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UAE stocks surge on market status upgrade

19 September 2010, 14:35 GMT | By [Melissa Hancock](#)

Dubai Financial Market trading reaches highest level since 24 May

Trading on the UAE's two key bourses has surged following the country's upgraded classification as an emerging market by global index provider FTSE Group on 16 September.

Dubai Financial Market (DFM), Dubai's benchmark index, rose 2.17 per cent to 1,682.82 at the close of trading on 19 September, its highest level in almost four months. While Abu Dhabi's benchmark general index gained almost 1 per cent over the same period.

Following the addition of the UAE as a secondary emerging market within FTSE Group's Global Equity Index Series, shares of 21 companies, including UAE property giant Emaar, were added to the index after the close of trading on 17 September.

The addition is expected to help the UAE attract part of the \$3 trillion of funds that track the FTSE's benchmark indexes and enhance the global profile of a number of the country's flagship listed companies.

FTSE divides emerging markets into advanced emerging and secondary emerging markets.

"This decision is long-awaited and should boost confidence in both domestic and international investors, as the UAE market continues to evolve and attract international attention," the Securities and Commodities Authority (SCA), the UAE's capital markets regulator, said in a statement.

[On 22 June, index provider MSCI awarded a 'frontier' status to the UAE and Qatar stock markets](#), ending hopes of an influx of foreign capital based on a reclassification to the more stable 'emerging' market level.

MSCI cited the frequent use of dual account structures as one of the main reasons for the failure of the two markets to be upgraded in its 2010 Annual Market Classification Review.

It said that institutional investors often have to establish separate accounts for trading and holding shares in both Qatar and the UAE in order to mitigate the risk from local brokers having unlimited access to the trading accounts.

On 12 September, the [SCA announced it had amended regulations to try and encourage the merger of brokerages](#) as stock brokers struggle with the lowest trading volumes in four years.

The amendments approved reducing the minimum number of broker representatives from four to two.

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Dubai Financial Market merger boosts Nasdaq Dubai

Issue No 37 10-16 September 2010 | By [Dominic Dudley](#)

Some early signs of success from the Nasdaq Dubai-DFM merger could bolster arguments for further consolidation among Gulf stock markets

The fortunes of Nasdaq Dubai could be on the rise. In the first four weeks after the struggling exchange moved its trading system to the platform operated by the much larger Dubai Financial Market (DFM), both the number of trades and the value of shares traded were up.

The value of the shares traded rose to \$51.3m in the four weeks after 11 July, a rise of 9 per cent from the \$47m in the equivalent period of 2009. The number of trades climbed by 28 per cent to 2,100 over the same period. And although the overall volume of shares traded was down 18 per cent to 107 million shares, this was less than on the DFM or Abu Dhabi Securities Exchange. As a result, Nasdaq Dubai's largest stock, the local port operator DP World, has risen to the top of the pile on several occasions.

Trading up

"Things are picking up. The number of trades and the values have increased," says Jeff Singer, chief executive officer (CEO) of Nasdaq Dubai. "In the first four weeks of trading, DP World has been the number one traded stock in Dubai by volume on five occasions and that hadn't happened before. You could ask 'is that because the traded values overall on the DFM are pretty low or is it because DP World shares have seen a pick up?' The answer is probably a bit of both. Our values have picked up, but the other values have dropped."

For now, local brokers remain cautious about the prospects for the market. Fadi Mansour, sales manager at the local Al-Futtaim HC Securities, which is currently the most active brokerage on the exchange, says he expects trading volumes to rise in the final quarter of the year.

"The volumes will be quite low for the coming month, but we will start seeing some more activity after the middle of September," he says. "Things are very slow during Ramadan."

The early results appear to justify the decision to link the two markets' trading, clearing, settlement and custody systems, which has given firms listed on Nasdaq Dubai access to up to 550,000 potential new investors that already trade on the DFM. The move came after DFM announced in December that it was buying Nasdaq Dubai for \$121m from Borse Dubai and the New York-headquartered Nasdaq OMX Group. The deal was completed in May.

"Things are picking up. The number of trades and the values have increased"

Jeff Singer, CEO of Nasdaq Dubai

Prior to that, Nasdaq Dubai had suffered several years of under-achievement, during which a number of companies left the market, including Boulder Steel and Citigold Corporation, both of Australia, and Saudi Arabia's Kingdom Hotel Investments.

"We recognised we weren't getting the retail volumes we needed, so we had to change our stance," says Singer. "We decided we needed to do a wholesale consolidation because nothing is more important than getting the retail trading levels strong and then getting the institutions to follow after that."

There are potential gains for the DFM too. In terms of market capitalisation, Dubai's main stock market was overtaken by the Qatar Exchange in 2008 as the local economy sank and it has yet to regain the lost ground. The addition of Nasdaq Dubai stocks should raise overall liquidity levels and could help to close the gap with its regional rivals.

When the deal to merge their trading platforms was announced in early June, Essa Kazim, managing director and CEO of the DFM, pointed to the wider range of product offerings and international expertise his market would have access to. He predicted that collaboration between the two exchanges would increase, promoting higher liquidity and more listings on both of them from across the region and beyond.

“It benefits both markets,” says Mansour. “Investors familiar with Nasdaq Dubai and that were trading the names there, now have access to trade on the DFM and vice-versa.”

Singer is confident the improving levels of business will also help to attract more companies to his struggling exchange. For now, its 12 listed companies have a combined market capitalisation of about \$25.7bn, putting it in a similar league to the Amman Stock Exchange which has a market capitalisation of around \$29bn, but still well behind the two other UAE markets.

Investor interest

“The queue [of companies wanting to list] is there,” says Singer. “In 2009 there wasn't a queue. What we used to hear from companies was, ‘we like Nasdaq Dubai but we don't like the liquidity’. Now with the consolidation it's, ‘yes we like Nasdaq Dubai but we're waiting for valuations to rise’. If you're an issuer worried about liquidity we've taken that problem off the table, because whatever liquidity is on the DFM is on Nasdaq Dubai. We have the same brokers, the same book, the same trading screens, same clearing, everything.”

“There are a number of companies that are talking to us [about listing their shares] and we're looking at their prospectus. Everybody is ready; the doors just need to open. We'll see how the markets develop over the rest of this year to see if companies come out and if they do it's going to be terrific, but if not we'll have to wait until next year.”

If the early signs of success are followed by such renewed interest from companies wanting to list, the merger between Nasdaq Dubai and the DFM could bolster the argument for further consolidation among stock markets.

“I'm not party to any conversations with officials about this, however, I think it would be beneficial from a commercial point of view for the UAE to consolidate all three exchanges,” says Singer. “Any time you can consolidate all the liquidity into one pool and give all the investors one place to go it makes it less expensive for brokers to trade.”

“Sometimes two exchanges in one country are like two crabs in a pot: every time one tries to crawl out, the other one pulls it down. I have seen that with the New York Stock Exchange and Nasdaq – they keep an eye on each other. In certain respects that can be a good thing, but in a smaller market where the volumes and liquidity and the market development isn't the same as the US, then it makes more sense to be harmonised and to leave the competition for liquidity outside the country as opposed to inside.”

The desire for competing financial hubs to have their own stock exchange has long undermined hopes of market consolidation.

“The argument for consolidation of exchanges is overwhelming, most immediately within the UAE,” says Simon Williams, chief economist for HSBC Middle East.

“I’d also like to see consolidation across the GCC. We have a region of 35 million people with eight markets, soon to be nine [with the launch of the Bahrain Financial Exchange in October]. It’s just terribly inefficient. The economic arguments for consolidation are enormous,” he says.

“Most of the stock markets haven’t had a high level of activity over the years,” adds a Bahrain-based senior finance industry executive. “Maybe consolidation could help with liquidity and capital flows, but first there needs to be a certain level of regulatory convergence.”

The experience of some European stock markets within the Nasdaq OMX Group points to a potential solution, according to Singer.

“There’s a model in the Nordic region where you have Sweden, Norway, Denmark, Finland and Iceland, which all have exchanges,” he says. “They all have their own regulators and their own clearing and settlement systems. What they share is an order book and that allows all the brokers to trade in one location.

“What it’s effectively doing is allowing each country to retain its capital market identity, while allowing the liquidity to be created and then increased and enhanced. That’s what I believe is a good long-term development plan for the markets in the Middle East.”

Common ground

For now, all the GCC stock markets suffer from the same problems as Nasdaq Dubai; low liquidity and low trading volumes. Consolidation could help to address those problems and encourage trading volumes that are greater than the current sum of their parts.

“You’ve got a lot of companies in all these different countries that are publicly listed and if you look at each country it’s the same – roughly 10 per cent of listed companies are traded and 90 per cent are not,” adds Singer. “What you want to do is bring all those top traded companies together. If they’re all in one location it would benefit everybody.

“What you want is a place where capital flows in, not just flows out. You want to attract the money from around the world into your market because then you have alternative sources of capital in case something goes wrong.”

More mergers of the region’s stock markets are unlikely to happen in the short term, but rival exchanges and regulators alike will continue to keep a close eye on how the Nasdaq Dubai-DFM deal fares. If it does prove beneficial to both sides, then the chances of other, similar deals in the future will only rise.

For the original article on www.meed.com, please visit:
<http://www.meed.com/sectors/markets/capital-markets/dubai-financial-market-merger-boosts-nasdaq-dubai/3009072.article>

Dubai bond may receive strong demand

27 September 2010, 8:13 GMT | By [Matthew Martin](#)

Investors search for yield may boost demand for Dubai's \$1bn bond plans

Dubai's plans to issue a bond of around \$1bn could benefit from strong investor demand, according to bond market analysts.

Credit Suisse said in a research note "the issue will see strong demand." Bond investors have shown strong interest in Middle East debt, including Dubai Electricity & Water Authority (Dewa), [which issued a \\$1bn bond in April](#), but had to pay investors 8.5 per cent return (MEED 15:4:10).

Bond analysts say the high return on a Dubai government bond would attract a lot of interest from investors. Dubai issued a \$1.93bn sukuk in October 2009 that was priced at 6.39 per cent for a five year dollar tranche and 5.65 per cent for a dirham tranche.

The deal is being led by the two UK-based banks, HSBC and Standard Chartered and Germany's Deutsche Bank.

The Dubai Department of Finance went on a roadshow of potential investors in Asia and Europe during June and August.

For the original article on www.meed.com, please visit:
<http://www.meed.com/sectors/finance/bonds/dubai-bond-may-receive-strong-demand/3072526.article>

Dubai set to finalise \$1.25bn bond issue

29 September 2010, 13:42 GMT | By [Matthew Martin](#)

Bond issue is first Dubai bond since October 2009

Dubai is set to finalise a \$1.25bn government bond on 29 September, the first time the government has issued a bond since Dubai World started its \$23.5bn restructuring process in November 2009.

The bond is expected to be split between a \$750m five-year bond priced at 6.75 per cent, and a \$500m 10-year bond priced at 7.875 per cent. The pricing is slightly below the initial price guidance given to the market as a result of a strong response from investors for the deal.

Over \$4bn of offers were made for the bond, which was arranged by the UK's HSBC, Standard Chartered, and Germany's Deutsche Bank.

Dubai last approached the bond markets in October 2009 when it raised \$1.93bn, although that deal fell short of the \$2.5bn initial guidance given to the market. The five-year deal paid 6.39 per cent.

[The government has said that its total debt amounts](#) to AED105.7bn (\$28.8bn) at the end of July (MEED 28:9:10).

For the original article on www.meed.com, please visit:
<http://www.meed.com/sectors/finance/bonds/dubai-set-to-finalise-125bn-bond-issue/3072989.article>



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