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BUSINESS



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IMF cuts US outlook, calls Trump's growth target unlikely



Of the total deposits in the Qatari banking system, Qatari banks' share stood at QR736.51bn, of which QR519.56bn (71%) was with conventional lenders and QR216.96bn (29%) with Islamic banks, according to QCB data. **PICTURE:** Nasar TK

Local lenders account for 97% of total QR762.21bn bank deposits in Qatar

By Santhosh V Perumal
Business Reporter

Total deposits in Qatar's banking system stood at QR762.21bn in May this year, of which about 97% was with local lenders and only little above 3% in foreign banks, according to the Qatar Central Bank (QCB) data.

Of the total QR762.21bn, private sector's share stood at QR377.45bn or about 50% of total, followed by public sector QR200.18bn (26%) and non-residents QR184.58bn (24%), the central bank said.

Of the total deposits in the Qatari banking system, Qatari banks' share was QR736.51bn, of which QR519.56bn (71%) was with conventional lenders and QR216.96bn (29%) with Islamic banks.

The total private sector deposits with Qatari banks amounted to QR354.73bn (or 48% of the total); those of public sector were QR198.55bn (27%) and non-residents QR183.24bn (25%).

Of the QR354.73bn private sector deposits with Qatari banks, riyal-denominated demand and time & savings deposits were QR86.83bn and QR193.23bn; while foreign currency denominated demand and time & savings deposits were QR12.86bn and QR61.81bn respectively.

Qatari conventional banks' had QR59.49bn and QR112.2bn in private demand and time & savings deposits in riyals and QR10.97bn and QR45.07bn in foreign currency; while Islamic banks saw QR27.35bn and QR81.03bn in demand and time & savings (riyal denominated) and

QR1.89bn and QR16.73bn in foreign currency.

Qatari banks' public sector banks' demand and time & savings deposits amounted to QR28.4bn and QR81.09bn in local currency and QR10.69bn and QR78.37bn in foreign currency respectively.

Of the QR28.4bn public sector deposits in riyals, conventional lenders' share was QR20.41bn and Islamic QR7.98bn; while of the QR81.09bn public sector deposits in foreign currency, QR44.71bn was with conventional lenders and QR36.39bn in Islamic banks.

Foreign banks' total deposits were mere QR25.7bn, of which QR10.62bn was with Arab lenders and QR15.08bn with non-Arab banks.

Qatar's private sector deposits with foreign banks amounted

to QR22.73bn or 89%, followed by public sector at QR1.63bn (6%) and non-residents at QR1.34bn (5%).

Private sector had parked QR9.56bn and QR9.45bn in demand and time & savings deposits in riyals and QR3.23bn and QR0.49bn in foreign currency with foreign banks. The public sector's share was QR0.15bn and QR0.46bn in riyals and QR0.65bn and QR0.37bn in foreign currency terms.

Of the QR10.62bn deposits with Arab banks, Qatar's private sector deposited QR9.61bn and public sector QR0.9bn.

Arab banks had seen QR2.79bn and QR6.38bn (local currency) in demand and time & savings private sector deposits and QR0.37bn and QR0.08bn in foreign currency.

Public sector demand and time & savings deposits (local currency)

with Arab banks stood at QR0.15bn and QR0.46bn and those in foreign currency were QR0.03bn and QR0.37bn respectively.

Non-Arab banks had seen QR6.77bn and QR3.08bn in private sector demand and time & savings local currency deposits and QR2.86bn and QR0.41bn in foreign currency.

Qatar's public sector's demand deposits with non-Arab banks amounted to QR0.11bn in riyals and QR0.62bn in foreign currency.

Of the total QR184.56bn non-resident deposits, Qatari lenders cornered QR183.24bn (QR149.8bn by conventional and QR33.44bn by Islamic lenders) and the remaining QR1.34bn were with foreign banks (QR0.12bn with Arab banks and QR1.22bn with non-Arab lenders).

GCC witnesses 10 IPOs in Q1 against 1 in year-ago period

The Gulf Cooperation Council (GCC) saw 10 initial public offerings (IPOs) in the first quarter (Q1) this year compared to one in the year-ago period, but value was down 15%, according to PricewaterhouseCoopers (PwC).

"The low offering values in the quarter mainly relates to the nature and characteristics of the Nomu market, one of which is a lower market capitalisation requirement compared to (Saudi Arabia's) Tadawul, opening the doors for the listing of small to medium size enterprises," PwC said in a report.

However, the number and total proceeds raised from IPOs in Q1, 2017 sharply increased against the fourth quarter of 2016, which witnessed one IPO raising \$37mn.

The Nomu is an alternative equity market to the Tadawul, aimed at smaller cap entities although provides the possibility for companies to transition to the main market after a period of time. Its launch was marked by the listing of seven IPOs.

On the primary exchange, the first and largest regional offering in Q1, 2017 was from Qatar's Investment Holding Group, which operates various contracting businesses. It offered 49.8mn shares to raise as much as \$138mn and is the first IPO in Qatar since 2014.

PwC said the second offering was by Al Jazira Mawten REIT (real estate investment trust) fund on Tadawul, offering 11.8mn shares to raise \$31mn. The fund invests in developing real estate to generate rental income.

The third listing was by ENBD REIT fund on Nasdaq Dubai offering 94.6mn shares to raise \$105mn. It invests in a diversified portfolio of Shariah-compliant realty assets in the UAE.

"As the region continues to adjust to a different oil price environment, we are starting to see signs of market recovery and activity which are positive indicators to what we hope to be an improved year for IPOs in the region," said Steve Drake, PwC partner and head of PwC's Capital Markets and Accounting Advisory Services team in the Middle East. Furthermore, across the region, government initiatives, which include large scale privatisation, is expected to boost capital markets in the next couple of years, he said.

PwC also found that the GCC bonds and sukuk market remained strong in Q1, 2017 as sovereign issuances continued to be popular amongst governments, which are benefiting from strong credit quality with most of them holding investment grade ratings.

The Q1, 2017 was marked by Kuwait's \$8bn sovereign bond, after Saudi Arabia's \$17.5bn and Qatar's \$9bn sales last year. Oman also issued a \$5bn bond in Q1, 2017. Kuwait also raised \$8bn via a \$3.5bn five-year note and \$4.5bn through 10-year note, yielding 2.8% and 3.6%, respectively. Oman raised \$5bn via a \$1bn five-year note at 190 basis points over mid-swaps, \$2bn 10-year note at 300 bps over mid-swaps and \$2bn 30-year note at 387.5 bps over mid-swaps.

Top 5 EU anti-trust fines

- Google, 2017**
Brussels fines the Internet giant €2.4bn (\$2.7bn) as the world's most popular search engine is caught out for giving an illegal advantage to its Google Shopping service in search results. The company has said it is considering an appeal of the ruling.
- Intel, 2009**
US chipmaker Intel is hit with a fine of €1.06bn after the European Commission finds that the company had offered clients price rebates to use its own computer chips in preference to those of its rival AMD. The case is still caught up in a marathon appeals process.
- Microsoft, 2004**
Bill Gates's Microsoft is given a fine of €497mn in March 2004 for anti-competitive behaviour. The EU also rules it must offer a version of its flagship Windows operating system without media software in Europe. In 2008 the company saw the fine boosted by €860mn for failing to comply with agreed-to concessions. After further run-ins, Microsoft's total fines with the EU have totalled about €2bn.
- Servier, 2014**
French drugs giant Servier, Teva and five other drug companies are hit with a fine of €427.7mn in July 2014 for colluding to delay the introduction of a generic version of perindopril, a popular blood pressure treatment.
- Telefonica, 2007**
Spanish telecommunications giant Telefonica is fined €151.9mn for stifling competition in the broadband Internet market in Spain.

Google fined \$2.7bn as EU threatens search monopoly

EU: Google has 90 days to give equal treatment to rival sites; fine is first from EU ahead of two other Google probes

Bloomberg
Brussels

Google lost its biggest regulatory battle yet, getting a record €2.4bn- (\$2.7bn) fine from European Union enforcers who say the search-engine giant skewed results to thwart smaller shopping search services. Alphabet Inc's Google has 90 days to "stop its illegal conduct" and give equal treatment to rival price-comparison services, according to a binding order from the European Commission yesterday. It's up to Google to choose how it does this and inform the EU of its plans within 60 days. Failure to comply brings a risk of fines of up to 5% of its daily revenue. "The more consumers click on comparison shopping results, the more money Google makes," said Margrethe Vestager, the EU's antitrust chief. "This decision requires Google to change the

way it operates and to face the consequence of its actions." Vestager's decision marks the end of a seven-year probe fuelled by complaints from small shopping websites as well as bigger names, including News Corp, Axel Springer and Microsoft Corp. European politicians have called on the EU to sanction Google or even break it up while US critics claim regulators are targeting successful American firms. Google's lawyer Kent Walker said the company respectfully disagrees with the EU's conclusions and will consider a court appeal, according to a blog post. "When you shop online, you want to find the products you're looking for quickly and easily," Walker said. "And advertisers want to promote those same products. That's why Google shows shopping ads, connecting our users with thousands of advertisers, large and small, in ways that are useful for both. We think our current shopping results are useful and are a much-improved version of the text-only ads we showed a decade ago."



European politicians have called on the EU to sanction Google or even break it up while US critics claim regulators are targeting successful American firms

Vestager said the case is likely to stay on her desk "for quite some time" as regulators monitor how Google deals with the order "for a number of years." Regulators haven't talked to Google about how it might meet the EU's expectations. Vestager said "it is very important for Google to find their way of complying" with the EU order. Google has been pushing its own comparison-shopping service since 2008, systematically giving

it prominent placement when people search for an item, the EU said. Rival comparison sites usually only appear on page four of search results, effectively denying them a massive audience as the first page attracts 95% of all clicks. "As a result of Google's illegal practices, traffic to Google's comparison-shopping service increased significantly, whilst rivals have suffered very substantial losses of traffic on a lasting basis," the EU said, citing

figures of a 45% increase in traffic for Google's service. Vestager said the EU might also need to take a closer look at Google's behaviour concerning maps, travel and restaurant reviews. Yesterday's fines could just be the first in a series of EU antitrust penalties for Google, which is fighting on at least two other fronts, including its Android mobile-phone software and the AdSense online advertising service. The decision follows Russia's \$7.8mn antitrust fine and penalties from Italian, German and French privacy authorities. Europe has proved a tough jurisdiction for Google, which fell foul of the region's top court, losing a high-profile right-to-be-forgotten case three years ago. "Vestager is proving she means business," said Thomas Vinje, a lawyer who represents FairSearch, a group of companies that complained to the EU. "This decision will mean that consumers receive comparison-shopping results that offer genuinely the best purchasing options."

Shariah-compliant, gold-backed digi-coins could change Islamic finance

By Arno Maierbrugger
Gulf Times Correspondent
Bangkok

The launch of the first-ever Islamic finance-compatible cryptocurrency could be a game changer for the entire Islamic banking industry and the way it does its finance business, its founder says. OneGram, launched in May in Dubai, calls itself the world's first Shariah-compliant cryptocurrency whose value is backed by actual gold reserves. The company started selling a total stock of 12.4mn digital tokens on May 21 that are backed by one gram of gold each, aiming to raise around \$500mn in its "Initial Coin Offering" programme. At its sister company GoldGuard, a Dubai-based online gold trading platform, OneGram will store the physical gold - bought through Australian-based ABX (Allocated Bullion Exchange) - in a gold vaults inside the Dubai Airport Free Zone which is currently being built. This would create a completely gold-backed, redeemable digital currency.

OneGram's founder and CEO, Mohammed Ibrahim Khan, says he felt inspired by the now popular cryptocurreny Bitcoin when it was launched eight years ago, but he also felt that Bitcoin and similar cryptocurrencies were not designed with Islamic markets in mind, although they are considered to have more "intrinsic value" than fiat money created in the conventional finance system that is based upon debt. However, since there hasn't been an Islamic evaluation as to whether Bitcoin is halal or not, its use is subdued in the Arab world. "While the 1.6bn Muslims make up over 23% of the world population, many Muslims simply can't use cryptocurrencies because of their restricted legal status and high barriers of entry in many countries in the Islamic world," Mohammed notes, adding that the physical backing by gold, which also implements the newly announced halal gold standard, would change that since OneGram has Shariah scholars on its board who ensure that the company is fully compliant with Islamic finance requirements. At the time of writing, a little over 22,000 of OneGram tokens have been sold, primarily through US

dollar wire transfers and Bitcoin conversions, and over 2.7mn were allocated to potential buyers. According to Mohammed, large-scale funds of more than \$200mn have been committed to be invested into the cryptocurrency by Tabarak Investment Capital, an investment bank in Dubai, as well as by "seven high-net-worth individuals in OneGram's network." For the rest, he hopes for individual or in-

Gulf Times Exclusive

stitutional investors who are invited to invest up to \$10,000 instantly and more through a verified and funded account. The sale of the OneGram coins (OTC) is going on until September 22 this year and no more coins will be ever issued from then. The ultimate objective for OneGram is to create a blockchain-based payments solution around its

tokens that complies with Islamic finance standards. Its name will be "YalaPay", and there will be an incentive programme for retailers and companies to participate. OneGram also plans a cooperation with Mastercard to create a "Liquid Gold" debit card which can be used across the globe in ATMs, at point of sales systems and online and can be loaded with OneGram coins, gold value or normal money. For investors, three factors could boost the OneGram's token value over time, namely an anticipated rise of the gold price and increasing market demand for the coins which is expected to go up after the initial sales period. In case the initial offering does not sell out, the unsold coins will be "burned" (made unusable) and taken out of circulation. Furthermore, since each transaction of OneGram coins generates a small transaction fee which is reinvested in more gold, the amount of gold that backs each OneGram coin increases over time and with it the real value of one coin which Mohammed says is one unique feature of his creation. To put it into perspective, OneGram is not the only gold-backed cryptocurrency since there are many

others such as ZenGold, OzCoinGold, Digix, HayekGold, Eldorado, OroCrypt, OroCoin, Royal Mint Gold, just to list a few. Another provider, Hong Kong-based DinarDirham, even claims to receive a Shariah audit, but the company's legitimacy is disputed, and there have been scams with such digi-coin firms as well as which means that investors should do their due diligence beforehand. OneGram is among the largest issuers in terms of value and the first with an official Shariah council which gives it a greater appeal to devout Muslims who prefer to follow Islamic laws when using financial technology innovations. And with its huge target population, OneGram has a distinctive potential to become a key player among cryptocurrencies and challenge Bitcoin whose number of issued coins is less than double that of OneGram. "The Muslim world finally has a fintech digital innovation that is Shariah-compliant and is something they can claim as their own and be proud of," Mohammed says, adding that "Islamic finance experts have said that OneGram coins potentially can change the face of Islamic finance."

It's more pain and less gain for Dana Gas amid sukuk row

Bloomberg
Dubai

Champions of the rapidly expanding \$2tn Islamic finance market are probably hoping the Dana Gas situation will go away, and they may yet get their wish. The Middle Eastern energy explorer sent shockwaves through the Shariah industry this month when, as part of its

battle to restructure debt, it declared the bonds it issued were no longer legal under Islamic law. Now Dana Gas has postponed a call with holders of the securities at which it was expected to explain why the \$700mn notes are void and why creditors should let it reschedule the debt on fresh terms. In cancelling the event, the company cited a Bloomberg article which it described as "misleading."

But the debt discussions are only

one part of the story. These charts show how Dana Gas ended up where it is - and why it could still turn things around.

Dana Gas isn't the only explorer suffering as Brent crude prices languish at about \$45 per barrel, but its situation is more urgent than most. The company's securities mature in October and it has said it won't make payments due in July either.

Dana Gas produces most of its fuel

in Egypt and the semi-autonomous Kurdish region of northern Iraq. But both governments are behind on their bills, handing Dana Gas a cash-flow headache. Even after Egypt made \$135mn in payments this year, the money it needs to pay bondholders is still outstanding.

So far, so straightforward. But Dana Gas is pursuing the cash it is owed. First, in an arbitration case with Iran's state oil producer over a supply deal

gone wrong. That court has already found in favour of Dana Gas and its partners and is evaluating damages.

And in a second set of proceedings, an arbitration court is considering claims against the Kurdish administration of more than \$26bn, according to the company. Dana Gas and partners have already been awarded about \$2bn in damages so far. That money alone could more than cover its liabilities.

Robo-adviser targets Muslim investors in US, beyond

By Bernardo Vizcaino
Reuters

New York-based Wahed Invest will offer its automated investment services across the US after raising \$5mm in seed capital, making it the first robo-adviser to cater to Muslim investors through a Shariah-compliant platform, its founder has said.

The firm raised the funds from Gulf-based investors and hopes success at home will allow it to eventually expand to Europe and the Middle East, chief executive Junaid Wahedna said in an interview.

Wahed joins a number of wealth management firms building robo-advisers, a market initially developed by startups such as Wealthfront and Betterment, to tap affluent but not necessarily very wealthy customers.

The scene is now crowded, with large firms including Charles Schwab Corp, Bank of America Corp and Vanguard joining the fray. But Wahed hopes to claim a slice of the market by catering to Muslims seeking religiously permissible investments, which are either scarce or costly in most Western markets.

"Through our research we found that they either keep their savings in cash or in real estate, there is literally no diversification. The Muslim demographic ends up losing out."

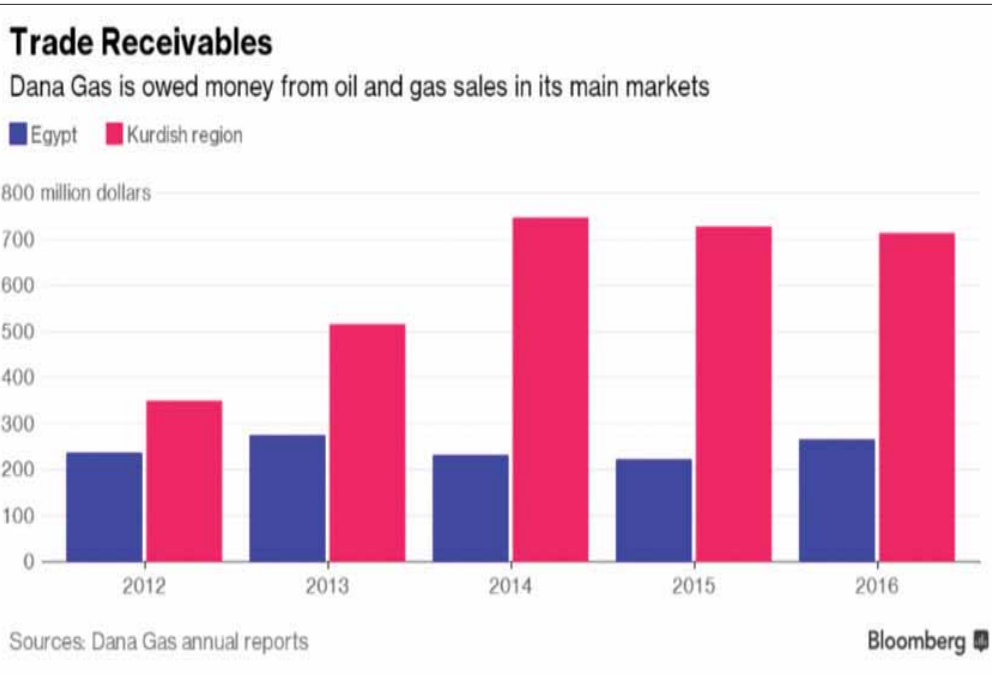
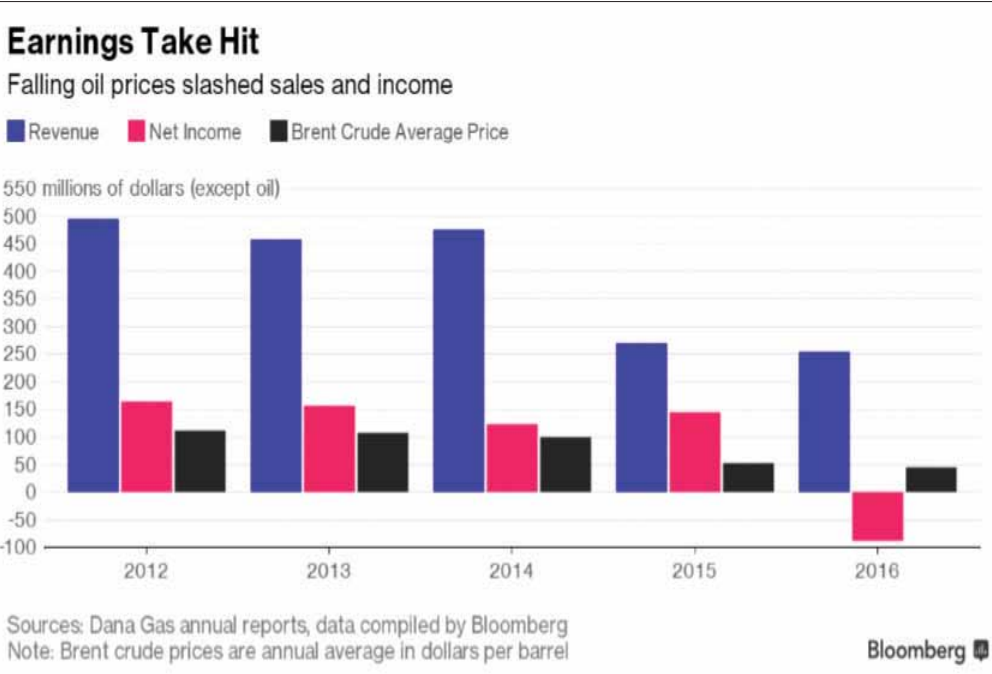
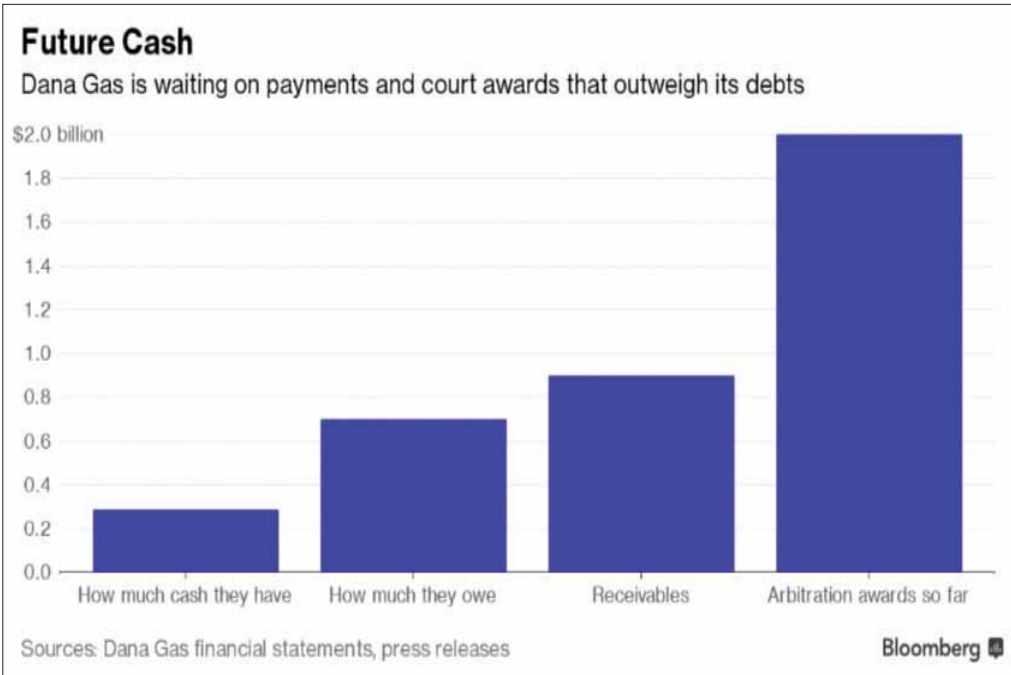
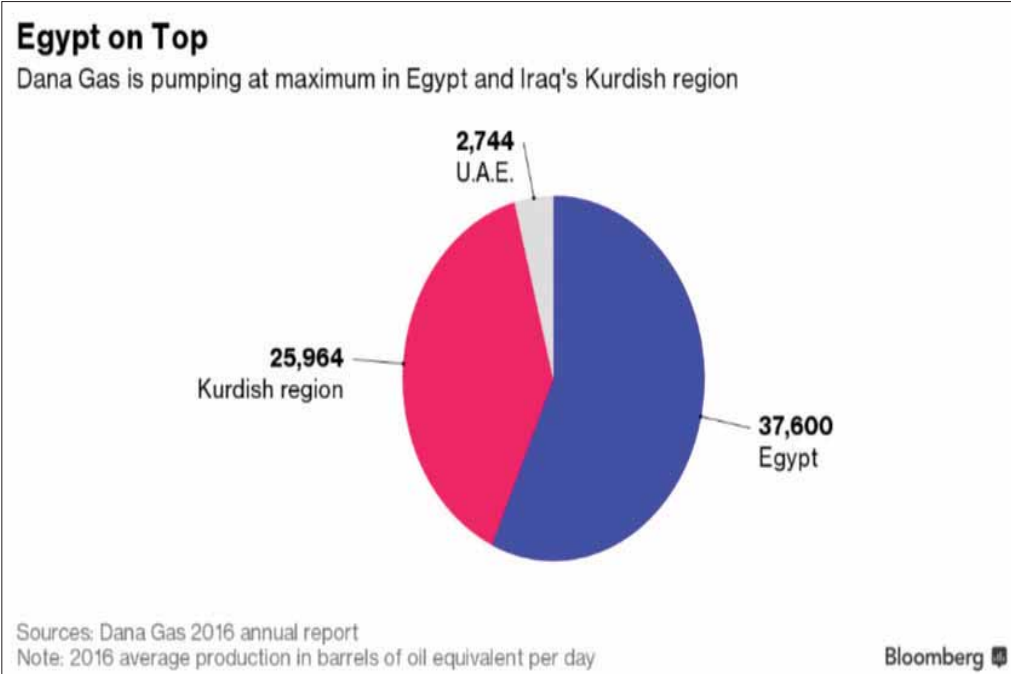
Wahed has 21 full-time staff and its plans include developing a range of exchange-traded funds. It now has registered users across 48 US states, Wahedna said.

"Around 10% of our clients are coming from existing robo-advisers, but 90% are not. Many are first-time investors or come from old-school advisory products."

Its initial focus will be the US with scope for trials in Britain and the UAE to follow, Wahedna added.

Islamic investment products use filters to adhere to religious guidelines such as bans on tobacco, alcohol and gambling, in much the same way as socially responsible funds.

The company estimates there are around 4mn Muslims across the US, with two-thirds earning more than \$50,000 a year and a quarter earning more than \$100,000 a year.



EDUCATION/FAQ on Murabaha

Is it permissible to sell air tickets under a Murabaha contract?

It is permissible to sell air tickets under a Murabaha contract. It is best, however, to seek a Shariah opinion on the specific contract before its execution.

A bank orders goods from abroad in pursuance of a Murabaha transaction. The exporter sends the goods in the name of the bank's client (promising buyer). Is this valid?

A Murabaha transaction is one in which the seller buys goods requested by the buyer and sells them to the buyer at a cost plus an agreed upon mark-up. It is necessary that the goods be dispatched or shipped in the name of the bank, as this is an

integral of the contract and the only documentary evidence that proves that the seller (bank) actually bought the goods itself.

What is the responsibility of the bank as regards purchase of goods under Murabaha?

The bank is bound to acquire the goods exactly as requested by the buyer. Due care and precaution should be exercised in buying the goods. The bank should obtain multiple quotations in order to obtain the best possible offer.

Is it permissible to amend Murabaha contracts before the conclusion of the sale?

It is permissible in the Shariah to amend the Murabaha contract prior to its execution with the consent

of both parties. However, unilateral amendment is not permissible for either party.

Is it permissible for the seller to give a discount to the buyer on advance payments of Murabaha instalments?

A discount on advance payments is permissible. However, this is left at the sole discretion of the creditor (i.e. seller). It is not permissible to bind the seller into giving a discount. Therefore, such a discount may not be stipulated or implied either orally or in writing. At the same time, there is no harm in the seller forming a policy whereby one gives a discount upon early payment and makes such a policy known to all customers.

Is it permissible to make the profit

on Murabaha contracts contingent upon the time the customer takes to make payment?

It is impermissible to link profit to time. Profit is part of the Murabaha price and cannot be separated over time. It is permissible to take into consideration the time a particular client takes to make payment for future dealings with that client.

A client approaches a bank to buy goods under a Murabaha. The buyer agrees to buy the goods at a price less than the market value. At the same time, the buyer contacts the owner of goods and promises to pay the difference between the sale price and market price. Is such a transaction permissible?

The transaction described in the

question is not permissible, as it amounts to an interest-based financing by the bank. If the bank becomes aware of such an agreement between the client and owner of goods, it should refuse to provide financing.

In the event that the value of the damage to some Murabaha goods is insignificant, is it necessary for the bank to deduct the amount of damage from the price or is it sufficient to pay the purchase price and the amount of recompense received from the Takaful company?

If credit is extended for a Murabaha deal, then it is necessary to deduct the amount of damage, however insignificant, from the price in addition to paying the purchase price and the

amount of recompense received from the insurance company.

A client approaches a bank with a request to finance the construction of a building over land owned by the client. The bank gets a specified percentage of mark-up as profit. Is such a transaction permissible under Murabaha contract?

Murabaha is a contract of sale in which the owner of an asset sells the asset to the buyer at a known mark-up. The transaction described does not fall under the category of Murabaha since there is no asset to sell. However, such a transaction may be financed under an Istisna mode of financing.

Source: Ethica Institute of Islamic Finance via Bloomberg

Draghi surprise may not be enough to spark sustained euro rally

By Vassilis Karamanis
Bloomberg

The euro's rally against the dollar, following remarks by Mario Draghi over inflation developments, suggests that investors were caught wrong-footed as to the possibility that his speech could rattle markets. Still, euro bulls may need additional catalysts to see the common currency climb to levels not seen since last summer. The European Central Bank president provided further clarity to the market by highlighting that the components that keep consumer price growth subdued are temporary and won't let inflation deviate from its trend over the medium term. He

also noted that "the threat of deflation is gone and reflationary forces are at play," opening the way for the start of tapering even as core inflation readings fail to reach fresh highs. What Draghi may have done in essence is to lower the focus on Friday's inflation reading. As investors look to assess the timing of the ECB's next move as far as policy mix is concerned, data outside of price pressures may come first should they "point to a strengthening and broadening recovery." The Governing Council seems on its way to either announce or prepare the ground for tapering in its September meeting even if the next core inflation print fails to positively surprise. The market has been expecting an ECB

move despite caution offered during the previous weeks. Draghi's move on Tuesday has basically brought policy makers closer to market expectations and as such, the medium-term view for the euro remains largely unchanged. Current levels in euro-dollar incorporate few positives for the greenback, and unless sentiment for the US currency deteriorates further, the common currency may be unable to approach the \$1.1428 high seen almost a year ago. The euro gained as much as 0.9% yesterday to hit \$1.1284, just 12 pips lower than its year-to-date high on June 14. Still, spot bullishness wasn't respectively mirrored in the options market. While three-month implied volatility, which captures the ECB's September meeting, rose for the first

time in four days, it failed to pass above Friday's high and stayed more than 2 percentage points below its year-to-date average. This suggests that short-term accounts rushed to add euro longs while medium-term positioning left little room for further exposure. CFTC positioning shows that hedge funds are just slightly short the euro and at levels way below their five-year average. Risk reversals on the three-month tenor rose above par but stayed with the familiar range of late, marginally favouring euro calls.

■ Vassilis Karamanis is an FX and rates strategist who writes for Bloomberg. The observations he makes are his own and are not intended as investment advice.



The euro's rally against the dollar, following remarks by Mario Draghi over inflation developments, suggests that investors were caught wrong-footed as to the possibility that his speech could rattle markets

Hopes high, but returns low in Philippine stocks

Bloomberg
Manila

It's going to take a lot more than some dirty words and militant attacks for investors to abandon hope in Rodrigo Duterte.

In his first year in office, the Philippine president ordered a drug war that killed thousands, cursed out former US president Barack Obama, backed the arrest of a top critic and had a major city overtaken by Islamic State.

The peso has depreciated more than 6% against the US dollar since Duterte took office, the worst performing emerging market Asia currency. Philippine stocks have seen near-zero growth, making the nation's benchmark index the worst performer among major markets in Asia.

Yet investors see reason for optimism: Economic growth in 2017 is forecast at 6.5%, one of the fastest rates among emerging markets. Public support for Duterte remains strong, consumer confidence is at a record high and plans to spend 8.4tn pesos (\$167.3bn) through 2022 on infrastructure are just getting off the ground.

"The best is yet to come," said Julian Tarrobago, head of equities at ATR Asset Management and manager of the best-performing stock fund in the Philippines. "Duterte has a sound economic programme and its potential benefits are just shaping up. As long as nobody drops the ball, the Philippines has a very good story."

Until now, Duterte's tenure has been a rough ride for equity investors. Philippine stocks have gained just 0.2% since he took office last June 30, trailing the rally equities posted in the first year of each of the nation's previous four presidents. Rising US interest rates and prospects of weaker global trade under President Donald Trump have also roiled the market.

Duterte, 72, was elected following an anti-establishment campaign that tapped into middle-class frustrations over crime, the state of public services and corruption. Upon taking office, he started a war against illegal drugs that quickly spawned accusations of extra-judicial killings, drawing criticism from the US, UN and European Union.

Relations with the US hit a low point in October, when Duterte told Obama he could "go to hell" for criticising his



A trader speaks on the telephone while working on the floor of the Philippine Stock Exchange in the Makati district of Manila. Until now, Duterte's tenure has been a rough ride for equity investors. Philippine stocks have gained just 0.2% since he took office last June 30, trailing the rally equities posted in the first year of each of the nation's previous four presidents.

drug war. A few weeks later, he announced a "separation from the US" and a pivot toward China on a trip to Beijing. Ties with the US have improved under Trump, who will visit the Philippines in November.

Duterte's unpredictability contributed to volatility on the stock exchange: Index fluctuations in his first year were the widest among the nation's presidents since 1992. The Philippine benchmark gauge swung 1,538.63 points between its peak and bottom in the past 12 months.

Amid the ups and downs, some companies have stood out. Duterte's

promise to build airports, roads and ports at an accelerated pace have piqued interest in sectors that are likely to benefit from his infrastructure push.

Banks, property developers and infrastructure-related companies comprised all but one of the 10 biggest gainers in the benchmark Philippine stock index in the past year.

The biggest winner by far among the nation's billionaires has been Henry Sy Sr, the richest Philippine tycoon. Since Duterte assumed office, the top three gainers by market capitalisation are companies owned by Sy. His holding

company SM Investments Corp and its ventures – SM Prime Holdings Inc and BDO Unibank Inc – amassed 455.32bn pesos in additional value.

"SM Investments is the best proxy for the Philippines, which remains a largely consumer-driven economy," said Richard Laneda, an analyst at COL Financial Group Inc.

Risks remain heading into Duterte's second year as president. Last month, he placed the southern island of Mindanao under martial law after militants linked to Islamic State spearheaded the capture of Marawi City.

Increased tensions with China over

territory or any sudden foreign-exchange regulations could also erode Philippine attractiveness, said Shin Hong-sup, head of fixed income at Truston Asset Management in Seoul. For the most part, however, investors are paying more attention to the positives in a nation with one of Asia's youngest populations.

"Investors regard the Philippines like Vietnam or India, which are in good shape demographically and in terms of labour force growth," Shin said. "Although Duterte's issues remain, investors try to look through those and focus more on the structural growth."

Iron ore outlook cut back by Morgan Stanley over rest of year

Bloomberg
Singapore

Iron ore forecasts at Morgan Stanley have been chopped back for the remainder of the year, with the bank flagging prospects for rising low-cost production and the likelihood that the worldwide surplus will increase every year through to 2021.

The commodity will average \$50 a tonne in the third quarter, 23% down from an earlier estimate, and \$55 in the final three months, a 15% reduction, according to a report. The 2017 forecast was pared 15% to \$63, while the outlooks for next year and 2019 were left at \$58 and \$54.

After the commodity's second-quarter retreat, "all market signals suggest trade stability at this level," analysts including Tom Price said in the note, which was received yesterday. The bank, which listed iron ore among metals on which it's neutral, said Vale's ramp up of new mine S11D in Brazil is behind a surplus, capping spot prices, despite robust or stable demand.

Iron ore prices that peaked near \$95 in mid-February have sunk since then amid rising supplies from producers including Brazil's Vale, and as China's moves to clamp down on leverage helped to quell speculative trading. On Monday, BHP Billiton, the world's largest mining company, also highlighted new supply now flowing out of Brazil, predicting a drop in market volatility.

"We forecast an expanding surplus for seaborne trade, but a flat price of \$55 to \$60 expecting the majors to under-deliver on our forecast supply growth," Morgan Stanley said. The seaborne glut is seen rising from 34mn tonnes this year to 81mn in 2018, and reaching 185mn by 2021.

Bloomberg QuickTake Q&A

How Italy's bank plan leaves bondholders confused

By Luca Casiraghi
London

Italy's plan to plow state funds into banks is bringing an end to a drawn-out affair to decide the fate of two struggling lenders based near Venice, in one of the country's wealthiest regions. It's also raising questions for bondholders. European Union officials say the deal complies with guidelines to prevent a repeat of the taxpayer bailouts during the 2008 financial crisis. But when that rulebook will force senior bondholders to take a hit is proving difficult to predict.

Are any rules being broken?

No. The European Commission blessed Italy's plan to plow as much as €17bn (\$19bn) into the cleanup of Banca Popolare di Vicenza and Veneto Banca. The deal has tapped what some analysts are calling a "loophole" in the

bloc's resolution framework and could effectively leave the government on the hook for only the bad parts of the banks. Bloomberg View columnist Ferdinando Giugliano called the move a "dagger in the heart" of the dream for a eurozone banking union, which was meant to put tough strictures in place against bail-outs.

Why did the deal get done this way?

The Italian government wanted to prevent a liquidation of the banks to keep credit flowing. So it appealed to EU regulators to allow it to use domestic insolvency laws, rather than the EU's Bank Recovery and Resolution Directive, which would have put the EU in control of the disposal and forced losses on more bondholders. The EU allowed the move because the banks are small. The two lenders are local, but together have a large market share in the north-eastern Veneto region, an

economic powerhouse dominated by small and mid-sized companies, home to the Benetton family and Luxottica Group. The second concern was to protect depositors and avoid wiping out senior bondholders through a so-called bail-in of that tranche of debt. The senior creditors include mom-and-pop retail investors.

So who loses out?

Italy's taxpayers are at the top of the list. Shareholders have been expecting to be wiped out for a while. About 600 branches of the two lenders will also be closed, and 3,900 employees lose their jobs. Holders of €1.1bn of subordinated bonds in the two banks are losing their investment, which is required for the injection of government funds to be permitted under the bloc's state-aid rules. Those junior notes have been trading at less than 10 cents on the euro since the bail-in of Spain's Banco Popular Espanol earlier this month.

While the June 7 resolution of Spain's sixth-largest lender was hailed as a victory for the credibility of the new rules, Italy's move has left investors wondering.

Who wins?

Senior bondholders are toasting. They hold about €14bn of debt. Popolare di Vicenza's notes due 2020 were trading at a discount of almost 30% this month as investors, which included BlackRock Inc and Danske Bank A/S, were concerned after the resolution of Spain's Popular. They are now trading above face value and converging with those of the country's second-largest lender, Intesa Sanpaolo, which will take over the good assets of the two banks for a token amount. Shareholders of Milan-based Intesa are celebrating too, as the stock rose as much as 5.3%. Intesa chief executive officer Carlo Messina said that the bank will also provide €60mn for the reimbursement



The logo of Veneto Banca bank is seen in Venice. Italy's plan to plow state funds into banks is bringing an end to a drawn-out affair to decide the fate of two struggling lenders based near Venice, in one of the country's wealthiest regions.

of subordinated bonds in the two banks sold to retail investors, many of whom may have been mis-sold the securities.

What does this mean for other troubled banks?

It's unclear. Bureaucrats in Brussels are showing restraint when it

comes to imposing losses on senior bondholders of failing banks, even if rules explicitly allow them to be bailed-in. "Every bank rescue has rules of its own," said Francesco Castelli, a fund manager at Banor Capital in London. "For bank debt analysts, it's pretty frustrating."



China regulator to adjust capital flow rules if needed after MSCI inclusion

Reuters
Shanghai

China's securities regulator will strive to reduce policy uncertainty and will adjust capital control mechanisms if necessary to expedite foreign investment in A-shares following their inclusion in the MSCI index, an official said yesterday. But the creation of overseas derivative products based on China indices must be effectively regulated, to prevent them from destabilising China's financial system, Fang Xinghai, vice chairman of the China Securities Regulatory Commission (CSRC), told a seminar. The seminar, jointly sponsored by MSCI and China's two stock exchanges, was held days after the global index publisher decided to include 222 China "A-shares" into its emerging markets benchmark. The inclusion would help prop up the value of China's quality blue-chips, and would help stabilize its stock market, Fang said in his speech, a transcript of which was posted on CSRC's website. In an effort to reduce policy uncertainty, "related departments of CSRC should set up regulator communication channels with international institutional investors, constantly listen to their needs, and give timely feedback to their opinions", Fang said. In addition, the CSRC would make it easier for global investors to allocate their assets into A-shares, by making adjustment accordingly, to the quota and capital flow mechanisms of major cross-border investment channels, including the "Connect" links, and the Qualified Foreign Institutional Investor (QFII) scheme, Fang said. However, CSRC and MSCI agreed during the negotiations, that overseas derivative products based on China indexes must be created on the basis of effective cross-border supervision. "Regarding the pre-approval of derivative products, we've made clear two baselines: first, they cannot harm China's financial stability; Second, main liquidity of key derivative products must stay in China," Fang said, admitting such a practise does not confirm to international norms. "To such a big country as China, financial and economic stability is of paramount importance. China will work with various parties to write new rules that fit globalisation in economics and finance."

Trump urges Modi to cut obstacles to US exports

Bloomberg
New Delhi

US President Donald Trump warned Indian Prime Minister Narendra Modi his country must do more to reduce obstacles to US exports even as he offered thanks for recent purchases of American-made equipment. Trump said at a joint public appearance with Modi after the leaders met at the White House on Monday that their two countries must have "a trading relationship that is fair and reciprocal" and "it is important that barriers be removed" to US exports to India. The meeting brought together two nationalist leaders who have made efforts to boost their domestic manufacturing industry signature issues. Trump's "America First" slogan echoes Modi's own "Make in India" campaign. Modi said his economic plan and Trump's "Make America Great Again" stance "will add new dimensions to our cooperation" and it is "very clear" each nation's interests are bolstered by the other's prosperity. Neither leader answered questions from reporters. Exports to the US provide India its largest surplus with a trading partner - more than \$24bn in 2016 - for a country that ran a \$105bn trade deficit that year. The US president nonetheless offered ebullient thanks for Indian interest in US-made civilian aircraft and military armaments. "Thank you very much," Trump said as he opened the meeting with Modi and an accompanying delegation. It "always makes us feel very good, and there's nobody makes military equipment like we make military equipment, nobody even close." Modi came to Washington with an armaments shopping list that includes Predator drones, fighter jets and US help with India's plans for a nuclear-powered aircraft carrier. Trump didn't specify what arms sales would proceed. The Indian prime minister also came seeking to persuade Trump to continue the H-1B visa programme that provides a crucial pathway for information-



US President Donald Trump and First Lady Melania Trump bid farewell to Indian Prime Minister Narendra Modi on the South Lawn of the White House in Washington. Trump said at a joint public appearance with Modi after the leaders met on Monday that their two countries must have "a trading relationship that is fair and reciprocal" and "it is important that barriers be removed" to US exports to India.

technology companies to send skilled workers from India to the US. In April, Trump signed an executive order that proposes to replace the current lottery system for issuing H-1B work visas with a merit-based approach. The US also is reviewing the visa programme for foreign workers to curb its misuse. Neither leader addressed the visa program in their statement. Modi met Trump after meetings Sunday with business leaders including Apple Inc Chief Executive Officer Tim Cook and Amazon.com Inc CEO Jeff Bezos. India has pushed forward on its defence purchases, including unarmed

Predator drones for which it had negotiated during the Obama administration. The US on Friday cleared the sale of 22 Predator Guardian drones to India, Press Trust of India reported. Earlier this month, Lockheed Martin Corp signed a letter of intent to collaborate with Tata Advanced Systems Limited to produce F-16 Block 70 combat jets in India, according to a joint statement. Indian low-budget air carrier SpiceJet Limited agreed on June 19 to buy 40 Boeing 737 MAX airplanes in an order valued at \$4.7bn at current list prices. -With assistance from Jennifer Jacobs and Jennifer Epstein.

Trump promotes a US gas trade with India that already exists

Bloomberg
Houston

In promoting trade with India, President Donald Trump suggested on Monday that the US is on the verge of signing long-term agreements to send natural gas to the Asian country. There's just one thing: India already has long-term agreements for US gas. And it's received at least seven cargoes of it since the US started liquefying its shale gas and sending it overseas last year, according to ship-tracking data compiled by Bloomberg. After a meeting with Indian Prime Minister Narendra Modi, Trump said the US will sign long-term contracts to supply India with American gas, adding that it's "trying to get the price up a little bit" first. Meanwhile, Indian companies have already secured agreements for supplies from Cheniere En-



ergy Inc's Sabine Pass liquefied natural gas terminal in Louisiana; Dominion Energy Inc's planned Cove Point LNG plant in Maryland; and Semptra En-

ergy's Cameron LNG project in Louisiana, company filings show. At this point, such long-term gas contracts between the US and India are "not new," said Anastacia Dialynas, an energy analyst at Bloomberg New Energy Finance. "We've already had 24bn cubic feet since we started exporting last year and that will likely increase. The biggest impact this could have is if it signals a new contract being signed." The White House didn't immediately respond to a request for comment on already-existing gas contracts with India. Since the first tanker full of LNG set sail from Cheniere's Sabine Pass in Louisiana last February, America's shale gas has landed in more than 20 countries including India, South Korea, Mexico, and Japan. Gail India Ltd, India's state gas utility, signed a 20-year agreement with Cheniere for supplies from Sabine Pass. The contract is slated to begin once the fourth LNG-producing plant at Sabine Pass comes online in the second half of this year.

Gail has also signed a 20-year service agreement with Dominion's Cove Point project in Maryland, set to come online in late 2017, and Indian Oil Corp struck a 20-year deal for LNG from Cameron LNG, a project being developed in Louisiana by a group of companies including Semptra, Engie SA and Mitsubishi Corp. "India is one of the few large LNG importing countries that we estimate still has a decent amount of uncontracted demand in the coming years," Dialynas said, while adding that LNG buyers including Gail and other Indian companies are now "being very careful" about locking in long-term volumes and prices. Trump's remarks come just a day after Cheniere held a ceremony in Louisiana marking the start of a long-term supply contract with Korea Gas Corp in May, the US and China reached an agreement to promote shipments of American natural gas.

China pumps cash into African floating LNG projects in strategic push

Reuters
London

China plans to pour almost \$7bn into floating liquefied natural gas (FLNG) projects in Africa, betting on a largely untested technology in the hope that energy markets will recover by the time they start production in the early 2020s. Western banks are wary due to the depressed state of the shipping and gas markets, as well as the technical difficulties of pumping gas extracted from below the ocean floor, chilling it into liquid form on a floating platform and transferring it into tankers for export. China, however, is making a strategic push into FLNG, aiming to become the lowest cost seller of the complex floating plants and lead the global roll-out of a technique that remains in its infancy, with only one project in commercial production so far. The country needs gas as a cleaner alternative to coal under a drive to improve air quality in its cities, and has already lent \$12bn to Russia's conventional Yamal LNG project in the Arctic as US sanctions scared away Western banks. It has also lent or committed almost \$4bn to three FLNG schemes off the

African coast. In two more African projects costing a total of \$3bn, it plans not only to provide the funding, but also build the production platforms. "We see a real commitment to FLNG in China both from the construction side and from the LNG consumption side where decreasing costs mean potentially lower cost LNG," said Steve Lowden, chairman of Jersey-based NewAge which is planning FLNG projects off Congo Republic and Cameroon. China already dominates the global market for solar panels and is a major supplier of coal-fired power plants, aided by easy money, cheaper labour and state support. Now, with Beijing pushing President Xi Jinping's "Belt and Road" vision of expanding trade links between Asia, Africa and Europe, it is turning to FLNG to bring high technology work to its shipyards and create jobs - a strategic priority. FLNG is also attractive to resource-rich but debt-burdened African countries. Projects can sail into place, drop anchor, and begin exporting for much less than the cost of onshore plants, the price of which quadrupled in the decade to 2013. That, at least, is the theory.

The reality is that the technology remains complex. Royal Dutch Shell's mammoth Prelude FLNG plant, for example will be aboard the world's biggest floating structure, but must squeeze the equipment into a quarter of the space occupied by an LNG plant on dry land. Wave motion and ocean currents add to the difficulties. The \$12.6bn Prelude project, which is due to start operating off Australia in 2018, is typical of those conceived during the era of high energy prices. However, spot LNG prices have fallen 70% since early 2014 and are expected to remain under pressure or drop further due to extra supply from new conventional plants in Australia and the United States. Despite this, some producers and buyers are banking on the glut ending early in the next decade, although they don't want to lock themselves into big projects, preferring smaller, more flexible ones like in Africa. The only operational FLNG project launched in Malaysia last year, with construction of the floating platform costing around \$1.6bn-\$1.7bn. Bankers say this is still too expensive and if the Chinese can build one for \$1bn, they would corner the market.

With new investments in costly conventional LNG plants on hold, the only two production projects to advance this year are floating types, in Mozambique and Equatorial Guinea. Both are largely backed by Chinese loans although the platforms are being built by more established Asian shipyards. Lowden said the two NewAge projects will be wholly financed by Chinese companies and this time also built in Chinese shipyards. "They are more than fully able to handle such projects," he said. Still, Dutch offshore engineer SBM and JGC of Japan will partner with the Chinese players, including China Offshore Oil Engineering & Construction Ltd. NewAge expects to sanction both the projects next year. Last year, China's Wison Offshore & Marine completed the first-ever FLNG ship but it remains unused following the cancellation of a project in Colombia it was intended for. As typical Western sources of funding have slowed due to the weak state of the shipping business, highly-capitalised Chinese players believe the market has reached the bottom and are keen to step up lending before the cycle turns and pushes up costs. "The difference is that in the West

banks lend at the top of the market when they have most liquidity, but in China they're smarter and put money in at the bottom," a financier who advises Chinese lenders on LNG shipping deals said. This month, Chinese banks including Industrial and Commercial Bank of China, and Bank of China committed around \$1.75bn to project finance the Coral South FLNG project in Mozambique, bankers said. ICBC declined comment while BOC did not respond to a request for comment. By contrast Western commercial banks provided just \$200mn in uncovered debt to Coral, to be developed by Italy's Eni, instead of an originally proposed \$1.9bn. They cited uncertainties around FLNG technology and a public debt crisis in Mozambique. Adam Byrne, Managing Director at ING Bank, said Chinese lenders "have very deep pockets indeed". "If they decide to, they can support something for even a billion or a billion and a half dollars," Byrne told a shipping conference earlier this month. The next big African deal, in Equatorial Guinea, is being financed by China State Shipbuilding Corp with a \$1.2bn loan for Fortuna FLNG,

bankers say. This project - which is being developed by UK-listed Ophir Energy, shipping firm Golar LNG and oil services group Schlumberger - will produce 2.2mn tonnes of LNG a year and is expected to be sanctioned within weeks. China State Shipbuilding Corp (CSSC) also lent \$960mn to Golar LNG in 2015 for the first-ever conversion of a conventional LNG tanker into an FLNG platform, which is set to enter operation this year in Cameroon. CSSC declined comment. All these projects were awarded to established shipbuilders in South Korea, Singapore or Japan, but the experience sets up Chinese developers to take the lead on other projects in Africa and beyond, say consultants and industry sources. Equatorial Guinea sees scope for another two FLNG projects, its petroleum minister has said, while BP and joint venture partner Kosmos Energy are also eyeing two in the waters of Senegal and Mauritania. China also has plans for conventional LNG production in Africa. Chinese conglomerate Poly-GCL has begun construction of an onshore LNG facility in Djibouti which will export Ethiopian gas to China, according to Poly-GCL's website.

Cotton
crop in
India seen
at 3-year
high on
local price

Bloomberg
New Delhi

Cotton output in India, the world's biggest grower, may increase to a three-year high as some farmers plant more of the fibre on better returns compared to other crops.

Production will probably climb to 37.5mn to 38mn bales in the harvesting season starting October 1, from 34.1mn bales a year earlier if the monsoon is normal in main growing areas, said Nayan Mirani, president of the Cotton Association of India. That would mean the biggest crop since 2014-15, when the harvest was 38.7mn bales, data from the association show. A bale weighs 170 kilograms (375 pounds).

A bigger Indian crop will add to an expected decade-high harvest in the US, the top exporter, and a forecast increase in output in Australia just as China continues to unload inventories. That's prompted global prices to drop 4.4% this year after climbing 12% in 2016. In India, domestic prices are still offering favourable returns for farmers.

"As long as the monsoon is normal and on time, it's the right thing for the farmer to be in," said Mirani, whose family has been trading cotton since 1870. "It's more a function of what the farmers earned compared with other crops."

India's total cotton area may climb 10% in 2017-18 from a year earlier, Mirani said. That's a rebound from the 12% decline to 10.26mn hectares in 2016-17, according to farm ministry data.

Benchmark spot cotton prices were 3.7% higher on Monday compared with a year earlier, according to the Cotton Association of India. The November and December cotton contracts on the Multi Commodity Exchange of India are trading at a discount to the July contract, indicating production will increase and prices will start falling when harvesting begins in October, said Aurobinda Gayan, vice president for research at trader Kotak Commodity Services Ltd.

Earnings from cotton are better than soybeans, peanuts, chilli and some pulses, which will likely see area planted to the fibre increase 15%, according to Kotak's Gayan.

"The average price of cotton in India was always positive this year and better than last year," Gayan said by phone from Mumbai. "I am anticipating a shift from other crops."

This year's monsoon is set to be normal for a second year and arrived earlier than usual, according to the India Meteorological Department. Showers were 1% below normal in the June 1-26 period, it said.

Farmers planted about 2.47mn hectares (6.1mn acres) of cotton as of June 23, up 30% from the same time a year ago, according to the farm ministry. The area planted to oilseeds increased 55% to 1.12mn hectares, while pulses were sown in 597,000 hectares, down 34% a year earlier, the ministry said.

China can control risks, hit
2017 growth target: Premier

Reuters
Dalian, China

China is capable of achieving its full-year growth target and controlling systemic risks despite challenges, Premier Li Keqiang said yesterday, adding that maintaining medium to high-speed long-term growth will not be easy.

Beijing targets economic growth of around 6.5% in 2017, compared with the 6.7% pace delivered in 2016 – the slowest in 26 years.

In a speech at the World Economic Forum (WEF) in the northeastern city of Dalian, Li said the Chinese economy remains steady in the second quarter, as domestic demand has become a key pillar for the world's second-largest economy.

"China's economy in the second-quarter maintained the first-quarter's steady and improving momentum. We are fully capable of achieving the main economic targets for the full year," Li said.

"Currently, China also faces many difficulties and challenges, but we are fully prepared," he said.

China's economy, which grew a robust 6.9% in the first quarter, generally remained on solid footing in May, but tighter monetary policy, a cooling housing market and slowing investment reinforced views that it will gradually lose momentum in coming months.

Beijing has been taking steps to identify and resolve financial risks, which remain generally under control, Li said.

Among those risks is high levels of debt, which recently prompted Moody's to cut its sovereign credit rating on China.

Li said that the capital adequacy ratios and provisions for bad loans at Chinese banks were at relatively high levels.

"There are indeed some risks in the financial sector, but we are able to uphold the bottom line of no systemic risks," he said.

"We are fully capable of preventing various risks and making sure economic operations will be within a reasonable range."

Li also said Beijing will facilitate foreign investment by relaxing restrictions



Chinese Premier Li Keqiang (left) and World Economic Forum founder and executive chairman Klaus Schwab attend the WEF in Dalian, Liaoning province. China is capable of achieving its full-year growth target and controlling systemic risks despite challenges, Li said yesterday, adding that maintaining medium to high-speed long-term growth will not be easy.

on how much overseas firms can own of China ventures and making it easier for them to register new companies locally.

China will give foreign investors greater market access to services and industrial sectors as well as treat foreign and domestic firms equally, the premier said – pledges that the government has made before.

He added that China will encourage foreign firms to reinvest their profits in the country but will not restrict the

cross-border movement of their earnings. China is trying to bolster consumer-driven growth while curbing excess and outdated capacity in industries such as steel and coal, cuts that Li said will continue.

Li stressed the importance of job creation, and noted that while new technologies such as artificial intelligence and robotics could cause job losses, those are offset by growth sectors such as e-commerce, mobile payments and

bike-sharing. Employment has remained stable, Li said, with the survey-based jobless rate at around 4.9% in May – the lowest in many years.

China wants to maintain medium- to high-speed economic growth over the long term, as "no development is the biggest risk for China", Li said, noting that the economy's sheer size made it harder to rack up high growth rates.

"It will not be easy for China to sustain a medium- to high-speed growth

rate over the long-term," he said. Global markets continue to fret about the outlook for China as policymakers have tightened financial conditions and cracked down on wanton growth in debt to defuse bubble risks.

Authorities have also taken steps to stabilise the yuan currency and reassure investors that Beijing remains committed to reforms of the capital markets, even as it puts up curbs to stem the outflow of funds.

Bankrupt Takata faces angry shareholders

AFP
Tokyo

Takata executives faced angry investors yesterday after the company at the centre of the world's biggest auto safety recall filed for bankruptcy and said it was being bought by a US company.

The filing all but destroys any value left in the shares of the Japanese airbag maker, which will be yanked from the Tokyo stock exchange next month.

Many who attended the shareholders' meeting yesterday – Takata's last as a listed company – expressed outrage at how the auto parts giant handled the crisis over a defect in its airbags which has been blamed for at least 16 deaths and scores of injuries.

"Why couldn't they have addressed these issues faster, when the recalls first emerged back in 2008 and 2009?" said one 48-year-old investor outside the meeting, which was closed to media.

On Monday Takata announced it had filed for bankruptcy protection and would be bought by US auto parts maker Key Safety Systems, which is owned by China's Ningbo Joyson Electronic, for \$1.58bn.

The company's board and several other executives were reappointed at



Employees lead a shareholder (right) to the venue of the annual shareholders' meeting of Japan's crisis-hit Takata in Tokyo yesterday, a day after the company filed for bankruptcy protection. The company is facing lawsuits and huge costs over a defect blamed for at least 16 deaths and scores of injuries, with the scandal affecting almost every major global automaker.

yesterday's meeting ahead of the ownership transfer.

Takata's chief executive Shigehisa Takada, whose grandfather started the company in 1933 as a textile maker, has said he will resign once the transition is completed.

"I want to ask (Takada) how he feels

about his responsibility" for the crisis, said 66-year-old investor Minoru Matsuo before going into the meeting.

Millions of airbags produced for some of the world's biggest automakers, including Toyota and General Motors, are being recalled because of the risk that they could improperly inflate

and rupture, potentially firing deadly shrapnel at the occupants.

Nearly 100mn cars, including about 70mn in the United States, were subject to the recall.

Takata, which is facing lawsuits and huge recall costs, has been accused of hiding the problem with its airbags for

years. "It was my mistake to have invested in this kind of company," said shareholder Hiroshige Kono.

"I worked for a food company and if a problem hits my firm, we would have immediately apologised, recalled our products and taken necessary measures" to prevent a repeat.

"They (Takata) were just trying to get away with it, which made the problem even more serious."

The 75-year-old retiree added that yesterday's meeting was a vigil and Takata's July 27 delisting "will be the funeral".

"I paid a lot of condolence money," Kono said.

Honda, a major Takata customer, first sounded the alarm about a possible problem in 2008.

But the scandal reached a peak only in 2014 when earlier deaths started getting more media attention and the US National Highway Traffic Safety Administration became involved in the ballooning recalls.

Investigators believe the problem is linked to a chemical, ammonium nitrate, which is used as a propellant in Takata's airbag inflator canisters.

The component can degrade, especially in humid conditions, creating the risk that an airbag will improperly inflate and rupture.

Japan home-sharing law gives HomeAway opening in Airbnb fight

Bloomberg
Tokyo

Japan's home-sharing market is poised for a shift away from couch-surfing towards professional services after the passage of a law regulating short-term rentals.

The change will help HomeAway play to its strengths in the battle against Airbnb Inc, according to Nat-suko Kimura, country manager for Expedia Inc's home-rental subsidiary.

The bill enacted earlier this month lets people in Japan rent out property without the risk of running into regulatory hurdles. The law limits total stays to 180 nights a year and requires that accommodation providers register with local governments. The

regulations also increase oversight of absentee landlords, requiring owners to outsource property management to parties capable of guaranteeing safety and hygiene.

While Airbnb has taken the lead in Japan with 52,000 listings, HomeAway's focus on luxury vacation properties gives the company an advantage as the market expands beyond individuals sharing spare rooms, according to Kimura. Entire homes for rent already account for about 90% of HomeAway's less than 10,000 listings in the archipelago, she said.

Japan's green light for home-sharing has been accompanied by looser hotel regulations as the country struggles to accommodate an influx of overseas visitors. Relaxing rules such as the one requiring a separate bathroom for men

and women could help bring new properties to the market where an ageing population has resulted in about 8mn homes sitting empty.

Green light for home-sharing has been accompanied by looser hotel regulations as the country struggles to accommodate an influx of overseas visitors

Overseas companies aren't the only ones sensing an opportunity: Japan's e-commerce giant Rakuten Inc and real-estates listing operator Lifull Co last week announced plans to enter the home-sharing business. The two companies and HomeAway will hold a joint briefing next week to discuss new services and strategy.

"The market is going to change

completely," Kimura said. "Major real-estate companies, for example, had to stay on the sidelines before the legislation. Now, large Corps can enter the market on the supply side."

HomeAway's first priority in Japan is to increase supply to meet demand from overseas visitors, Kimura said. More than 24mn tourists visited Japan in 2016, topping the record for a fourth straight year, according to the nation's tourism organisation. The number will probably continue to reach records as Japan prepares to host the Rugby World Cup in 2019 and the Olympic Games the following year. HomeAway is looking to increase its listings in the country to 100,000 by 2020, Kimura said.

While HomeAway is a relative late-comer to Japan, it boasts a longer history overseas than its main rival

Airbnb. Founded in 2005 and traded publicly since 2011, HomeAway was acquired by Expedia for \$3.9bn in 2015. The company's 2mn properties worldwide attract an older, better-heeled demographic than Airbnb, making its platform more appealing to prospective hosts, Kimura said.

The two competitors have increasingly converged in their business models. HomeAway switched from charging the hosts to list on its site and now takes the same percentage of transactions as its rival. Airbnb, on the other hand, has sought to set targets on luxury tourism, airfare aggregation, group payments and guest management. The San Francisco-based company plans to launch a new service that will match guests with quality-inspected home and apartment rent-

als, intended to lure travellers away from fancy hotels.

HomeAway last year ran TV spots in the US poking fun Airbnb with a title "It's your vacation, why share it?" illustrating the perils of sharing economy with examples of obnoxious guests and hosts. The message would also find a receptive audience in Japan, where the culture of politeness can make it difficult for people to relax in somebody else's home, Kimura said. She related a story of a co-worker who felt obligated to clean the host's bathroom after using it.

"Japanese equate home sharing with cultural exchange, something young people do when they travel abroad to learn English," Kimura said. "Our model is just the opposite: no host on premises, luxurious home-sharing."



Japanese shares edge towards 2-year high

Reuters
Tokyo

Japanese stocks edged towards two-year highs yesterday as exporters benefited from dollar strength, with investors expecting comments from Federal Reserve Chair Janet Yellen to support the Fed's projection for one more interest rate rise this year.

Japan's benchmark Nikkei was last up 0.3% at 20,210.09 in subdued trading. A rise above 20,318.11, a peak scaled a week ago, would take the Nikkei to its highest since August 2015.

"The fundamental mood is not bad, but it's hard for investors to find direction on a day where there are no other major catalysts other than a weak yen," said Hikaru Sato, a senior technical analyst at Daiwa Securities in Tokyo.

Despite lower Treasury yields, the dollar extended overnight gains and was firm at 111.800 yen after briefly rising to a one-month peak of 112.075.

Long-dated Treasury yields dropped to seven-month lows on Monday and the yield curve between five-year notes and 30-year bonds fell to its flattest level since 2007 after the weak US durable goods orders raised concerns about tepid growth and slowing inflation.

Otherwise, Asian markets lacked strong direction as Wall Street provided few catalysts after the S&P 500 and the Dow closed overnight effectively flat.

MSCI's broadest index of Asia-Pacific shares outside Japan stood little changed.

Having made record highs during the past two months on expectations that exporters will post strong earnings, South Korea's KOSPI rose a further 0.3%.

Elsewhere, Shanghai's benchmark index and Australian shares were both down 0.1%.

There was also a general sense of caution in financial markets, analysts said, noting that commodities like crude oil, which is suffering from a glut, remained shaky though a recent selloff has stalled.

"Although iron ore and crude prices are stabilising, their recovery lacks strength.

Crude oil was on track to rise for the fourth straight day although concerns over a festering supply glut capped prices. US crude futures were up 0.2% at \$43.48 a barrel.

The contract had retreated to a 10-month low of \$42.05 a barrel last week before the sharp retreat stalled, but it remained on track for a monthly loss of about 10%.

Hong Kong small cap stock plunge wipes out over \$6bn

Bloomberg
Hong Kong

A string of Hong Kong stocks suddenly plunged yesterday, with traders pointing to links between some of the companies and a brokerage that's under regulatory investigation.

Seventeen firms tumbled by more than 40% at the close, losing a combined HK\$47.8bn (\$6.1bn) in market value. China Jicheng Holdings Ltd, an umbrella maker, and GreaterChina Professional Services Ltd sank more 90%. Lerado Financial Group Co, whose shares were halted by Hong Kong's securities regulator this month, has previously disclosed an investment in China Jicheng and an underwriter role on a GreaterChina share placement in 2015.

"We're seeing a domino effect; all the companies in the same network got cut," said Francis Lun, the Hong Kong-based chief executive officer of Geo Securities Ltd. These shares are "owned by the same group of people so they must be experiencing a liquidity crunch and they don't have the money to support the share prices," he said.

The selloff, which sent the city's Growth Enterprise Market sinking the most since 2015, is reinforcing concerns about risks in the world's fourth-largest equity market after a series of spectacular plunges. While Hong Kong's benchmark index is among the best performers this year, declines in companies such as China Huishan Dairy Holdings Co - which tumbled 85% in a single day in March - have burnt some investors.

The stocks that saw large price drops yesterday tended to have characteristics that can be conducive to extreme volatility and to market misconduct: multiple relationships between different companies and listed brokerage firms, high shareholding concentrations, thin turnover and small public floats, Ernest Kong, a spokesman at the Securities & Futures Commission, said in an e-mailed statement. The regulator won't comment on whether it has been or will be pursuing investigations into specific individuals or related companies, he said.



Traders at the Hong Kong Stock Exchange. A string of Hong Kong stocks plunged over 40% at the close yesterday.

The SFC suspended trading in Lerado's shares from June 6, saying a company circular dated October 26, 2015 included "materially false, incomplete or misleading information."

In that 2015 document, Lerado outlined plans to raise money to expand the margin lending business of unit Black Marble, and said that Black Marble - which was formerly called Yim Cheong Share Broking and Investment Co - was planning to underwrite a placement for GreaterChina Professional and an open offer for China Investment & Finance Group Ltd. China Investment fell as much as 94% yesterday before paring its loss to 50%.

Lerado owned almost 1.5bn shares in China Jicheng as of December 31,

according to its annual report. Hong Kong Exchanges & Clearing Ltd said it wasn't in a position to explain the share price declines. Calls to Lerado and GreaterChina Professional weren't answered. The person who answered the phone at China Jicheng said they weren't aware of the share price decline and couldn't comment, while at China Investment & Finance, a separate person said they'll respond to questions after a staff meeting.

Lerado said in a June 7 filing that the company is carrying on with its business and doesn't expect the share suspension to have a material adverse effect on its daily operations.

The broader Hong Kong market was resilient to the declines yesterday, with

the benchmark Hang Seng Index losing 0.1% and the Hang Seng Composite Small Cap Index sliding 0.4%. Still, the picture looked more grim on the city's small-cap Growth Enterprise Market, which is home to some of the plunging shares. The S&P/HKEX GEM Index sank 9.6%, its biggest retreat since August 2015, and closed at its lowest level on record. The gauge has lost more than 90% since 2000.

Of the stocks that fell more than 40%, Black Marble had positions lodged in Hong Kong's central clearing system for all of them, with more than half exceeding 5%, an analysis of the most recent data shows. The Central Clearing and Settlement System data can represent brokerages holding stock to facilitate

NetLink Trust launches up to \$1.95bn Singapore IPO

Reuters
Hong Kong

NetLink NBN Trust, the broadband subsidiary of Singapore Telecommunications (Singtel), launched an up to \$1.95bn IPO yesterday in the largest new listing

in Singapore in more than four years. NetLink is offering 2.9bn units in an indicative price range of \$0.80 to \$0.93 each, putting the total issue at as much as \$2.69bn (\$1.95bn), according to a preliminary prospectus filed with the Monetary Authority of Singapore.

The IPO is slated to be priced on July

7, with its debut on the Singapore stock exchange set for July 19, according to a term sheet of the transaction seen by Thomson Reuters publication IFR.

The deal will be the biggest in Singapore since Mapletree Greater China Commercial Trust's \$2.06bn IPO in February 2013.

NetLink will use a portion of the IPO

proceeds to buy Singtel's broadband assets, with up to S\$1.4bn paid in cash and it will use 966mn units for the remainder of the amount due.

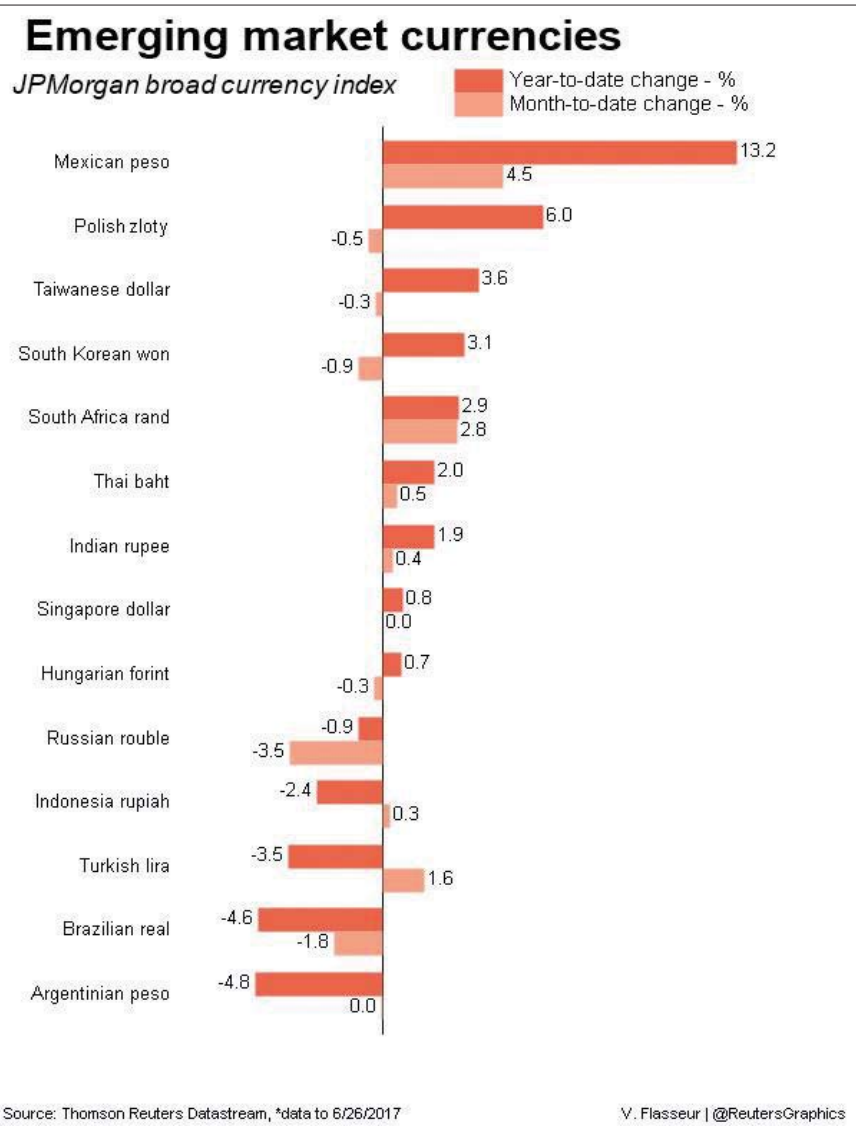
NetLink will use another 40% of proceeds to repay a S\$1.1bn loan owed to Singtel.

Singtel's Group CEO Chua Sock Koong previously said the company

wanted to reduce its stake in NetLink to less than 25%. It will own 24.99% of NetLink after the IPO.

DBS Group, Morgan Stanley and UBS AG were hired as joint global coordinators for the IPO, with Bank of America Merrill Lynch, Citigroup, HSBC, OCBC Bank and UOB also acting as joint bookrunners.

EM stocks hold near 2-week highs; currencies firm



Reuters
London

Emerging market equities hovered near two-week highs yesterday, underpinned by rising oil prices, solid Chinese industrial profits and a flat dollar, which also allowed the rand and the lira to firm.

Gains were capped however as investors waited to see if US Federal Reserve chair Janet Yellen would restate the case for a third 2017 interest rate rise when she speaks in London later.

Weak US durable goods orders have raised concerns about tepid growth and slowing inflation, pushing long-dated US Treasury yields to seven-month lows on Monday.

The dollar retreated 0.4% against a basket of currencies.

MSCI's benchmark emerging stocks index was steady, with a weak opening in emerging Europe offsetting a stronger performance in Asia.

Index heavyweight South Korea hit a record high, buoyed by expectations of a strong second quarter.

Chinese mainland stocks also rose 0.2% to an 18-month high after industrial profits surged 16.7% in May year-on-year.

"China was important but oil has stabilised and that is tempting people to get back into the EM trade," said Per Hammarlund, chief emerging markets strategist at SEB. "The mood has changed a little bit, and to a large extent it is driven by commodities and oil in particular." Oil prices rose 1.2% to trade above \$46 a barrel, after recent falls.

The Kazakh tenge was one of the main beneficiaries of the rebound,

firming 0.7% against the dollar.

The weaker dollar also allowed the South African rand and the Turkish lira to make modest gains, firming around 0.1%-0.2%.

The rand has steadied after volatile trading last week.

Markets were rattled by a call from an anti-graft watchdog for South Africa's central bank to change its mandate, accusing it of pursuing commercial interests. Investors' nerves were already frayed over revisions to the country's mining charter.

Hammarlund said he expected more populist initiatives in the run up to the ruling African National Congress' party conference in December. "That's a big political risk for the rand," he said.

The Russian rouble remained on the backfoot, slipping 0.2%, and shares in Russian business conglomerate Sistema slumped as much as 17% in early trade after a Russian court "arrested" some of its assets as part of a legal dispute with Rosneft.

Overnight Brazil's top federal prosecutor charged President Michel Temer with taking multi-million dollar bribes but the real was steady in early trade.

"It's mostly priced in already, but the fact that he will likely survive this is negative for the real," said Hammarlund.

Brazil's stocks and currency slipped yesterday after the country's top federal prosecutor charged President Michel Temer with taking multimillion-dollar bribes. In a document submitted to the Supreme Court, Rodrigo Janot said Temer "fooled Brazilian citizens" and owed the nation millions in compensation for accepting bribes.

The lower house of Congress must now vote on whether to allow the tribunal to try the conservative leader. Traders expect Temer to garner the support of one-third of the lower house needed to block the trial, although some fear his backing may melt away if lawmakers are forced to vote several times to protect the unpopular president.

The vote, which does not yet have a date, is likely to delay the implementation of Temer's planned reforms of the pension system and labour regulations, seen by investor as key to curb debt and lift long-term economic growth.

The Brazilian real weakened 0.7%, while 5-year credit default swaps widened 2 basis points to 237 basis points. Brazil's benchmark Bovespa stock index fell 0.3%, dragged down by blue-chips such as lenders Itaú Unibanco Holding SA, Banco Bradesco SA and beer producer Ambev SA.

Shares of Kroton Educacional SA and Estácio Participações SA ranked among the biggest decliners on lingering concerns that regulators may veto a tie-up between both college operators. Losses in the index were capped, however, by a rally in shares of miners and steelmakers, such as Vale SA and Cia Siderurgica Nacional SA, boosted by soaring prices of metals.

Other Latin American markets were mostly down as traders avoided risky bets ahead of a widely awaited speech by US Federal Reserve Chair Janet Yellen later in the day. Investors will closely monitor her remarks for clues over future monetary policy after a recent batch of mixed economic figures suggested it may be forced to increase rates at a slower pace than expected.

Sensex falls to 1-month low; rupee remains flat

Bloomberg
Mumbai

India's benchmark equity index fell to a one-month low as software exporters dropped and banks retreated on concern that non-performing loans may increase.

The S&P BSE Sensex declined 0.6% to close at 30,958.25 in Mumbai, after falling 0.5% on Friday. India's markets were closed Monday for a holiday. State Bank of India led declines in index points among lenders, after credit ratings company Crisil Ltd said the central bank may increase provisioning demands on the top 50 non-performing loans by an extra 25% in the current fiscal year.

"Given the significant issues to be dealt with from the bad loans side, it is likely that the government may have to be inventive about how public-sector banks can be re-capitalised," Mugunthan Siva, managing director at India Avenue Investment Management said by e-mail. "This may result in asset sales by the government or some other special situations which could present some interesting opportunities."

On the currency front, the rupee remained flat at 64.53 to a US dollar from last week's close.

DJIA			
Company Name	Lt Price	% Chg	Volume
Apple Inc	145.78	-0.03	7,524,168
Microsoft Corp	70.13	-0.57	7,227,867
Exxon Mobil Corp	81.57	0.41	2,688,299
Johnson & Johnson	136.28	-0.04	1,666,904
General Electric Co	27.39	-0.81	10,005,015
Jpmorgan Chase & Co	88.90	1.90	5,282,775
Procter & Gamble Co/The	88.90	-0.51	1,740,878
Wal-Mart Stores Inc	75.98	0.64	2,366,776
Verizon Communications Inc	44.91	-1.85	9,597,086
Pfizer Inc	34.02	-0.06	5,091,690
Visa Inc-Class A Shares	95.29	0.07	1,596,386
Chevron Corp	104.76	0.60	1,132,143
Coca-Cola Co/The	45.11	-0.72	3,334,915
Intel Corp	34.08	0.03	9,309,744
Merck & Co. Inc.	65.96	0.06	3,201,723
Cisco Systems Inc	32.22	-0.06	5,453,110
Home Depot Inc	152.82	0.92	1,974,001
Intl Business Machines Corp	154.79	-0.28	835,920
Walt Disney Co/The	105.72	0.14	1,888,941
Unitedhealth Group Inc	185.04	-0.04	850,786
3M Co	210.44	-1.02	743,153
Mcdonald's Corp	154.46	0.32	675,429
Nike Inc-Cl B	52.78	-0.95	3,583,643
United Technologies Corp	121.75	-0.10	481,303
Boeing Co/The	199.73	-0.13	868,277
Goldman Sachs Group Inc	222.13	0.77	1,201,530
American Express Co	83.50	0.64	990,291
Du Pont (E.I.) De Nemours	80.82	-0.42	354,135
Caterpillar Inc	104.92	0.64	1,313,094
Travelers Cos Inc/The	127.73	-0.17	285,624

FTSE 100			
Company Name	Lt Price	% Chg	Volume
Wpp Plc	1641.00	-0.79	5,096,971
Worldpay Group Plc	313.90	-0.79	4,061,718
Wolseley Plc	4,746.00	1.35	793,329
Wm Morrison Supermarkets	241.20	0.17	4,968,800
Whitbread Plc	3,975.00	-1.73	590,081
Vodafone Group Plc	221.60	-0.76	37,234,090
United Utilities Group Plc	900.00	-1.37	4,350,334
Unilever Plc	4,301.50	-0.72	2,631,481
Tui Ag-Di	112,700	-2.00	1,640,749
Travis Perkins Plc	1,446.00	-1.30	1,223,499
Tesco Plc	169.00	1.32	22,878,770
Taylor Wimpey Plc	178.50	-0.61	12,225,245
Standard Life Plc	390.60	-0.61	4,405,251
Standard Chartered Plc	757.10	1.77	744,1759
St James's Place Plc	1,185.00	-0.84	821,639
Sse Plc	1,486.00	-1.39	4,670,768
Smith & Nephew Plc	1,347.00	-1.75	3,296,080
Sky Plc	962.50	-0.77	9,243,634
Shire Plc	4,520.00	0.20	1,880,979
Severn Trent Plc	2,264.00	-1.78	792,190
Schroders Plc	314.00	-1.34	328,442
Sainsbury (J) Plc	254.10	-0.35	6,045,457
Sage Group Plc/The	711.50	-0.56	3,021,247
Submillier Plc	0.00	0.00	-
Rsa Insurance Group Plc	614.50	-0.89	1,805,204
Royal Mail Plc	426.40	-1.36	2,632,097
Royal Dutch Shell Plc-B Shs	2,125.50	1.07	4,830,726
Royal Dutch Shell Plc-A Shs	2,088.50	1.11	4,821,506
Royal Bank Of Scotland Group	251.80	0.80	14,855,283
Rolls-Royce Holdings Plc	919.00	-1.24	4,159,525
Rio Tinto Plc	3,157.00	3.27	4,751,275
Rexam Ltd	0.00	0.00	-
Relx Plc	1,690.00	-1.11	3,184,295
Reckitt Benckiser Group Plc	7,884.00	-0.95	753,900
Randgold Resources Ltd	7,035.00	0.50	560,567
Prudential Plc	1,799.00	-0.94	4,423,509
Provident Financial Plc	2,391.00	-0.33	501,482
Persimmon Plc	2,271.00	-0.13	1,937,317
Pearson Plc	706.00	0.28	1,866,003
Paddy Power Betfair Plc	8,495.00	-2.14	443,102
Old Mutual Plc	197.20	-0.55	5,294,713
Next Plc	3,955.00	-1.13	683,023
National Grid Plc	984.60	-2.03	8,655,204
Mondri Plc	2,021.00	-0.88	1,514,891
Merlin Entertainment	482.10	-1.01	1,424,746
Mediclinic International Plc	742.50	-1.92	1,426,701
Marks & Spencer Group Plc	336.60	-1.95	78,799,652
London Stock Exchange Group	3,724.00	-0.69	1,117,082
Lloyds Banking Group Plc	66.72	0.33	140,204,303
Legal & General Group Plc	258.90	-0.46	11,730,017
Land Securities Group Plc	1,019.00	-0.88	2,433,558
Kingfisher Plc	3,100.00	0.00	817,979
Johnson Matthey Plc	2,930.00	-0.03	506,596
Itv Plc	180.70	-0.93	12,769,812
Intu Properties Plc	269.10	-0.74	3,627,885
Intl Consolidated Airline-Di	606.50	-0.74	6,046,887
Intertek Group Plc	4,369.00	-0.61	285,496
Intercontinental Hotels Grou	4,341.00	-1.27	330,943
Immarsat Plc	768.00	-1.35	811,432
Informa Plc	688.00	-0.22	1,255,116
Imperial Brands Plc	3,575.50	-0.61	1,978,934
Hsbc Holdings Plc	689.90	0.15	17,298,096
Hargreaves Lansdown Plc	1,337.00	0.22	708,285
Hammerson Plc	587.50	-0.34	2,388,406
Glencore Plc	287.65	3.77	4,128,6195
Glaxosmithkline Plc	1,697.50	-0.79	6,318,999
Gkn Plc	331.20	-4.31	7,944,005
Fresnillo Plc	1,561.00	0.39	767,504
Experian Plc	1,623.00	-0.18	2,990,406
Easyjet Plc	1,331.00	-1.84	2,386,376
Dixons Carphone Plc	295.90	-1.99	4,682,239
Direct Line Insurance Group	354.80	-1.96	310,9167
Diageo Plc	2,331.00	0.32	5,019,536
Dcc Plc	7,070.00	-1.05	117,481
Crh Plc	2,785.00	-1.73	1,382,971
Compass Group Plc	1,663.00	-4.48	2,996,477
Coca-Cola Hbc Ag-Di	2,370.00	0.30	941,180
Centrica Plc	204.30	-2.25	23,222,974
Carnival Plc	5,155.00	-1.34	539,087
Capita Plc	694.00	-1.63	2,102,109
Burberry Group Plc	1,766.00	0.86	1,392,992
Bunzl Plc	2,309.00	-1.11	564,223
Bt Group Plc	288.50	0.10	24,644,846
British Land Co Plc	611.00	-1.29	4,318,386
British American Tobacco Plc	5,428.00	-0.89	2,868,731
Bp Plc	460.30	0.55	21,006,296
Bhp Billiton Plc	1,169.00	2.36	8,983,370
Berkeley Group Holdings/The	3,266.00	-1.21	6,865,570
Barratt Developments Plc	563.50	-0.18	4,117,335
Barclays Plc	202.80	1.45	38,616,785
Bae Systems Plc	643.50	-1.23	7,333,908
Babcock Intl Group Plc	892.00	-1.92	1,591,734
Aviva Plc	531.50	0.28	9,517,862
Astrazeneca Plc	5,347.00	-1.51	2,573,593
Associated British Foods Plc	2,958.00	-0.14	737,211
Ashtead Group Plc	1,575.00	-2.17	1,511,734
Arm Holdings Plc	0.00	0.00	-
Antofagasta Plc	774.50	3.13	3,377,933
Anglo American Plc	1,006.00	3.23	7,316,020
Admiral Group Plc	1,994.00	-2.25	551,506
3i Group Plc	915.50	0.05	2,110,357
#N/A	0.00	0.00	-

TOKYO			
Company Name	Lt Price	% Chg	Volume
East Japan Railway Co	10,960.00	-0.23	547,400
Itochu Corp	1,643.00	1.39	4,707,300
Fujifilm Holdings Corp	4,086.00	0.26	1,594,100
Yamato Holdings Co Ltd	2,327.00	1.43	1,038,700
Chubu Electric Power Co Inc	1,491.00	0.03	1,314,000
Mitsubishi Estate Co Ltd	2,083.00	-0.14	2,308,100
Mitsubishi Heavy Industries	440.70	0.87	12,380,000
Toshiba Corp	298.90	0.61	76,513,000
Shiseido Co Ltd	4,049.00	-0.02	1,311,000
Shionogi & Co Ltd	6,314.00	-1.64	1,310,900
Tokyo Gas Co Ltd	586.30	-0.02	5,072,000
Tokyo Electron Ltd	16,095.00	-1.11	1,085,800
Panasonic Corp	1,559.50	1.33	8,088,700
Fujitsu Ltd	857.60	3.13	22,442,000
Central Japan Railway Co	18,315.00	-0.46	343,600
T&D Holdings Inc	1,640.50	0.77	2,483,700
Toyota Motor Corp	5,876.00	0.65	4,758,000
Kddi Corp	2,992.50	-0.23	5,853,300
Nitto Denko Corp	8,986.00	-0.13	561,900

WORLD INDICES		
Indices	Lt Price	Change
Dow Jones Indus. Avg	21,418.96	+9.41
S&P 500 Index	2,439.50	+0.43
Nasdaq Composite Index	6,226.02	-21.13
S&P/Tsx Composite Index	15,323.91	+7.89
Mexico Bolsa Index	49,009.61	-156.06
Brazil Bovespa Stock Idx	62,199.31	+11.22
Ftse 100 Index	7,434.36	-12.44
Cac 40 Index	5,258.58	-37.17
Dax Index	12,671.02	-99.81
Ibex 35 Tr	10,647.90	-48.70
Nikkei 225	20,225.09	+71.74
Japan Topix	1,619.02	+6.81
Hang Seng Index	25,839.99	-31.90
All Ordinaries Indx	5,752.53	-5.89
Nzx All Index	1,393.43	+5.96
Bse Sensex 30 Index	30,958.25	-179.86
Nse S&P Cnx Nifty Index	9,511.40	-63.55
Straits Times Index	3,219.53	+10.06
Karachi All Share Index	32,247.64	+473.65
Jakarta Composite Index	5,829.71	+11.16

TOKYO			
Company Name	Lt Price	% Chg	Volume
Rakuten Inc	1,352.00	-0.15	2,866,800
Kyocera Corp	6,656.00	0.39	829,300
Nissan Motor Co Ltd	1,085.00	0.37	9,346,900
Hitachi Ltd	686.60	2.29	22,580,000
Takeda Pharmaceutical Co Ltd	5,812.00	0.48	1,738,600
Jfe Holdings Inc	1,832.00	2.52	3,391,100
Ana Holdings Inc	385.40	-0.72	13,944,000
Mitsubishi Electric Corp	1,619.00	2.11	6,612,700
Sumitomo Mitsui Financial Gr	4,222.00	0.50	4,757,900
Honda Motor Co Ltd	3,074.00	0.29	3,774,300
Fast Retailing Co Ltd	37,580.00	1.43	469,700
Ms&Ad Insurance Group Holdin	3,782.00	0.34	931,600
Kubota Corp	1,873.00	0.48	2,537,700
Seven & I Holdings Co Ltd	4,744.00	0.44	1,243,000
Impex Corp	1,053.00	1.45	4,739,100
Resona Holdings Inc	585.10	0.38	9,772,500
Asahi Kasei Corp	1,205.00	0.46	3,556,000
Kirin Holdings Co Ltd	2,346.50	0.54	3,285,200
Marubeni Corp	701.40	1.64	5,947,600
Mitsubishi Ufj Financial Gro	728.30	0.19	43,286,400
Mitsubishi Chemical Holdings	891.70	0.58	5,701,600
Fanuc Corp	21,955.00	0.50	595,000
Daite Trust Construct Co Ltd	17,710.00	0.08	309,600
Otsuka Holdings Co Ltd	4,886.00	-0.14	954,500
Oriental Land Co Ltd	7,509.00	-2.98	2,379,100
Sekisui House Ltd	1,979.50	0.01	2,637,700
Secom Co Ltd	8,625.00	0.01	608,500
Tokio Marine Holdings Inc	4,660.00	-0.21	212,800
Aeon Co Ltd	1,711.50	0.23	1,114,300
Mitsui & Co Ltd	1,534.00	0.56	4,598,500
Kao Corp	6,856.00	0.01	1,294,200
Dai-ichi Life Holdings Inc	1,939.00	0.42	4,235,800
Mazda Motor Corp	1,525.00	0.93	4,710,200
Komatsu Ltd	2,776.00	1.57	2,829,400
West Japan Railway Co	8,099.00	-0.77	550,000
Murata Manufacturing Co Ltd	17,720.00	2.37	1,056,700
Kansai Electric Power Co Inc	1,569.50	0.29	1,396,400
Denso Corp	4,701.00	0.47	1,176,800
Sompo Holdings Inc	4,288.00	1.37	1,207,200
Daiwa Industry Co Ltd	3,848.00	0.29	1,387,600
Jxgt Holdings Inc	486.80	2.10	18,267,500
Nippon Steel & Sumitomo Meta	2,419.00	2.67	3,288,800
Suzuki Motor Corp	5,305.00	0.44	1,092,000
Nippon Telegraph & Telephone	5,490.00	1.12	3,332,300
Ajinomoto Co Inc	2,472.50	-0.10	1,568,000
Mitsui Fudosan Co Ltd	2,634.00	0.11	2,643,800
Ono Pharmaceutical Co Ltd	2,513.50	-0.57	1,656,700
Daijin Industries Ltd	11,500.00	0.26	816,600
Bank Of Yokohama Ltd/The	0.00	0.00	-
Toray Industries Inc	941.70	0.82	4,092,900
Astellas Pharma Inc	1,380.00	-1.53	8,843,600
Bridgestone Corp	4,933.00	1.61	2,496,100
Sony Corp	4,349.00	1.19	5,636,500
Hoya Corp	5,868.00	2.41	1,282,200
Sumitomo Mitsui Trust Holdin	3,825.00	0.87	1,076,700
Japan Tobacco Inc	4,128.00	0.93	6,187,900
Osaka Gas Co Ltd	463.30	0.56	7,342,000
Sumitomo Electric Industries	1,721.00	1.18	2,592,400
Daiwa Securities Group Inc	665.80	0.35	5,461,000
Softbank Group Corp	9,247.00	-0.12	6,791,100
Mizuho Financial Group Inc	198.00	0.30	85,719,600
Nomura Holdings Inc	675.10	1.00	19,724,500
Daiichi Sankyo Co Ltd	2,548.00	-0.08	1,611,400
Subaru Corp	3,672.00	0.19	2,748,700
Ntt Docomo Inc	2,720.50	-0.66	416,800
Sumitomo Realty & Developmen	3,478.00	0.03	1,289,000
Sumitomo Metal Mining Co Ltd	1,455.50	1.11	4,629,000
Orix Corp	1,777.50	0.48	3,462,400
Asahi Group Holdings Ltd	4,274.00	-0.21	1,372,200
Keyence Corp	50,670.00	-0.47	233,100
Nidec Corp	11,805.00	0.38	642,400
Isuzu Motors Ltd	1,359.50	0.67	1,757,400
Unicharm Corp	2,916.50	0.90	1,108,500
Shin-Etsu Chemical Co Ltd	10,120.00	0.25	597,500
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COMPOUND

BEVERLY HILLS GARDEN 10 (AL WAAB): Semi furnished 4 bedroom villa: 3 bathroom, guest toilet, laundry room, living & dining area, kitchen w/ split AC's. PROPERTY AMENITIES: Swimming pool, Billiard, Children's play area, Gymnasium. PROPERTY SERVICES: 24 hours security & maintenance. FOR MORE INFORMATION PLEASE CALL: (+974) 33521713 / 66002356 / 55855271 / 55342680 or EMAIL: alwaab.leasing@alasmakhrealestate.com

AIN KHALID GATE: Fully furnished 4 bedroom villa with 2 Master's bedroom with attached bathroom, shared bathroom, guest toilet, maid's room, laundry room, 2 living room, dining area, kitchen w/ centralized AC's, backyard area & private swimming pool. PROPERTY AMENITIES: Swimming Pools, outdoor Jacuzzi, modern Gym, indoor Jacuzzi, sauna room, steam room, outdoor tennis court, indoor squash room, mosque, supermarket, laundry shop, nursery school & car wash service. PROPERTY SERVICES: 24 hours security & maintenance. FOR MORE INFORMATION PLEASE CALL: (+974) 55617926 / 55850413 / 55541608 / 55715382 or EMAIL: ainkhaled.leasing@alasmakhrealestate.com

BEVERLY HILLS GARDEN 15 (AL WAAB): Semi furnished 4 bedroom villas + maid's room: 3 bathroom, guest toilet, living & dining area, laundry room & kitchen. PROPERTY AMENITIES: Swimming pool, Billiard, Children's play area, Conference room, Jacuzzi, Male & Female Sauna, Gymnasium, Theatre, Squash & Tennis court. PROPERTY SERVICES: 24 hours security & maintenance. FOR MORE INFORMATION PLEASE CALL: (+974) 33521713 / 66002356 / 55855271 / 55342680 or EMAIL: alwaab.leasing@alasmakhrealestate.com

VILLA D'ESTE 1 (AL WAAB): Semi furnished 5 bedroom villa: Master's bedroom w/ attached bathroom, shared bathroom, guest toilet, living & dining area. PROPERTY AMENITIES: Swimming pool, gym & billiard. PROPERTY SERVICES: 24 hours maintenance & security. FOR MORE INFORMATION PLEASE CALL: (+974) 33521713 / 66002356 / 55855271 / 55342680 or EMAIL: alwaab.leasing@alasmakhrealestate.com

VILLA D'ESTE 2 (AL WAAB): Semi furnished 3 bedroom villa: Master's bedroom w/ attached bathroom, shared bathroom, guest toilet, living & dining area. PROPERTY AMENITIES: Swimming pool, gym & billiard. PROPERTY SERVICES: 24 hours maintenance & security. FOR MORE INFORMATION PLEASE CALL: (+974) 33521713 / 66002356 / 55855271 / 55342680 or EMAIL: alwaab.leasing@alasmakhrealestate.com

Q BEL AIR COMPOUND (LAQTAH): Semi furnished 3 bedroom villa: Master's bedroom with attached bathroom, shared bathroom, guest toilet & close kitchen. PROPERTY AMENITIES: Swimming pool, gym, tennis court, billiard & multipurpose hall. FOR MORE INFORMATION PLEASE CALL: (+974) 33294321 / 66002356 / 55855271 / 66885799 or EMAIL: alrayyan.leasing@alasmakhrealestate.com

Q BEL AIR COMPOUND (LAQTAH): Semi furnished 5 Bedroom villa: 2 Master's bedroom with attached bathroom, shared bathroom, closed kitchen & guest toilet. PROPERTY AMENITIES: Swimming pool, gym, tennis court, billiard & multipurpose hall. FOR MORE INFORMATION PLEASE CALL: (+974) 33294321 / 66002356 / 55855271 / 66885799 or EMAIL: alrayyan.leasing@alasmakhrealestate.com

AL BEDAIYA RESIDENTIAL COMPOUND (RAYYAN): Fully furnished 4 bedroom villa: 3 bedrooms, guest toilet, living & dining area, kitchen, maid's room & centralized AC's. PROPERTY AMENITIES: 2 Swimming Pool, Gym, Children's Play area, Children's Swimming Pool, Sauna room, Steam room & Jacuzzi. PROPERTY SERVICES: 24 hours Help desk, security, maintenance & Limousine service. FOR MORE INFORMATION PLEASE CALL: (+974) 33294321 / 55890462 / 66004636 / 66885799 or EMAIL: alrayyan.leasing@alasmakhrealestate.com

DOHA GARDEN (AL WAAB): Semi Furnished 4 bedroom plus maid's room villa: 2 Master's bedroom with attached bathroom, shared bathroom, guest toilet, 2 halls, closed kitchen, living & dining area, maid's room with attached bathroom & backyard. PROPERTY AMENITIES: Billiard, Children's play area, Gym, Sitting lounge, Swimming pool, Tennis court. FOR MORE INFORMATION PLEASE CALL: (+974) 33521713 / 66002356 / 55855271 or EMAIL: alwaab.leasing@alasmakhrealestate.com

HYATT REGENCY: Semi furnished 4 bedroom villa with Master's bedroom with attached bathroom, shared bathrooms, living & dining area, kitchen w/ split AC's. PROPERTY AMENITIES: Children's play area, Gym, Outdoor Swimming Pool & Tennis court. PROPERTY SERVICES: 24 Hours security & maintenance. FOR MORE INFORMATION PLEASE CALL: (+974) 33567156 / 55541608 / 66002394 / 55511429 or EMAIL: doha.leasing@alasmakhrealestate.com

AZGHAWA COMPOUND : Semi furnished 5 bedroom villa with 3 Master's bedroom with attached bathroom, shared bathroom, maid's room with attached bathroom, guest toilet, living & dining area, 2 hall, open kitchen & private swimming pool. PROPERTY SERVICES: 24 Hours security & maintenance. FOR MORE INFORMATION PLEASE CALL: (+974) 33294321 / 55898292 / 33433168 / 66885799 or EMAIL: rayyan.leasing@alasmakhrealestate.com

AIN KHALID COMPOUND (AIN KHALID): Semi furnished 5 bedroom villa: 5 bathrooms, guest toilet, living & dining area, 2 hall & 2 kitchen. PROPERTY AMENITIES: Swimming pool, gym, restaurant, supermarket & kid's play area. FOR MORE INFORMATION PLEASE CALL: (+974) 33521713 / 66002356 / 55512734 / 55715382 or EMAIL: alwaab.leasing@alasmakhrealestate.com

COMPOUND APARTMENT

AIN KHALID GATE (AIN KHALID): Fully furnished 2 bedroom flat with bathroom, guest toilet, living and dining area, laundry room & kitchen w/ centralized AC's. PROPERTY

AMENITIES: Swimming pools, outdoor Jacuzzi, gym, indoor Jacuzzi, sauna room, zone & indoor game. PROPERTY SERVICES: 24 hours security & maintenance. FOR MORE INFORMATION PLEASE CALL: (+974) 55617926 / 55850413 / 55855271 / 55715382 or EMAIL: ainkhaled.leasing@alasmakhrealestate.com

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AL BEDAIYA RESIDENTIAL COMPOUND (RAYYAN): Fully furnished 3 bedroom flat, 2 bathroom, large living & dining area, kitchen w/ balcony & centralized A/C. PROPERTY AMENITIES: 2 Swimming pool, gym, massage Centre, Sauna room, Steam room & Jacuzzi. PROPERTY SERVICES: 24 hours Help desk, security, maintenance & Limousine service. FOR MORE INFORMATION PLEASE CALL: (+974) 55878193 / 66885799 / 66885799 or EMAIL: alrayyan.leasing@alasmakhrealestate.com

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REGENCY PEARL 1 (THE PEARL): Fully furnished 1 bedroom flat, bathroom, guest toilet, living & dining area, kitchen w/ centralized AC's. PROPERTY AMENITIES: Swimming pool, gym, coffee lounge, kid's play area. PROPERTY SERVICES: 24 hours Help desk, security & maintenance. FOR MORE INFORMATION PLEASE CALL: (+974) 55878193 / 55898292 / 66001329 / 55892510 or EMAIL: thepearl.leasing@alasmakhrealestate.com

REGENCY PEARL 1 (THE PEARL): Fully furnished 1 bedroom + office, bathroom, guest toilet, living & dining area, kitchen w/ centralized AC's. PROPERTY AMENITIES: Swimming pool, gym, coffee lounge, kid's play area. PROPERTY SERVICES: 24 hours security, maintenance & concierge. FOR MORE INFORMATION PLEASE CALL: (+974) 55878193 / 55898292 / 66001329 / 55892510 / 33838164 or EMAIL: thepearl.leasing@alasmakhrealestate.com

REGENCY PEARL 2 (THE PEARL): Fully Furnished studio type apartment: bathroom, kitchen, living & dining area. PROPERTY AMENITIES: Gym, outdoor swimming pool, kid's pool, Jacuzzi, kid's play room & entertainment area. PROPERTY SERVICES: 24 hours security, maintenance & concierge. FOR MORE INFORMATION PLEASE CALL: (+974) 33854323 / 33994266 / 33838164 or EMAIL: thepearl.leasing@alasmakhrealestate.com

REGENCY PEARL 2 (THE PEARL): Fully furnished 1 bedroom flat: guest toilet, living & dining area & kitchen. PROPERTY AMENITIES: Fully equipped gym, outdoor swimming pool, kid's pool, Jacuzzi, kid's play room & entertainment area. PROPERTY SERVICES: 24 hours security, maintenance & concierge. FOR MORE INFORMATION PLEASE CALL: (+974) 33854323 / 33994266 / 66001329 / 33838164 or EMAIL: thepearl.leasing@alasmakhrealestate.com

REGENCY PEARL 2 (THE PEARL): Fully furnished 2 bedrooms, Master's bedroom with attached bathroom, guest toilet, living & dining room & kitchen. PROPERTY AMENITIES: Fully equipped gym, outdoor swimming pool, kid's pool, Jacuzzi, kid's play room & entertainment area. PROPERTY SERVICES: 24 hours security, maintenance & concierge. FOR MORE INFORMATION PLEASE CALL: (+974) 33854323 / 33994266 / 66001329 / 33838164 or EMAIL: thepearl.leasing@alasmakhrealestate.com

TOWER 7 (THE PEARL): Semi furnished 1 bedroom flat: Master's bedrooms, guest toilet, walk in closet & kitchen. PROPERTY AMENITIES: Swimming pool and gymnasium. PROPERTY SERVICES: 24 hours security & maintenance. FOR MORE INFORMATION PLEASE CALL: (+974) 5587 8193 / 5589 5956 / 33433168 / 33838164 or EMAIL: thepearl.leasing@alasmakhrealestate.com

BEVERLY HILLS TOWER (WEST BAY): Fully furnished 1 bedroom flat w/ centralized A/C, bathroom, guest toilet, living & dining room & kitchen. PROPERTY AMENITIES: Swimming pool, gym, biggest spa in Qatar w/ treatment rooms, massage centre, children's play area, children's swimming pool, sauna room, steam room, coffee shop, beauty salon for men & women. PROPERTY SERVICES: 24 hours help desk, security, maintenance & limousine service. FOR MORE INFORMATION PLEASE CALL: (+974) 55540779 / 55890462 / 55541608 / 33838164 or EMAIL: westbay.leasing@alasmakhrealestate.com

BEVERLY HILLS TOWER (WEST BAY): Fully furnished 2 bedroom flat w/ centralized A/C, 2 bathroom, guest toilet,

living & dining room & kitchen. PROPERTY AMENITIES: Swimming pool, gym, biggest spa in Qatar with treatment rooms, massage centre, children's play area, children's swimming pool, sauna room, steam room, coffee shop, beauty salon for men and women. PROPERTY SERVICES: 24 Security, maintenance, limousine service & concierge. FOR MORE INFORMATION PLEASE CALL: (+974) 55540779 / 66004636 / 55895956 / 33838164 or EMAIL: westbay.leasing@alasmakhrealestate.com

BEVERLY HILLS TOWER (WEST BAY): Fully furnished 3 bedroom flat w/ centralized A/C, 3 bathrooms, guest toilet, maid's room w/ attached bathroom, living & dining area & kitchen. PROPERTY AMENITIES: Swimming pool, gym, biggest spa in Qatar with treatment rooms, massage center, children's play area, children's swimming pool, sauna room, steam room, coffee shop, beauty saloon for men & women. PROPERTY SERVICES: 24 Security, maintenance, Limousine service & concierge. FOR MORE INFORMATION PLEASE CALL: (+974) 55540779 / 55895956 / 33838164 or EMAIL: westbay.leasing@alasmakhrealestate.com

REGENCY RESIDENCE (WEST BAY): Fully furnished 1 bedroom flat, bathroom, guest toilet, living & dining area & kitchen w/ centralized A/C. PROPERTY AMENITIES: Swimming pool, gym, children's play area, children's swimming pool, sauna room, steam room, Jacuzzi & library. PROPERTY SERVICES: 24 Security, maintenance & concierge. FOR MORE INFORMATION PLEASE CALL: (+974) 55540779 / 55890462 / 33433168 / 33838164 or EMAIL: westbay.leasing@alasmakhrealestate.com

REGENCY RESIDENCE (WEST BAY): Fully furnished 2 bedroom flat: 2 Master's bedroom with attached bathroom, guest toilet, living & dining area & kitchen w/ centralized A/C. PROPERTY AMENITIES: Swimming pool, gym, children's play area, children's swimming pool, sauna room, steam room, Jacuzzi & library. PROPERTY SERVICES: 24 hours Security, maintenance & concierge. FOR MORE INFORMATION PLEASE CALL: (+974) 55540779 / 5589 0462 / 33433168 / 33838164 or EMAIL: westbay.leasing@alasmakhrealestate.com

REGENCY RESIDENCE (WEST BAY): Fully furnished 3 bedroom flat: 3 Master's bedroom with attached bathroom, guest toilet, living & dining area & kitchen w/ centralized A/C. PROPERTY AMENITIES: Swimming pool, gym, children's play area, children's swimming pool, sauna room, steam room, Jacuzzi & library. PROPERTY SERVICES: 24 hours Security, maintenance & concierge. FOR MORE INFORMATION PLEASE CALL: (+974) 55540779 / 55890462 / 33433168 / 33838164 or EMAIL: westbay.leasing@alasmakhrealestate.com

UMM BAB TOWER (WESTBAY): Fully furnished 3 bedroom + maid' room w/ jacuzzi: 3 Master's bedroom with attached bathroom, guest toilet, kitchen, living & dining area. PROPERTY AMENITIES: Indoor swimming pool, fully equipped gym, laundry, children's playground & basement parking. FOR MORE INFORMATION PLEASE CALL: (+974) 55564123 / 55540779 / 55541608 or EMAIL: westbay.leasing@alasmakhrealestate.com

BUILDING APARTMENT

QANAT QUARTIER APARTMENTS (THE PEARL): Semi furnished 2 bedroom flat, 2 bathroom, guest toilet, living & dining area, open kitchen w/ centralized A/C. PROPERTY SERVICES: 24 hours security & maintenance. FOR MORE INFORMATION PLEASE CALL: (+974) 55878193 / 55898292 / 66001329 / 33838164 or EMAIL: thepearl.leasing@alasmakhrealestate.com

REGENCY RESIDENCE AL SADD 1 (AL SADD): Fully furnished 1 bedroom flat: Master's bedroom with attached bathroom, guest toilet, living & dining area & kitchen w/ centralized A/C. PROPERTY AMENITIES: Swimming Pool, Gym, Sauna room, Jacuzzi & Steam room. PROPERTY SERVICES: 24 hours security & maintenance. FOR MORE INFORMATION PLEASE CALL: (+974) 33102646 / 55890207 / 55890462 / 55511429 or EMAIL: alsadd.leasing@alasmakhrealestate.com

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REGENCY RESIDENCE ALSADD 3 (AL SADD): Fully furnished 3 bedroom flat: Master's bedroom with attached bathroom, shared bathroom, guest toilet, living & dining area & kitchen w/ centralized A/C. PROPERTY SERVICES: 24 Hours security, maintenance & concierge. FOR MORE INFORMATION PLEASE CALL: (+974) 33102646 / 55890207 / 55890462 / 55511429 or EMAIL: alsadd.leasing@alasmakhrealestate.com

REGENCY RESIDENCE AL SADD 7 (AL SADD): Fully furnished 2 bedroom flat: shared bathroom, guest toilet, living & dining area & kitchen w/ centralized A/C. PROPERTY SERVICES: 24 hours security & maintenance. FOR MORE INFORMATION PLEASE CALL: (+974) 33102646 / 55890207 / 55890462 or EMAIL: alsadd.leasing@alasmakhrealestate.com

REGENCY RESIDENCE AL SADD 8 (AL SADD): Fully furnished 2 bedroom flat: shared bathroom, guest toilet, living & dining area & kitchen w/ centralized A/C. PROPERTY SERVICES: 24 hours security & maintenance. FOR MORE INFORMATION PLEASE CALL: (+974) 33102646 / 55890207 / 55890462 / 55511429 or EMAIL: alsadd.leasing@alasmakhrealestate.com

REGENCY RESIDENCE ALSADD 8 (AL SADD): Fully furnished 3 bedroom flat: Master's bedroom with attached bathroom, shared bathroom, guest toilet, living & dining area

& kitchen w/ centralized A/C. PROPERTY SERVICES: 24 Hours security, maintenance. FOR MORE INFORMATION PLEASE CALL: (+974) 33102646 / 55890207 / 55890462 / 55511429 or EMAIL: alsadd.leasing@alasmakhrealestate.com

REGENCY RESIDENCE AL SADD 11 (AL SADD): Fully furnished 2 bedroom flat: shared bathroom, guest toilet, living & dining area & kitchen w/ centralized A/C. PROPERTY AMENITIES: Fully equipped gym. PROPERTY SERVICES: 24 hours security & maintenance. FOR MORE INFORMATION PLEASE CALL: (+974) 33102646 / 55890207 / 55890462 / 55511429 or EMAIL: alsadd.leasing@alasmakhrealestate.com

REGENCY RESIDENCE AL SADD 12 (AL SADD): Fully furnished 1 bedroom flat: bathroom, living & dining area & kitchen w/ centralized A/C. PROPERTY AMENITIES: Fully equipped gym. PROPERTY SERVICES: 24 hours security & maintenance. FOR MORE INFORMATION PLEASE CALL: (+974) 33102646 / 55890207 / 55890462 / 55511429 or EMAIL: alsadd.leasing@alasmakhrealestate.com

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GULF RESIDENCE 10 (AL NASSER): Fully furnished 2 bedroom flat, shared bathroom, guest toilet, living & dining area & kitchen. PROPERTY SERVICES: 24 hours security & maintenance. FOR MORE INFORMATION PLEASE CALL: (+974) 33102646 / 55890207 / 55890462 / 55511429 or EMAIL: alsadd.leasing@alasmakhrealestate.com

REGENCY RESIDENCE MUSHEIREB 1 (MUSHEIREB): Fully furnished 1 bedroom flat, bathroom, living & dining area & kitchen w/ centralized A/C. PROPERTY AMENITIES: Indoor Swimming Pool, Gym, Sauna and steam room, Jacuzzi, Billiard. PROPERTY SERVICES: 24 hours security & maintenance. FOR MORE INFORMATION PLEASE CALL: (+974) 55701724 / 66002394 / 55850413 / 55511429 or EMAIL: musherieb.leasing@alasmakhrealestate.com

REGENCY RESIDENCE MUSHEIREB 6 (MUSHEIREB): Fully furnished 1 bedroom flat, bathroom, living & dining area & kitchen w/ centralized A/C. PROPERTY AMENITIES: Outdoor Swimming Pool, Gym, Sauna & steam room & Jacuzzi. PROPERTY SERVICES: 24 hours security & maintenance. FOR MORE INFORMATION PLEASE CALL: (+974) 55701724 / 66002394 / 55850413 / 55511429 or EMAIL: musherieb.leasing@alasmakhrealestate.com

REGENCY RESIDENCE AIRPORT 1 (DOHA AREA): Semi furnished 1 bedroom flat, bathroom, living & dining area kitchen w/ split AC's. PROPERTY AMENITIES: Swimming pool & Gym. PROPERTY SERVICES: 24 hour security & maintenance. FOR MORE INFORMATION PLEASE CALL: (+974) 33567156 / 55850413 / 55541608 / 55342680 or EMAIL: doha.leasing@alasmakhrealestate.com

REGENCY RESIDENCE AIRPORT 2 (DOHA AREA): Semi furnished 2 bedroom flat, bathroom, living & dining area & kitchen w/ split A/C. PROPERTY AMENITIES: Swimming pool. PROPERTY SERVICES: 24 hour security & maintenance. FOR MORE INFORMATION PLEASE CALL: (+974) 33567156 / 55850413 / 55541608 / 55342680 or EMAIL: doha.leasing@alasmakhrealestate.com

63 OLD SALATA (OLD SALATA): Fully furnished studio type flat, bathroom & kitchen w/ centralized A/C. PROPERTY AMENITIES: Gym. PROPERTY SERVICES: 24 hour security & maintenance. FOR MORE INFORMATION PLEASE CALL: (+974) 33567156 / 55850413 / 55541608 / 55511429 or EMAIL: doha.leasing@alasmakhrealestate.com

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GULF RESIDENCE 13 (MUNATAZAH): Fully furnished 3 bedroom flat: Master's bedroom with attached bathroom shared bathroom, living & dining area & kitchen w/ centralized A/C. PROPERTY SERVICES: 24 hours security & maintenance. FOR MORE INFORMATION PLEASE CALL: (+974) 33567156 / 55850413 / 55541608 / 55511429 or EMAIL: doha.leasing@alasmakhrealestate.com

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VW aims for greater diversity to keep cheaters in check

Bloomberg
Frankfurt

Volkswagen just can't seem to catch a break. Since the company acknowledged cheating on emissions tests almost two years ago, it has struggled to get beyond the scandal. The latest setback: On June 15, German authorities ordered fixes to the pollution control systems on 24,000 Audis, in addition to the 11mn vehicles VW has acknowledged it equipped with software designed to circumvent environmental regulations. Hans Dieter Poetsch says it's time to reinvent the company so such trickery can never be repeated.

Appointed Volkswagen's chairman in the chaotic weeks after the cheating was revealed, Poetsch says the company must become more international and diverse. While the automaker's senior managers now include a woman — Hiltrud Werner, who headed VW's audit team — the profile of the executive suite remains little changed since the scandal was made public in September 2015. Top management is still dominated by ageing German engineers: The average age is 59, and only one wasn't born in Volkswagen's homeland.

His goal is to nurture a culture where employees are encouraged to speak up when they see wrongdoing—both to head off the ethical lapses that led to the diesel crisis and to help the company shift to electric cars and autonomous driving. “We’ve embarked on a fundamental change,” says Poetsch, a 14-year veteran of Volkswagen who served as chief financial officer during the affair but says he had no involvement in it.

The key for Poetsch will be revamping VW's management without endangering what fuelled the company's success in the first place: a focus on engineering, a global vision that resulted in an early investment in China and factories in more than two dozen countries, and a bottom-to-top brand strategy ranging from budget Skoda



The headquarters of Volkswagen is seen in Wolfsburg, Germany. The company must become more international and diverse, says VW's chairman Dieter Poetsch.

and SEAT to the luxury Audi and Porsche nameplates.

“It's not enough anymore to develop a great car and then expect people to buy it.”

One step could be abandoning a long-standing edict that the CEO be a multi-decade veteran of the company with a strong technical background. When chief executive officer Matthias Mueller's contract expires in 2020, Poetsch says he'll consider a much broader range of qualifications on the resumes he examines.

Poetsch says new skills and perspectives are needed as Volkswagen adapts to the challenges of an era of electric-powered robo-taxis and faces new competitors like Tesla, Uber Technolo-

gies, or Google's Waymo. “I’ve been working in the car industry for a long time, but I’ve never seen such a comprehensive transformation,” Poetsch, 66, said in an interview at Bloomberg's headquarters in New York. “It's not enough anymore to develop a great car and then expect people to buy it.”

Though the scandal has cost the company €22.6bn (\$25.5bn) in fines, repairs, and other penalties, Poetsch says he's optimistic.

There's been no fire sale of assets, and despite the image damage, criminal investigations and hundreds of lawsuits, Volkswagen last year managed to surpass Toyota Motor Corp as the world's biggest automaker. In the first quarter, Volkswagen's margin widened

to 7.8% from 6.1% thanks to robust profit from Porsche and cost-cutting at the VW brand.

“We have all it takes to play a significant role,” Poetsch said. With the likes of Google and Apple developing an automotive strategy, it “shows that there is an attractive business opportunity to be seized.”

Under Mueller, Volkswagen is gradually redefining itself. While he has spent four decades at the automaker, Mueller has taken a sharply different approach from his predecessor, Martin Winterkorn. Rather than maintaining the previous politburo-like structure, Mueller, 64, has shifted decision-making away from Wolfsburg. To ensure greater independence, a new mobility

services division — aimed at taking on ride-hailing services like Uber — is located in Berlin.

“The strategy overhaul is going in the right direction,” said Frank Biller, an analyst at Landesbank Baden-Wuerttemberg. “But it's a long-term process.”

Redirecting VW — with more than 600,000 employees and 120 factories — is tough. And the leadership is strikingly lacking in diversity. Fewer than 10% of top managers are women, though in its 2016 annual report the company said it aims to raise that to 13% within five years. While the auto industry is hardly a paragon of equality, VW lags rival Daimler, where two members of the eight-seat management board and about 16% of middle and upper managers are women.

The short tenure of the first woman on VW's management board shows how difficult it can be for outsiders to find their way at the company. Shortly after the scandal erupted, Christine Hohmann-Dennhardt joined VW from Daimler to take on the newly created role of compliance and integrity chief. Just a year later, she was out after an internal power struggle, replaced by Werner.

“Changing the culture of such a large organisation is a huge undertaking,” said Sascha Gommel, an analyst at Commerzbank AG in Frankfurt. “It can take years to really filter through to the rank and file.”

Poetsch's comments about a successor to Mueller already indicate a shift in thinking at the board level. Before the crisis, Volkswagen was essentially in management paralysis, struggling for years to identify a replacement for Winterkorn, who was 68 when he was ultimately forced out in the aftermath of the scandal. VW managers these days must have more international experience and language skills as the company aims to foster a culture that reflects its global footprint.

Top managers, Poetsch says, will need to “take a step back and analyse broader strategic developments, as our individual brands and operations gain more independence.”

Schaeffler slashes profit guidance on steel costs, electric shift

Reuters
Frankfurt

German auto supplier Schaeffler slashed its annual profit guidance yesterday citing higher costs for steel and increased expenses for developing electric cars in a warning which hit shares across the sector.

Schaeffler shares fell 12% on the STOXX 600 index after the company said that earnings in the second quarter, which ends on Friday, were substantially lower.

“Schaeffler flagging increased pricing pressure will almost definitely raise concerns across the supplier space, especially with supplier valuation premium to OEMs at peak levels,” analysts at Jefferies said in a note.

Analysts at Morgan Stanley noted that Schaeffler likely has the highest exposure to combustion engine products such as engine systems and transmissions and therefore has “the most to do to address future industry changes for electric vehicles”. Shares in rival suppliers Leoni and ElingKlinger were down 2.7% and 3%, respectively.

Continental fell 2.5%, making them the biggest decliners on Germany's blue-chip DAX index.

ElingKlinger and Continental on Tuesday both said they are sticking to their earnings targets.

Unlisted Bosch and ZF, which do not release quarterly results, said they will provide updates on results later in the year.

Herzogenaurach-based Schaeffler said it expects an adjusted 2017 operating profit (EBIT) margin of 11 to 12%, compared with previous guidance of 12 to 13%. Chief executive Klaus Rosenfeld said a shift toward electric cars had forced the supplier to build many more prototype components, hiking research and development expenses, while facing higher prices elsewhere.

“What is new is that we were not able to compensate by lowering our production costs.

This comes amid higher steel prices for certain products in the transmission area,” Rosenfeld told analysts during a conference call. Schaeffler expects growth from the autos business in the second quarter, but could not say whether a hit to its profit margin was only temporary or permanent.

The odds that this is a lasting hit to profit margins or only a temporary impact were “50-50”, Rosenfeld said. “Pricing pressure comes from the large customers,” he added, declining to name any of those customers.

“It is a negotiation across the board. The fact that there is pricing pressure from the large OEMs is a reflection that they are changing their portfolios.”

Akzo Nobel chemicals CEO craves independence and capital

Reuters
Amsterdam

Akzo Nobel's specialised chemicals division would expand quickly and profitably if it gets an injection of capital after being sold or listed, its chief executive Thierry Vanlancker told Reuters.

As part of its successful defence against a takeover by US rival PPG Industries, Akzo said it would create value for shareholders by splitting off its speciality chemicals business by April next year.

The Dutch company, best known for its paint brands such as Dulux, also forecast increases in earnings and sales for chemicals that left some analysts scratching their heads as to how a standalone company would achieve them. “If we came across

as pretty self confident it's because we are,” Vanlancker said in his office in Amsterdam, arguing that major improvements could come about through independence.

The division produces an array of chemicals used in plastic packaging, tissue paper, cleaning materials, pharmaceuticals, food products, salts and adhesives, among others, and reported earnings before interest, tax, depreciation and amortisation (EBITDA) of €953mn (\$1.1bn) last year.

Vanlancker said the parent company was constrained in how much capital it could allocate to chemicals, which accounts for about a third of Akzo's sales and profits, but an injection of funds would produce significant returns.

“As a paints and coatings company, as Akzo Nobel is seen, there's a certain limit to how much you can shift to one

third of the company, because you also need capital allocation for the paints and coatings business,” Vanlancker said. The chemicals division reckons it can boost EBITDA by €200mn a year by 2020 by spending €100mn annually from 2018-2022 to boost capacity at existing plants running at near full tilt. That's in addition to a target to boost EBITDA by €250mn through a mix of growth and cost cutting.

Major competitors include the likes of Solvay, Clariant, Huntsman, BASF, Croda, Evonik, Kemira and others, depending on the product category. Vanlancker said the company had a clear view of the needs of its customers, who often depend exclusively on Akzo for products that are hard to manufacture, and was confident that customers would buy more if it could supply more.

“Why is the pay-back that high?...

Because it goes into the products that are getting close to capacity utilisation,” he said. “We also see that the businesses have a unique competitive position where you see it's almost curtailing demand.”

Among the predictions that have raised eyebrows are forecasts for 4% annual revenue growth in 2017-2020, as revenue fell 4% in 2016.

That forecast outstrips IMF economic growth forecasts of 2% for Europe, where the chemicals division does more than 40% of its business.

The division has also said it will increase its EBIT (earnings before interest and tax) margin to 16% in 2020 from 13% in 2016, by saving money in procurement and on capital spending through partnerships with chemicals companies.

Overall, it expects EBITDA to rise 47%, or by €450mn, from €953mn

now, by 2022. Vanlancker said Akzo's confidence about annual revenue growth — 3% of which would come from volume increases — was down to its close relationship with customers, many of which are physically attached to Akzo plants by pipeline.

“They really share full-book what their expansion plans are,” he said. “It's not so much blue sky, ‘we think we're going to do this’, it's very much based on direct input from customers.”

Analysts say the chemicals business is worth eight to 12 times 2016 EBITDA, giving it a price tag of roughly €10bn.

They say it would be valued on the low side if Akzo Nobel opted for an initial public offering but on the high side if the business was sold outright, depending on the terms.

Akzo has said it will consider both strategic and private equity buyers.

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Workers walk outside the Ericsson factory in Borås, Sweden. Ericsson has ditched its goal of winning more clients beyond the telecoms industry to refocus on selling networks to mobile phone companies in a move to cut costs and halt a dramatic fall in its share price.

Ericsson scraps its goal of winning more clients beyond telecoms industry

Reuters
London/Stockholm

Ericsson has ditched its goal of winning more clients beyond the telecoms industry to refocus on selling networks to mobile phone companies in a move to cut costs and halt a dramatic fall in its share price.

The Swedish firm's clients in its core business include Vodafone and Verizon but profits have plunged due to competition from Nokia and China's Huawei and as telecoms companies make savings.

Its shares have fallen 30% in two years. Ericsson said in 2014 it would diversify so that by 2020 up to 25% of revenue would come from industries beyond telecoms, such as media, utilities and transport, from an estimated 10% in 2013.

But the plan has not worked and the company will drop the target as new chief executive Borje Ekholm repositions to focus on the core business of mobile networks.

"We will focus on telco clients and networks exclusively for now," Ericsson's new head of Digital Services Ulf Ewaldsson told Reuters in a recent interview.

The U-turn comes at a challenging time for Ekholm, who after only five months in the top job is being pressed by activist investor Cevian Capital, which has a \$1bn stake in the company, to make faster changes.

Ekholm unveiled a cost-cutting plan in March and announced up to \$1.7bn in

provisions, writedowns and restructuring costs.

He said this would include exploring options for its loss-making media arm and turning its managed services business around.

Investors welcomed the greater focus after years of disappointing investments from Ericsson, but they worry the new plan will not generate growth.

Moody's cut the company's credit rating to junk in May, partly due to worries that the cost-cutting could hamper innovation.

Increasing dependence on telecoms operators could be risky as they are struggling to grow revenue due to fierce competition and so are unwilling to spend more on networks even as they prepare for 5G fifth-generation wireless broadband technology.

Ericsson has to prove it can remain relevant in an industry that has gone from over 10 major players to three in 20 years.

Investors question whether it can do this under Ekholm who has been on the board for a decade while Ericsson lost ground.

Gear makers have long seen an opportunity to sell network equipment directly to corporate clients but have struggled because they lack the adequate sales network, telecom consultant Roman Friedrich of AlixPartners said.

Instead of spending money trying to build its own sales channels, Ewaldsson told Reuters it will sell communication networks and IT services like cloud

storage through the telecoms companies. While Ericsson pulls back, arch-rivals Huawei and Nokia are forging ahead with corporate clients in the automotive, transport and energy sector.

They are increasingly building in-house private communication networks, for example to strengthen security.

The Chinese and Finnish companies generate about 8 and 4 % of their revenue, respectively, from corporate clients.

Ericsson had been betting on media clients but is now exploring a sale of the unit.

Ericsson sees opportunities to sell products to telecom clients which will need to upgrade their networks to address a greater flow of data enabled by 5G.

It will also build additional capacity to connect objects around the world when the Internet of Things becomes reality.

But Bengt Nordstrom, head of consultancy firm Northstream which advises telecom operators and vendors, said 5G will only help sustain existing revenues and won't bring additional ones in the foreseeable future.

Ericsson is also betting investments in automation and artificial intelligence will make its networks more efficient and boost profits for it and its clients, Ewaldsson said while declining to give more details on the plan.

Stock pickers and analysts were hoping for more details of Ekholm's cost-cutting plan to help explain how the company will reach its target of doubling 2016 margins after 2018.

An obvious way is to shed loss-making businesses such as media operations, said analyst Richard Kramer of Arete Research.

But doing so will cut 10-15% of revenue, meaning absolute profits will shrink, he said.

Ericsson has already lost its position as market leader to Huawei in mobile infrastructure and SocGen analysts expect Nokia, which has expanded by merging with French rival Alcatel, will overtake it in services in two to three years.

Ewaldsson said Ericsson was hoping to become the market leader again in radio base stations that send signals to connect devices to networks.

Helping customers store and process data externally – cloud services – is another priority for Ericsson.

But Kramer said its products lack an edge: "Ericsson simply lacks the products to sell to the likes of Google, Facebook, or Amazon, which are the biggest incremental spenders on infrastructure."

IT executives at four European telecoms companies told Reuters they increasingly look at cheaper Asian rivals, especially Huawei, while new software players are gaining market share through tailor-made solutions that undercut Ericsson's "one-fits-all" approach.

Ericsson is relying on its partner Cisco to plug a product gap in routers, but some clients say they find it easier dealing with a single supplier and therefore tend to favour Nokia or Huawei.

Senators said to consider breaking Fannie-Freddie into pieces

Bloomberg
Washington

Two US senators working on a bipartisan overhaul of Fannie Mae and Freddie Mac are seriously considering a plan that would break up the mortgage-finance giants, according to people with knowledge of the matter.

The proposal by Tennessee Republican Bob Corker and Virginia Democrat Mark Warner would attempt to foster competition in the secondary mortgage market, where loans are packaged into bonds and sold off to investors, said the people.

Corker and Warner's push to develop a plan marks Congress' latest attempt to figure out what to do with Fannie and Freddie, an issue that has vexed lawmakers ever since the government took control of the companies in 2008 as the housing market cratered. The lawmakers' plan is still being developed, and a Senate aide who asked not to be named cautioned that no decisions had been made on any issues.

The stakes of changing the housing-finance system are enormous. Fannie and Freddie underpin much of the mortgage market by buying loans from lenders, wrapping them into securities and providing guarantees in case borrowers default. Together, the companies back more than \$4tn in securities.

One long-stated desire for some politicians on both sides of the aisle has been to end Fannie and Freddie's duopoly, partly due to concerns that their size encourages taxpayer rescues if they run into trouble. After seizing the companies nine years ago, the government injected \$187.5bn into them.

To lower the barriers to entry, lawmakers and regulators have suggested letting private competitors use some of Fannie and Freddie's infrastructure, such as the intellectual property the companies use to securitise mortgages or the data they rely on to determine whether one loan is riskier than another.

Corker and Warner started their work earlier this year, with their aides holding meetings with industry groups and former government officials to discuss ideas. The lawmakers are members of the Senate Banking Committee, which held a hearing on housing finance last month and has scheduled another for June 29. Banking Committee Chairman Mike Crapo and Sherrod Brown, the panel's top Democrat, would likely take the lead on any housing-finance legislation with Corker and Warner's input. Among the ideas Corker and Warner have

considered is splitting Fannie and Freddie's single-family businesses from their multifamily businesses, which finance apartment rentals, said people familiar with their work. The single-family businesses could then be split again into even smaller companies, said the people who spoke on the condition of anonymity because the senators' discussions are private.

Warner said last week at a Mortgage Bankers Association conference that he and Corker had found consensus on a number of issues, including developing a system that preserves the 30-year mortgage. He said that the senators had found a desire for more competition in the single-family business but that competition might not be as necessary in the companies' multifamily business.

After the speech, Warner told reporters that the senators had ideas to create more single-family competition that were "definitive" but wouldn't elaborate on what those ideas are. In an email, Warner spokesman Kevin Hall said, "one concept we are exploring includes how to promote competition in the single family market and maintain broad access to credit by removing barriers to entry."

Corker, in a statement, said "there continues to be strong, bipartisan consensus in Congress that we must act to reform our nation's housing finance system and protect taxpayers from future economic downturns." He added that a broad range of senators have been involved in discussions.

Breaking up Fannie and Freddie would face logistical hurdles. In the past, business separations in other industries have sometimes fallen along regional lines, but that might not work for mortgage companies whose viability depends on a broad geographic footprint. Other issues a bill might have to address include how to split up employees, intellectual property and what would happen to the guarantees the companies issue on mortgage-backed securities during any transition.

Corker and Warner's legislative push also faces other uncertainties. While the banking committee is focused on Fannie and Freddie, the broader Senate is backed up on bigger priorities, such as healthcare and tax policy. Treasury Secretary Steven Mnuchin has said that Fannie and Freddie will be a focus during the second half of the year.

Compass Point Research & Trading policy analyst Isaac Boltansky recently wrote that he believed there is only a 10% chance of lawmakers passing housing-finance legislation before 2019, down from a probability of 30% he predicted earlier.

Sprint's cable talks threaten Deutsche Telekom's kingmaker asset in US

Bloomberg
Berlin

Deutsche Telekom's claim to hold the kingmaker asset in the US telecommunications market will be put to the test over the coming weeks as its chosen merger partner, wireless carrier Sprint Corp, explores a tie-up with rival suitors from the cable-TV industry.

Executives at Sprint have put merger talks with Deutsche Telekom's T-Mobile US unit on hold while they conduct discussions with cable giants Comcast Corp and Charter Communications, people familiar with the matter have said. The options include reselling Sprint's wireless services or an acquisition of money-losing Sprint, the people said on Monday. Deutsche Telekom, Germany's former phone monopoly, fell as much as 4% in Frankfurt Tuesday on the news, first reported in the *Wall Street Journal*.

While the talks don't preclude an eventual tie-up between Sprint and T-Mobile, they diminish the chances of a potential combination that executives from the companies have been lauding for weeks. Deutsche Telekom chief executive officer Tim Hoettges has said that his company is in a "position of strength" and has been calling T-Mobile a "kingmaker asset" for months.

A cable-company deal for Sprint "would be bad news for Deutsche Telekom because it would reduce the number of available M&A opportunities for T-Mobile US," Wolfgang Specht, an analyst at Bankhaus Lampe, said yesterday by phone. "A Sprint-cable merger would create a very large company, and that could threaten T-

Mobile's position as a kingmaker asset." Securing a bright long-term future for T-Mobile is key for Hoettges as he seeks to stay on the offensive and develop the carrier that has become the Bonn-based company's main earnings and growth driver. T-Mobile executives have said merging with Sprint, which is controlled by Masayashi Son's Softbank Group Corp, would create a stronger competitor to Verizon Communications and AT&T and reap billions of dollars in synergies.

Deutsche Telekom declined to comment. The shares were down 3% at €16.12 yesterday. Sprint and the cable companies haven't commented on the reports of talks.

Negotiations between Sprint and T-Mobile could re-open, one of the people familiar with the matter told Bloomberg News. While there's value in a merger between cable companies and mobile operators, T-Mobile US still has an edge over Sprint, said Saeed Baradar, an analyst with Louis Capital Markets.

"The talks between Sprint and cable operators will remain exactly that - just talks," said Baradar, who has a "buy" rating for Deutsche Telekom, said in an emailed note yesterday.

A wireless deal with T-Mobile US would offer much more synergies for Sprint, said Holger Schmidt, an analyst at Bankhaus Metzler. Either way, Deutsche Telekom shouldn't join a bidding war for Sprint because Comcast and Charter have much more M&A firepower, he said.

"T-Mobile US can still grow organically because of its improved brand value and the spectrum they recently acquired," Schmidt said yesterday by phone.

Stada Arzneimittel's \$5.9bn sale fails

Bloomberg
Paris

Stada Arzneimittel's months-long sale process unravelled as a small group of the German drugmaker's investors held out for a better deal than the €5.3bn (\$5.9bn) offered by two private equity firms.

Only 65.5% of the shares were tendered in Bain Capital and Cinven's offer by the Thursday deadline, Bad Vilbel, Germany-based Stada said in a statement late Monday. The suitors were seeking pledges of 67.5%. The two firms said they'll return any stock received to shareholders.

The shares fell the most in a year, only to pare losses after Reuters reported the firms are talking to investors about a new offer.

Bain and Cinven's bid of €66 a share prevailed only after weeks of fierce competition as private equity firms seeking control of one of Europe's last big independent generic-drug companies locked horns. This month, the duo had to lower the acceptance level from 75% and extend the expiration of the offer period from June 8 in an attempt to sway more holders.

"We are perplexed as to why investors didn't take the deal," James Vane-Tempest, an analyst at Jefferies in London, said in a note to clients. "We did not anticipate an interloper, or counter-bid, and believe it will take time for fundamentals to command the same kind of premium."

Stada dropped 3.1% to €59.86 in Frankfurt after falling as much as 8.6%.

Company executives thanked shareholders for what they described as a



Stada Arzneimittel factory is seen in Bad Vilbel, Germany. Stada's months-long sale process unravelled as a small group of the German drugmaker's investors held out for a better deal than the \$5.9bn offered by two private equity firms.

vote of confidence and said they hadn't sought an acquirer in the first place.

"We were never looking for a new ownership structure, so the growth strategy will continue as planned," chief executive officer Matthias Weidenfels said on a conference call yesterday. The takeover proposal is "off the table" for now, he said, and he wouldn't speculate on what may come next. Stada is always open for new offers, he said.

The maker of Grippostad, which Stada says is Germany's best-selling cold remedy, aims to garner as much as €2.7bn in sales by 2019 and in-

crease adjusted earnings before interest, taxes, depreciation and amortisation, a key measure of profit, as high as €590mn, up from about €406mn last year. Stada said on Monday that the deal's collapse won't affect its 2017 and medium-term financial goals.

Unlike rivals, the company had eluded a takeover for years thanks to an unusual shareholder structure and entrenched management, until investor Active Ownership Capital Sarl led a revolt last year. Former chief executive officer Hartmut Retzlaff resigned after 23 years at the helm in August, paving the way for change. The shares began

to soar in December as takeover speculation heated up after languishing at an average price of about €32 over the previous five years.

The drugmaker attracted buyers' interest from as far away as China as lacklustre profitability left room for slashing costs and streamlining the manufacturing process.

Stada, whose name is derived from the terms standardisation and apothecaries, was born at the end of the 19th century when German pharmacies collaborated to create medicines of a uniform quality that could be sold throughout their network.

BoE tightens credit rules for banks after Brexit resilience

Reuters
London

The Bank of England (BoE) tightened its controls on bank credit to more normal levels yesterday, deciding the risk had passed of a big hit to the economy and to lending after last year's Brexit vote.

The BoE's Financial Policy Committee (FPC) said British banks must now hold £5.7bn (\$7.28bn) between them as an additional buffer against bad times, and that it will probably double that in November.

After voters decided to leave the European Union a year ago, the FPC cut to zero a requirement that banks create an extra capital buffer as part of a broad range of stimulus measures to help the country cope with the shock.

But the economy has performed more strongly than expected since the referendum, despite some recent signs of a slowdown. Some of the central banks' interest rate setters now think it is time to

raise its main interest rate. BoE Governor Mark Carney said the FPC's action did not in itself imply that monetary policy was also about to tighten.

"Monetary policy is the last line of defence to address financial stability issues," Carney told a news conference.

"In that regard, we don't need monetary policy to do our job.

In fact, by doing our job we allow monetary policy to focus on its job which is returning inflation sustainable to target in an exceptional period."

British inflation is above the BoE's target at 2.9% and is set to rise higher as sterling's fall since last year's Brexit vote feeds through into prices.

Carney expect this will be temporary but other policymakers say it could have a lasting impact and want to lift interest rates off their record low.

The FPC declared that risks to Britain's economy from its financial system were back at a "standard" level and that banks should set more money aside in case of a future downturn.

To do that, the FPC raised its counter-cyclical



Carney: Tighter rules distinct from rate decision.

capital buffer (CCyB) – which rises and falls along with the ups and downs of the economy – to 0.5% from zero, with a one-year implementation phase.

It expects to raise the buffer to 1% in November, the level that reflects an economy that is running

normally. The BoE also said regulators would publish tighter rules on consumer lending next month and it would bring forward to September from November its checks on whether banks could cope with consumer loans losses.

JP Morgan economist Allan Monks said the BoE's move yesterday was modest and probably reflected signs that consumer lending has already started to slow after growing at its fastest pace in 11 years in late 2016.

"The BoE's response to the strength in consumer lending was towards the milder end of the range of potential outcomes," he said.

Bank shares fell after Tuesday's BoE announcement but quickly recovered to their levels earlier yesterday.

The BoE also said it was concerned that lenders were placing too much weight on recent low losses, which could only be achieved in the current benign conditions.

"As is often the case in a standard environment, there are pockets of risks that warrant vigilance,"

the BoE said. Existing restrictions on high loan-to-income mortgage lending were likely to stay for the long term, the BoE said, and it also tweaked the rate against which lenders must test borrowers' ability to repay their mortgages.

On Brexit, the BoE said it was continuing to oversee banks' preparations for Britain leaving the EU in 2019, including the possibility of an abrupt exit without any trade deal, potentially cutting off banks from their European customers.

The BoE warned of risks from China where private-sector borrowing is more than two and a half times annual economic output. "High debt makes China vulnerable to shocks.

This could affect the global economy and UK banks," it said.

It also warned that British corporate bonds and commercial real estate may be overvalued.

Both had their valuations boosted by low interest rates, but these did not appear to take into account how low interest rates reflected a weak economic outlook.

IMF cuts its outlook for US economy, calls Trump's growth target unlikely

Bloomberg
Washington

The International Monetary Fund (IMF) cut its outlook for the US economy, removing assumptions of President Donald Trump's plans to cut taxes and boost infrastructure spending to spur growth.

The IMF reduced its forecast for US growth this year to 2.1%, from 2.3% in the fund's April update to its world economic outlook. The Washington-based fund also cut its projection for US growth next year to 2.1%, from 2.5% in April.

The world's biggest economy will probably have a hard time hitting Trump's target of 3% annual growth as it's faced with problems ranging from an ageing population to low productivity growth, and with a labour market already back at full employment, the fund said in its annual assessment of the US economy released yesterday.

Given broad uncertainty on policy, "we have removed the assumed fiscal stimulus from our forecast," Alejandro Werner, director of the IMF's Western Hemisphere Department, said at a press briefing in Washington.

The IMF's assessment casts doubt over a more optimistic forecast in the White House budget proposal, which projects growth will accelerate to 3% by 2020 and keep up that pace for seven more years.

Even with an "ideal constellation of pro-growth policies, the potential growth dividend is likely to be less than that projected in the budget and will take longer to materialise," the IMF said in a statement yesterday.

"The US is effectively at full employment," the lender said. "For policy changes to be successful in achieving sustained, higher growth they would need to raise the US potential growth path."

Growth surges on the scale Trump is predicting have been rare in the US and abroad, according to the IMF, which says there are only a few cases of such leaps among advanced economies since the 1980s. Those episodes mostly took place in the mid- to late-1990s, when global demand was strong, and many of the cases came when economies were recovering



The International Monetary Fund reduced its forecast for US growth this year to 2.1%, from 2.3% in the fund's April update to its world economic outlook

from recessions, the IMF said. The only time the US economy accelerated at such a pace came in the early 1980s, when it was recovering from a deep recession.

The IMF notes the US is enjoying its third-longest expansion since 1850, with "persistently strong" job growth. Growth will slip to 1.9% in 2019 and 1.8% in 2020, according to the fund's forecasts.

IMF officials said the details of the Trump administration's economic policies appear undecided. As a result, the fund didn't include in its projections the effects of any tax reforms - which the administration has said is a priority but will need congressional approval - or Trump's proposed budget cuts.

The economy's medium-term outlook is clouded by imbalances, including rising public debt and a currency that is "mod-

erately" overvalued between 10% to 20%, said the fund.

"The US economic model is not working as well as it could in generating broadly shared income growth," the IMF said. "Most critically, relative to historical performance, post-crisis growth has been too low and too unequal"

The US is having trouble adapting to trends such as changes to the job market from technology, low productivity growth and an ageing population, the IMF said, noting that household incomes are stagnating for a large share of the population.

The IMF again suggested the Federal Reserve should be ready to let price growth modestly overshoot its inflation goal, a move that would "provide valuable insurance against the risks of disinflation and having to bring the federal funds rate

back to zero." To raise revenue, the US government should consider a "broad-based" federal consumption tax, a higher federal gas tax and put in place a carbon tax on greenhouse-gas emissions, the IMF said - proposals that may be far-fetched under Republican control of Washington.

The IMF report also weighed in on the health-care debate consuming Washington, where Republican lawmakers are developing plans to repeal legislation brought in under former president Barack Obama.

Changes to Obamacare "ought to be undertaken carefully to avoid compromising the pooling of risks - an essential foundation for a well-functioning health insurance system - or excluding those with limited incomes from the healthcare system," the IMF said.

Bankia agrees to take over BMN to create Spain's 4th-biggest lender

New lender to hold around €223bn in assets; state-held banks have taken some €24bn in aid; share swap terms value BMN at around €825mn

Reuters
Madrid

Spain's state-owned Bankia agreed yesterday to acquire Banco Mare Nostrum (BMN), creating the country's fourth-biggest lender amid consolidation in Europe's struggling banking sector.

The new bank will hold around €223bn (\$250.85bn) worth of assets, Bankia said.

The two nationalised banks – both formed from the merger of several failed lenders – were bailed out at the height of the financial crisis with around €24bn of public money after heavy losses on property loans.

Spain's banking bailout fund FROB has said the Bankia deal would be regarded as a way to recover public funds before a future divestment process. The state holds around 67% of Bankia and 65% of the smaller BMN.

After the deal, the FROB is expected to hold around 66.6% of the new lender."It was the right timing from a macroeconomic point of view due to the strengths of the Spanish economy and also due to the pace of the current reduction of the unemployment rate," Bankia chief executive Jose Sevilla told analysts on a conference call.

Spain's economy grew by 3.2% in 2016 and is expected to match that this year, boosted by private consumption, a tourism boom and strengthening exports, and while unemployment remains the second highest in the EU after Greece, job creation is also gaining pace.

The lenders agreed to a 7.8-

for-1 share swap deal, valuing BMN at around €825mn (\$924mn). The state has already injected some €1.645bn into BMN.

Bankia shares rose 4% yesterday. Analysts said the deal made sense because each bank had a different geographic footprint.

However, the combined group is expected to shrink as lenders struggle with ultra-low interest rates and competition over lending.

After years of consolidation, the number of lenders in Spain has shrunk to 13 from 55 in 2008 before a housing market bubble burst, triggering an almost five-year economic slump.

Banco Popular, the country's sixth-biggest bank, was taken over by Spain's largest bank Santander in early June for a nominal one euro after European authorities stepped in to prevent its collapse without the use of public aid.

On Sunday, Italy started winding down two failed regional banks in a deal that could cost the state up to €17bn.

The Bankia and BMN tie-up is expected to increase earnings per share by 16% after three years, equivalent to an increase of €245mn in net profit in this period, and would be positive after one year.

Bankia's CEO also said the transaction was expected to generate gross cost synergies of €155mn a year.

After the deal is finalised, Bankia expects fully-loaded core capital ratio – a closely watched measure of a bank's strength – of 12% by December with a Return on Tangible Equity (ROTE) increase of around 120 basis points.

In a statement to the market regulator, Bankia said it would issue a maximum of 205.7mn new shares to help finance the deal, which is expected to be finalised by the end of this year.

Italy set to rescue Monte Paschi, liquidate two ailing banks

Reuters
Milan

One of the first things Andrea Ricci did when he was promoted to head the new problem loan division at Italy's Banca Nazionale del Lavoro this year was to launch a recruitment campaign.

The shake up in an area sometimes viewed as a backwater by ambitious employees reflects a push by Italian banks to claw back bad debts that make up some 15% of total loans – three times the European average.

Gross bad loan sales in Italy totalled just €15bn in 2015-2016, according to the Bank of Italy.

Up to €70bn in sales are now in the pipeline, driven by ECB-enforced clean-ups at Monte dei Paschi, Italy's fourth-largest bank, and the two Veneto lenders.

Together the three are set to offload €45bn in bad loans, using taxpayers' money to cover the bulk of ensuing losses. Italy's top bank UniCredit is meanwhile preparing to sell €18bn

of its bad loans, having already raised fresh capital to cover the hit to its balance sheet. Instead of the lawyers that have traditionally dominated loan recovery, Ricci hired as his No 2 a former senior executive at Goldman Sachs' Realty Management Division.

Italian banks have largely held onto loans backed by property and are now seeking to manage these assets more actively, as repossession takes years and judicial sales curtail their value.

"We brought in some big guns...but also several mid-level people from loan recovery specialists.

And we moved staff with a more business-like approach from other areas of the bank to complement customary legal and technical skills," Ricci said. "The challenge is to make everyone sing from the same hymn sheet."

Even after crises at Monte dei Paschi di Siena and Popolare di Vicenza and Veneto Banca are resolved, Italy's banks will be sitting on €300bn (\$335bn) of loans that soured during a harsh recession.

The fragility of Italian banks, compounding chronic low growth and a



The entrance of Monte dei Paschi di Siena bank's headquarters is seen in Italy. Up to €70bn in sales are now in the pipeline, driven by ECB-enforced clean-ups at Monte dei Paschi and the two Veneto lenders.

huge public debt, make the country a dormant risk to eurozone stability.

As the economy recovers, inflows of new problem loans have slowed to pre-crisis levels. But banks are strugg-

ling to shift impaired debts off their balance sheets, hurting their already weak profitability. Accounting rule changes and a European Central Bank review next year of assets held by small

cooperative lenders could fuel fresh loan losses, warned Katia Mariotti of consultancy EY.

Bank of Italy officials have publicly advised healthy lenders against selling their problem loans, however, warning that fire sales enrich only a handful of specialised buyers and risk blowing a hole in banks' capital.

The ECB, which is yet to respond to bad loan reduction plans banks submitted in the spring, may see matters differently. "We don't know yet if our goals will be seen as sufficiently ambitious.

It'll be a moment of reckoning when we hear back from the ECB," one source at an Italian bank said.

"If the ECB takes a hard stance it'll be hard to avoid the significant sales that the Bank of Italy is warning against." A person familiar with the matter said the ECB, which directly supervises Italy's 13 largest banks, was analysing the heaps of data banks provided and assessing how realistic each lender's projections were. The eurozone's central bank can take measures to ensure compliance with its bad loan guidelines, which the Bank of Italy is

set to adapt for the smaller banks still under its supervision.

Senior supervisor Ignazio Angeloni said in May the ECB expected the guidelines to significantly speed up disposals. Battling with a sluggish judicial system and patchy loan records, Italian banks on average recover in a year a sum equivalent to around 4 % of their impaired loan stock. To boost that, some banks have struck joint ventures with collection specialists while others are bringing in fresh skills to explore ways of recouping debts while steering clear of Italian courts.

But insiders say a cultural shift is required as well as an overhaul of processes that, partly because banks have not invested in technology, still rely largely on paper documents.

"Italian banks will be given some time, even a year maybe, but, without selling, it will be hard for them to meet their non-performing loan reduction targets and the ECB will then be in a position to step up pressure," said Andrea Resti, an academic who advises the European parliament on banking supervision.