# NBAD morning news summary (18-January-2016)

## Global News

- **US industrial production falls for the third straight month in Dec.; Business inventories slip 0.2% in Nov; producer prices also slip in Nov.:** Data from the US on Friday showed that industrial production fell for the third straight month in December, dragged down by cutbacks in utilities and mining output. Business inventories were also weak, posting their biggest drop in just over four years in November. The US Federal Reserve on Friday said industrial production fell 0.4% last month, after a downwardly revised 0.9% decline in November, primarily as a result of declines in utilities and mining output. The Fed had previously reported a 0.6% drop for November. Economists polled by Reuters had forecast industrial production declining 0.2% last month. For the fourth quarter as a whole, industrial production fell at an annual rate of 3.4%. Manufacturing output slipped 0.1% in December and by a downwardly revised 0.1% in the prior month. In another report the Commerce Department on Friday said business inventories in the US fell 0.2%, the largest decline since September 2011, after a downwardly revised 0.1% dip in October. Inventories in October were previously reported to have been unchanged. Economists polled by Reuters had forecast inventories slipping 0.1% in November. Inventories are a key component of gross domestic product. Retail inventories excluding autos, which go into the calculation of GDP, rose 0.2% in November after a downwardly revised 0.3% gain in October. A third report from the Labor Department showed its producer price index slipped 0.2% after increasing 0.3% in November. In the 12 months through December, the PPI declined 1.0% after falling 1.1% in November. December marked the 11th straight 12-month decrease in the index. Producer prices fell 1.0% in 2015, the weakest since the series started in 2010, after rising 0.9% in 2014.

  Source:http://www.reuters.com/article/us-usa-economy-idUSKCN0UT1J5

- **Empire state manufacturing survey declined to -19.4 in January, worst since the recession:** The Empire State Manufacturing Survey, a monthly gauge of regional manufacturers conducted by The New York Federal Reserve, fell thirteen points to -19.4. January marks the sixth consecutive month regional manufacturing activity in the Northeast contracted, and the survey declined at the fastest pace since the Great Recession. The new orders and shipments indexes completely plummeted, indicating a steep decline in both orders and shipments. Price indexes suggested that both input prices and selling prices increased. Labor market conditions also continued to deteriorate, the New York Fed reported, with employment indexes remaining in negative contraction territory. The index for number of employees was negative for a fifth straight month, though it did tick up slightly by three points to -

13.0. Last month, the average workweek sharply declined but the index inched up this month. However, it remained negative at -6.0. The six-month outlook was noticeably weaker, with the index for future general business conditions falling to its lowest level since early 2009. The Empire State Manufacturing Survey is the first of a series of monthly reports on regional manufacturing data. Last month, all regional indexes were in contraction territory and nationwide data, reported by the Institute of Supply Management, also showed contraction.

Source:https://www.peoplespunditdaily.com/news/economy/2016/01/15/empire-state-manufacturing-survey/

- **US retail sales fell in Dec., weakest since 2009; Friday's weak data series prompt banks to cut Q4 GDP growth:** US retail sales fell in December as unseasonably warm weather undercut purchases of winter apparel and cheaper gasoline weighed on receipts at service stations, the latest indication that economic growth braked sharply in the fourth quarter. The Commerce Department said retail sales slipped 0.1% after increasing 0.4% in November. For all of 2015, retail sales rose just 2.1%, the weakest reading since 2009, after advancing 3.9% in 2014. Retail sales excluding automobiles, gasoline, building materials and food services fell 0.3% after a 0.5% gain the prior month. These so-called core retail sales correspond most closely with the consumer spending component of gross domestic product. Another report from the University of Michigan however showed its consumer sentiment index rose to 93.3 early this month from a reading of 92.6 in December, households were less upbeat about current conditions, reflecting the recent equity market turmoil. Signs the economy has hit a soft patch - together with weak inflation, a stock market sell-off and faltering global growth - raises doubts on whether the Federal Reserve will raise interest rates again in March. Friday's reports joined weak data on construction, manufacturing and export growth in suggesting that growth slowed abruptly in the final three months of 2015. As a result of the weak data, JP Morgan slashed its fourth-quarter GDP growth estimates from a 1.0% annual rate to only a 0.1% pace. Goldman Sachs cut its forecast by three-tenths of a percentage point to a 1.1% rate. The economy grew at a 2% pace in the third quarter.

  Source:http://www.reuters.com/article/us-usa-economy-idUSKCN0UT1J5

- **China premier says no intention to boost exports with yuan devaluation; claims economy grew by around 7% in 2015, official data due tomorrow:** China does not intend to use a cheaper yuan as a way to boost exports and has the tools to keep the currency stable, Chinese Premier Li Keqiang said in a meeting with the president of the European Bank for Reconstruction and Development, state news agency Xinhua reported Saturday. "China has no intention of stimulating exports via competitive devaluation of currencies," the premier said at the meeting in Beijing, which marks China's previously announced official entry into the bank. Li added that China is capable of keeping the yuan's exchange rate basically stable at an appropriate and balanced level, Xinhua reported. Li also said China's gross domestic product (GDP) totalled more than $10bn in 2015 and the economy grew by around 7%, with the services sector accounting for half of GDP. The premier also said that employment had expanded more than expected with 900 million people making up the country's total workforce, including 150 million skilled professionals. Consumption contributed nearly 60% of growth, Li said. China's fourth-quarter and full-year 2015 GDP figures are expected to be released on Jan. 19. Analysts polled by Reuters have forecast 2015 growth cooled to 6.9%, down from 7.3% in 2014 and the slowest pace in a quarter of a century.

Source:http://www.reuters.com/article/us-china-currency-exports-idUSKCN0UU0CT
http://www.reuters.com/article/us-china-economy-gdp-idUSKCN0UU0EU

- **Offshore Yuan gains as China steps up defense of its currency:** The offshore yuan strengthened, building on its biggest weekly gain since October, after China stepped up efforts to curb foreign speculation against its currency. The central bank said it will impose reserve-requirement ratios on yuan deposited onshore by overseas financial institutions from Jan. 25, without saying what level would be used. The ratios will be the same as are applied to mainland banks, currently 17.5% for major lenders, according to people familiar with the matter. Foreign central banks, sovereign wealth funds and international lending agencies won’t be affected by any changes, the People’s Bank of China said. According to a Bloomberg news article, the yuan traded in Hong Kong rose 0.41% to 6.5868 a dollar as of 10:42 a.m. local time, after gaining 1.05% last week. It strengthened 0.08% to 6.5790 in onshore trading in Shanghai as the PBOC raised it daily reference rate by 0.07%, the most in four weeks.

  Source:http://www.bloomberg.com/news/articles/2016-01-18/offshore-yuan-gains-as-china-steps-up-defense-of-its-currency

- **Brent dips below $28, lowest since 2003, as Iran sanctions lift set to worsen glut:** Brent oil traded below $28 a barrel as it extended declines after international sanctions on Iran were lifted, paving the way for increased exports from the OPEC producer amid a global glut. Futures lost as much as 4.4% in London, slipping to the lowest since November 2003. Iran is beginning efforts to boost output and exports by 500,000 barrels a day now that restrictions have been lifted, Amir Hossein Zamaninia, deputy oil minister for commerce and international affairs, said Sunday. Iran will only be able to increase oil production by 100,000 barrels a day, or 3.7%, a month after sanctions are lifted and by 400,000 in six months, according to the median estimate of 12 analysts and economists surveyed by Bloomberg. Iran is the fifth biggest OPEC producer. Brent for March settlement dropped as much as $1.27 to $27.67 a barrel on the London-based ICE Futures Europe exchange and was at $28.60 at 7:25 a.m. Abu Dhabi time. The contract slumped $1.94, or 6.3%, to $28.94 on Friday, extending last week’s decline to 13.7%. WTI for February delivery fell as much as $1.06, or 3.6%, to $28.36 a barrel on the New York Mercantile Exchange and last traded at $29.15. The contract slid $1.78 to $29.42 on Friday. According to a Bloomberg news article, hedge funds last week increased bearish oil wagers to a record as global equities fell and sanctions on Iran were poised to be lifted. Speculators' short position in WTI rose 15% in the period ended Jan. 12, data from the US Commodity Futures Trading Commission show. It's the highest in records dating back to 2006. Net-long positions fell to the lowest in more than five years.

Source:http://www.bloomberg.com/news/articles/2016-01-18/oil-speculators-raise-bets-on-falling-prices-to-all-time-high

- **Asian stock rout deepens as oil slump intensifies; Japan, Australia said to enter bear markets; Treasuries surge as investors seek refuge:** Asian stocks slumped, with Japanese and Australian shares on the cusp of joining China in a bear market, as concern grew over the strength of the global economy amid a continuing collapse in oil prices. The MSCI Asia Pacific Index lost 1% to 118.94 as of 11:10 a.m. in Tokyo, extending this year's slide to 9.9%. Japan's Nikkei 225 Stock Average declined 1.9% by 12.:30 pm Tokyo time, after plunging as much as 2.8% on Friday. The gauge is down 19% from a June peak. The Shanghai Composite Index entered a bear market last week, for the second time in seven months, amid persistent investor concern over volatility. Japan's Topix fell 1.8% today, bringing its losses from an August high to 18%. Hong Kong's Hang Seng Index retreated 1.6%, extending a three-year low, and South Korea's Kospi index dropped 0.2%. Singapore's Straits Times Index lost 1.9%. The market is one of the worst global performers over the past year, with the benchmark gauge down more than 25% from a peak. New Zealand's S&P/NZX 50 Index slid 1.3% and Australia's ASX 200 was down 0.8%. US treasuries rise as investors seek refuge on global turmoil. Benchmark 10-year yields dipped below 2% Friday for the first time since October while yields on 30-year bonds, the maturity most sensitive to inflation, closed at the lowest since August. The yield on the two-year note, which is most influenced by Fed policy expectations, fell for a 12th straight trading day. The 10-year yield was trading today at 2.04%, unchanged from Friday's close when the yield fell 5 basis point on the day and 14 basis points on the week. 30-year yield was at 2.81% and the 2-year yield was to 0.85%.

  Source:http://www.bloomberg.com/news/articles/2016-01-18/asian-equities-rout-deepens-with-japan-poised-for-bear-market

## Middle East & Africa News

- **Saudi oil minister says he's optimistic crude prices will rise:** Saudi Oil Minister Ali al-Naimi said crude prices will rise and foresees that market forces and cooperation among producing nations will lead in time to renewed stability. "I am optimistic about the future, the return of stability to the global oil markets, the improvement of prices and the cooperation among the major producing countries," al-Naimi said. "Market forces as well as the cooperation among producing nations always lead to the restoration of stability. This, however, takes some time.” Saudi Arabia, the world’s biggest crude exporter, together with non-OPEC producer Mexico have “an especially important role to play,” al-Naimi said Sunday in Riyadh at an event with the Mexican president and energy minister. When oil prices plummeted in 1998, Mexico cooperated with the Saudis and other suppliers to restore market stability and boost prices, he said. “Mexico and the kingdom have an especially important role to play in achieving this objective, in the past, at the present, and in the future,” al-Naimi said. Saudi Arabia will sign an agreement on Sunday to cooperate with Mexico in the oil industry, with provisions for exchanging experts, setting up joint ventures and encouraging mutual investments, he said. According to a Bloomberg news article, Al-Naimi declined to comment when asked how the removal of economic sanctions against Iran might affect crude prices. Saudi Arabia produced 10.25 million barrels a day in December, up 750,000 barrels a day from the end of last year, according to data compiled by Bloomberg.

Source:http://www.bloomberg.com/news/articles/2016-01-17/saudi-oil-minister-says-he-s-optimistic-crude-prices-will-rise

- **Saudi SABIC's fourth quarter net profit slumps 29%:** Saudi Basic Industries Corp (Sabic), one of the world’s largest petrochemicals groups, reported a 29.4% drop in fourth-quarter net profit on Sunday due to lower prices for its products, particularly in its metals division. It was the sixth straight quarter of falling profits for the company, which has been hurt by the fall in oil prices since mid-2014. Sabic made a net profit of SAR 3.08bn ($821m) in the three months to December 31, down from SAR 4.36bn in the year-earlier period, the company said in a bourse statement. Analysts polled by Reuters had on average forecast Sabic would make a quarterly profit of SAR 4.18bn. Its metals business, Saudi Iron and Steel Co (Hadeed), made a net loss of SAR 1.1bn compared with the same quarter of 2014, despite cost cuts. Hadeed will cut costs until the end of 2016 because it does not expect global steel prices to recover for two to four years, a Sabic executive told Reuters in November. Petrochemical product prices are closely linked to those of oil, while Saudi firms receive subsidised energy and feedstock. Three of Sabic’s affiliates, including Saudi Arabia Fertilizers Co, reported profit falls on Thursday. Sabic’s fourth-quarter results were also dragged lower by a SAR 375m impairment against equipment at its Ibn Rushd unit, the statement said.

  Source:http://af.reuters.com/article/commoditiesNews/idAFD5N0ZO02D

- **Saudi Hollandi Bank’s Q4 net profit dips 2.3% on costs:** Saudi Hollandi Bank posted a 2.3% fall in fourth-quarter net profit on Sunday due to higher staffing costs and provisions for bad loans Saudi Arabia's oldest lender made a profit of SAR 451.3m ($120.3m) in the three months to Dec. 31, down from SAR 461.9m in the same quarter of 2014, according to a bourse filing. Four analysts polled by Reuters had forecast on average Hollandi would make a quarterly profit of SAR 487.4m. The bank said total operating expenses rose 19.4% year on year in the final three months of 2015, driven by "higher salaries and employee related expenses and higher impairment charges for credit losses". It did not elaborate. Saudi companies issue brief earnings statements early in the reporting period before publishing more detailed results later. Fitch Ratings said in a Dec. 15 note the operating environment for Saudi banks was becoming tougher due to the effect of lower oil prices on government spending and the knock-on effect on the rest of the economy, which would feed through into asset quality in the next two years. Hollandi said a 12% increase in special commissions and fee income helped to offset a fall in trading income. Overall operating income rose 7.5% versus the fourth quarter of 2014, it said without elaborating. Full-year profit rose 11% to SAR 2.02bn, which Chairman Mubarak al-Khafrah said was due to a 13% increase in operating income as well as a 17% rise in special commissions without elaborating. Deposits grew 15.7% year on year to SAR 88.8bn on Dec. 31, according to the bourse statement. The rise in deposits contrasts with other Saudi lenders which have reported falling levels so far in the earnings season, seen as an indicator of the impact lower oil prices are having on liquidity in the Saudi banking system.

Source:http://in.reuters.com/article/saudi-hollandi-results-idINL8N1510P9

- **Iran gets its nuclear sanctions lifted as is agrees on prisoner swap with US:** Iran emerged from years of economic isolation on Saturday when world powers lifted crippling sanctions against the Islamic Republic in return for Tehran complying with a deal to curb its nuclear ambitions. In a dramatic move scheduled to coincide with the scrapping of the sanctions, Tehran also announced the release of five Americans including Washington Post reporter Jason Rezaian as part of a prisoner swap with the United States. Together, the lifting of sanctions and the prisoner deal considerably reduces the hostility between Tehran and Washington that has shaped the Middle East since Iran's Islamic Revolution of 1979. The UN nuclear watchdog ruled on Saturday that Iran had abided by an agreement last year with six world powers to curtail its nuclear programme, triggering the end of sanctions. "Iran has carried out all measures required under the (July deal) to enable Implementation Day (of the deal) to occur," the Vienna-based International Atomic Energy Agency said in a statement. Within minutes, the United States formally lifted banking, steel, shipping and other sanctions on Iran, a major oil producer which has been virtually shut out of international markets for the past five years. The European Union also began the process of lifting sanctions. Iranian President Hassan Rouhani hailed the deal on Sunday as a "golden page" in Iran's history and a turning point for the economy. However, the US dampened the celebratory atmosphere a bit by imposing limited new sanctions on Iran over its ballistic missile activities, signalling it intends to keep a tough watch on the country’s military programs. On Sunday, the US Treasury levied new sanctions against 11 entities and individuals in Iran, saying they belonged to a network that “obfuscated” the destination of “sensitive goods” used in Iran’s ballistic missile program. Also most US companies will be on the sidelines because the deal lifts only those sanctions imposed on Iran to punish it for its nuclear program. It doesn’t touch the sweeping ban on US trade and investment with Iran put in place by the Clinton administration in 1995.

Source:http://af.reuters.com/article/energyOilNews/idAFL8N1500BP; http://www.bloomberg.com/politics/articles/2016-01-17/rouhani-sees-financial-windfall-as-iran-sheds-sanctions-yoke

- **Rouhani sees financial windfall as Iran sanctions are lifted:** President Hassan Rouhani said Iran’s financial resources will “increase significantly” after its compliance with the terms of an accord to curb its nuclear program paved the way for the removal of crippling economic sanctions. “The shackles of sanctions have been removed and it’s time to thrive,”’ Rouhani said Sunday on Twitter. Addressing parliament later in a televised speech, he said it’s up to Iran to “seize the opportunity for an economic leap.” Rouhani, in his speech, said Iran aims to attract at least $30bn a year in foreign direct investment over the next five years. Iranian stocks climbed on Sunday to the highest level since August on a closing basis. Iran is setting in motion a deal with Airbus Group SE to add 114 new and used jets for Iran Air, according to website Planespotters.net. Iran is interested in Airbus wide-body planes including A350s and the A380 double-decker, along with Boeing Co. 737 narrow-bodies and twin-aisle 777s for long-haul flying, according to an Iranian official who asked not to be identified because the details are private. As holder of the world’s fourth-largest reserves of crude and largest of natural gas, Iran gains immediate access to about $50bn in frozen accounts overseas, funds the government says it will use to rebuild industries and infrastructure. It also opens the door to foreign investors who are keen to enter a relatively untapped market of 77 million people.

  Source:http://www.bloomberg.com/politics/articles/2016-01-17/rouhani-sees-financial-windfall-as-iran-sheds-sanctions-yoke

- **Gulf markets fall sharply on Sunday as oil price slide; Egypt off lows:** Middle East stock markets plunged to new multi-year lows on Sunday, with Saudi Arabia tumbling more than 5%, as a fresh slide of oil prices and declines in global equities triggered panic selling. Many institutional investors were taken aback by the extent of Sunday's losses in the Gulf, the almost indiscriminate tone of the selling, and the lack of buying support in the market even when valuations reached low levels. Sentiment was hit hard by Brent oil's 6% drop on Friday to settle below $29 a barrel, bringing its decline for the week to 13%. Saturday's lifting of sanctions on Iran could in the short term push oil down further, as additional Iranian supply arrives in the global market. The Saudi stock index tumbled 5.4%, its largest drop since last August, to 5,520 points, its lowest close since March 2011. That brought its losses so far this year to 20%. Only one stock rose - oil shipper Bahri, which swung wildly in its heaviest trade since December 2014 and closed 5.9% higher - while 165 stocks fell. Dubai's economy stands to benefit from the lifting of sanctions against Iran because the emirate is a hub for Iranian business. But that prospect didn't aid the market on Sunday, as the index slid 4.6% to 2,685 points, its lowest level since September 2013, bringing this year's losses to 15%. Blue chip Emaar Properties slipped 3.9% and construction firm Drake & Scull plunged its 10% daily limit to a record low of 0.32 dirham. Air Arabia, which could enjoy more air traffic to Iran after the lifting of sanctions, dropped 3.1% while port operator DP World, which may handle more trade, slipped 3.9%. Abu Dhabi's index sank 4.2%, led by real estate firms and banks; blue chip Aldar Properties lost 7.0%. Qatar's index tumbled 7.2%. Oman and Kuwait index fells 3.2% each, while and Bahrain closed 0.4% lower. Egypt dropped 1.7% to 5,760 points, though it finished well off its intra-day low of 5,526 points after bargain-hunting by non-Arab foreign investors, who drove the market down late last week but were net buyers on Sunday, exchange data showed.

Source:http://in.reuters.com/article/mideast-stocks-idINL8N1510J1

- **Egypt to hold international tender for 11 oil and gas blocks:** Egypt will hold an international tender for 11 oil and natural gas exploration blocks in the Mediterranean sea and Nile Delta during the second half of fiscal year 2015-2016, Khaled Abdel Badie, head of state-owned EGAS said in a statement on Sunday. Egypt, which used to be a net energy exporter, has turned into a net importer over the past few years due to increased consumption and falling production. It has been on a drive to lure foreign investors back to its energy sector, many of whom left due to growing arrears. Egypt currently owes about $3bn to international oil companies. Egypt will also sign three new contracts for Mediterranean Sea development worth a total of $500m, Badie said in the statement. A total of roughly 760 million cubic feet per day of new gas production will come online in FY 2015-2016 due to new projects and development wells, the statement added. Gulf states have helped Egypt through its energy shortage. In December Saudi Arabia's King Salman ordered the kingdom to help meet Egypt's petroleum needs for the next five years.

  Source:https://projects.zawya.com/Egypt_to_hold_international_tender_for_11_oil_gas_blocks/story/TR20160117nL8N1510EXX2/

- **Nigerian banks allow foreign currency transfers as FX restrictions ease:** Nigerian commercial banks told customers on Sunday they would allow deposits of foreign currency to be transferred abroad from their accounts, just days after the central bank announced it was easing restrictions on foreign cash deposits. Africa's biggest economy and top oil producer has been hit hard by the drop in crude prices since it relies on oil sales for about 95% of its foreign reserves. The central bank last week announced that it would allow commercial banks to accept cash deposits of foreign currency, reversing a restriction imposed last year when such deposits were banned to curb speculation. Its policy shift came days after International Monetary Fund head Christine Lagarde told Nigerian lawmakers that the IMF did not support foreign exchange restrictions. The central bank's announcement also halted dollar sales to non-bank foreign exchange operators, a move that leaves Nigerians struggling to find dollars on the parallel market amid tight liquidity. The naira is pegged at around 198 to the dollar on the official interbank market but slid to a record low of 305 on the parallel market last week amid low FX reserves. Central bank governor Godwin Emefiele said foreign reserves in January stood at around $28bn compared with $37bn in June 2014. Members of parliament's upper house, the Senate, have summoned Emefiele to explain the currency's plunge on Tuesday.

Source: http://af.reuters.com/article/investingNews/idAFKCN0UV0P3

- **Nigerian inflation edges up to 9.6% in December, a 3-year high:** Nigeria's consumer price inflation stood at 9.6% year-on-year in December, up 0.2 percentage points from November, and still above the central bank's target upper limit of nine percent, the national bureau of statistics said on Sunday. The December inflation rate is the highest since December 2012 as food prices rose in Africa's biggest economy and oil producer. Food price inflation accelerated to 10.6% year-on-year in December from 10.3% in November.

  Source: http://af.reuters.com/article/investingNews/idAFKCN0UV0NX

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