, raising questions on overheating yet again.
- Singapore advance GDP estimates for Q1 2010 was slated at 13.1% yoy with a strong manufacturing print; the government also revised its GDP growth forecast range for 2010 – the new range is now 7.0%-9.0%, versus the previous forecast range of 4.5%-6.5%.
- The Monetary Authority of Singapore announced a revaluation of the Singapore dollar – by re-centering the exchange rate policy band at the prevailing level of the SGD NEER; and shifting the policy band to modest and gradual appreciation.

**Bottom line:** A data-heavy week for the US, but the bottomline remains that the numbers did nothing to cheer the markets, nor were they indicative of a recovery. On the other hand, emerging markets continue to impress with releases of advance Q1 GDP data amid monetary tightening rumours.

### **Regional Developments**

- said Sunday it revoked the securities business license of Saudi inflation accelerated to a nine-month high of 4.7% in March, led by rent, fuel and food costs. Consumer prices rose 0.5% mom as per data released by the Central Department of Statistics.
- Qatar Islamic Bank the country's second-largest lender by market value, will delay selling sukuk worth at least \$500 million due to a blip in market confidence, according to Zawya.
  - Saudi non-oil exports surged 21% yoy in Jan 2010 to SAR 9.6bn according to a latest report by the Ministry of Economy and Planning. Petrochemicals topped list of exports in Jan – at 32% of total

exports and valued at SAR 3.1bn. This comes amid news of rise in oil production elsewhere in the GCC: Kuwait national Oil Company will increase production capacity to 3 mn barrels per day in August; Oman Oil & Gas Ministry announced the oil production will reach 860 bbl per day this year.

- A free trade agreement between the GCC and the four-member European Free Trade Association (EFTA) is ready and will come into force this year according to Trond Giske, Minister of Trade and Industry of Norway. "The EFTA nations have agreed to the free trade agreement, which is now in ratification stage in the member nations" he said, in an interview with Khaleej Times.
- Qatalum, the world's most efficient aluminium smelting plant, was launched in Qatar with a 585,000 tonnes of premium-quality aluminium products.
- Deutsche Bank and Saudi Arabian investors will form Deutsche Gulf Finance, a Shariah-compliant home financing company with an initial capital of \$110 million.
- The new power grid connecting four Gulf Arab countries has so far seen about 70 power transfers since it was launched in the second-half of last year, according to senior officials. The regional electricity network is also expected to set tariffs for these transfers by summer, as per Adnan al-Mohaisen, the chief executive of the Gulf Cooperation Council Interconnection Authority.

### **Market Intelligence on the UAE**

- A new body, the Dubai Government Finance Team, will develop a medium-term financial strategy for Dubai up to 2014 to cope with real estate troubles and other woes linked to the financial crisis. It will comprise representatives from DoF, Dubai Police, RTA, Customs, Health Authority and Municipality. The team will be led

by Jamal Hamed Al-Marri, director of central accounts at DoF.

- Expatriates form 93% of the total work force in the UAE's private sector, according to Dr Zaid Al Sharif, Director of Standards and Policies at the Ministry of Labour.
- Abu Dhabi trade surplus fell 12.9% in 2009 as per the latest report from the Department of Economic Development – the latest indication of the effects of last year's drop in oil prices on the emirate's economy. Abu Dhabi's surplus remained at AED 273bn, thanks to AED 313bn in hydrocarbon exports.
- Dewa's \$1bn five-year bond, maturing in 2015, was priced at 8.5% semi-annual fixed coupon and was more than 11 times oversubscribed on Thursday with the final book size closed at \$11.5bn.
- Nakheel aims to pay about USD 8.2bn to its creditors in June, but the developer needs approval for its March debt proposal before making the payment, as reported by Reuters. Reuters' also said that Nakheel's creditors did not unanimously approve a restructuring plan at a meeting held earlier this week.