TradeQuest kicks-off

Officials and participants during a photocall

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Bahrain Bourse (BHB) officially announced the kick-off of its TradeQuest Challenge for the school year 2015-2016 on Monday for the 19th consecutive year.

The kick-off meeting was held at Bahrain Bourse's premises in the presence of participating students and teams' school advisors along with investment advisors who will monitor and coach the teams during the programme.

TradeQuest is a simulated business-education partnership programme that focuses on investment trading in world financial markets. The 2015/2016 TradeQuest programme includes 10 school teams, of which seven are private schools and three of them are public schools.

The private schools are: Abdul Rahman Kanoo International School, Bahrain School, Ibn Khuldoon National School, Naseem International School, Al Noor International School, St. Christopher's School, and Al Wisam International School. The public schools are: Ghazi Al Qusaibi Secondary Girls School, Al Hidd Secondary Girls School, and Al Noor Secondary Girls School.

JP Morgan award for 10th consecutive year

AUB gets top award

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Officials at the award ceremony

Ahli United Bank (AUB) has been awarded the 'Elite Quality Recognition Award', by JP Morgan Chase in recognition of its "consistent, high-quality performance of funds transfer operations throughout the 2014 calendar year". This is the tenth consecutive year AUB has won this award in its Elite class.

Established in 1997, JP Morgan Quality Recognition Awards are conferred on select US dollar clearing institutions that achieve best-in-class level of operational excellence. These awards are divided into two groups, each designated by a SWIFT message type (MT).

This year, less than 1 per cent of JP Morgan's funds transfer clients were able to meet the criteria for the standard Quality Recognition Award class and even fewer so qualified for the more stringent Elite class. AUB has won the Elite recognition in both categories of settlements, achieving straight through processing (STP) rates of 99.66pc and 99.88pc for the MT 103 and MT202 categories of payment processing respectively.

Presenting the award, Ali Moosa, Managing Director – Head of Middle East, Turkey and Africa, JP Morgan Chase Bank, said: "This is truly a great accomplishment, one that gives us particular cause for pride in presenting this special 10th year acknowledgement of such consistent, best-in-class performance by AUB".

Accepting the award on behalf of AUB, Shafqat Anwar, Deputy Group CEO, Operations and Technology, commented, "To win this award consistently over the past 10 years is a tribute to the diligence, professionalism and capabilities of our entire operations team, who remain central to our vision of becoming the reliable and preferred financial services provider."

VCBank records US$14.1m profit

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CEO, Mohamed Janahi

Chairman, Dr Al Sulaiman

Venture Capital Bank BSC (c) (VCBank) reported a net profit of US$14.1 million for the year ended 30 June 2015 compared to US$14.6m for the previous year and a return on net paid-up capital of 7.8 per cent. The announcement was made following clearance by auditors Ernst & Young, and approval of the audited financials by the Board of Directors.

The Bank reported a net profit of US$14.1m from total income of US$30.9m for the year compared with a profit of US$14.6m from total income of US$28.6m for the prior year ended 30 June 2014. Net profit and total revenue for the final quarter ended June 30, 2015 amounted to US$12.1m and US$17.9m respectively compared to $9.3m and $13.9m respectively for the comparative quarter ended 30 June 2014. These results are after recognition of fair value losses and impairment allowances totalling US$6.7m in the year ended 30 June 2015 (fair value losses and impairments of US$4.6m in the year ended 30 June 2014).

Announcing the results, Chairman of the Board of VCBank, Dr. Ghassan Ahmed Al Sulaiman said, "These encouraging results have been achieved despite the very challenging conditions in the region and the investment banking sector."

Commenting on the results for FY 2015, Board Member and Chief Executive Officer, Abdullatif Mohamed Janahi, said: "VCBank enjoyed one of its busiest years for investment banking activity through the offering of a number of new investments, with a total capital raising of approximately US$160 million from investors."

By Invitation

Jonathan Schiessl

India – Rajan surprises markets, again

Raghuram Rajan certainly enjoys to keep markets guessing! It seems after many, many years where most central banks followed the US model of keeping markets fully informed of their thinking, certain central bankers are now carving reputations by regularly surprising markets - and Reserve Bank of India (RBI) Governor, Rajan, leads this pack.

Anyone listening to him talking last week would have come away with the view that it wasn't even certain he'd cut rates at all on Tuesday. Whilst consensus was firmly in the 25 bps cut range, there were some who doubted a cut at all and even fewer who predicted the eventual 50 bps cut he delivered. Whilst we applaud the decision as the correct one, we struggle with the need to keep markets on their toes and continually guessing. Investing money is never an easy decision, but it helps greatly if we at least have a little more certainty in the thinking of a country's central bank.

Turning to the decision itself, we have been saying for some time that we were worried that the RBI was on the verge of a policy mistake by keeping rates where they were. Whilst there were many factors behind the need to keep policy tight, some which we have sympathy with, the fact was that with no inflationary pressure and indeed rampant deflation in WPI (wholesale price index), real rates were too high. With domestic growth only slowly recovering, and the international outlook clouded by China and the uncertainty about US rates, this cut takes India's repo rate down to 6.75 per cent, a four year low.

It was interesting that in the statement following the cut, it appears that Rajan has certainly become more dovish. The RBI is seemingly adopting a clear data-driven framework for future monetary policy – and if inflation remains benign we can expect more cuts to come. Our base case had been to expect 50 bps of interest rate cuts by March 2016. Now that the cuts have been front-loaded, if inflation remains controlled then we might see further cuts sometime early next year.

Rajan also remains concerned about global growth, and hence the outlook for Indian exports and imported inflation. Therefore, the cut can be seen as a boost to the slow domestic recovery we are currently witnessing. Focus is now turning very much to growth and capacity formation, which a falling cost of capital will help. The key therefore lies in banks passing on the series of cuts we have seen. With India's largest bank today announcing they would cut their base rate by 40 bps, we remain hopeful that banks will indeed transmit the bulk of the cumulative 125 bps of cuts we have recently seen.

We retain a very high conviction positive bias on India here, but there is no doubt that India has suffered from the significant withdrawals seen in EM and BRIC-type funds. According to data issued by The Institute of International Finance, global investors have sold US$40 billion worth of EM assets in Q3 2015 (nearly equal amounts of equity and debt). This is the worst quarter since Q4 2008.

Despite this, Indian mid-cap stocks and indices are still outperforming large caps. This suggests to us that we have seen very little India-focused redemption pressure. Most of the selling has been seen in large cap names where generalist EM funds tend to be concentrated. This point can be illustrated by looking at Hindustan Unilever, one of the largest consumer staples names in India. This company is the seventh largest weighted stock in MSCI India, and it would be expected that the name should have outperformed in the recent market volatility. However, relative performance has been very disappointing, particularly its performance following the August sell-off.

The externally generated sell-off that we have seen in India has started to push valuations down to interesting levels. Whilst India retains its large valuation premium to other emerging markets, when looking at valuations compared to its own history we believe markets are giving India very little credit in terms of the underlying fundamentals of both companies and the economy.

Valuations are not reflecting India's growth potential in a growth starved world. Bloomberg is currently showing the Nifty's blended 12 month forward P/E at 14.83 (as at 24 September). On the same measure, the US is trading at 15.18. It can be argued that the US deserves a premium for various reasons, but when considering the relative attraction of the two on the outlook for earnings, profits, ROE trajectory and growth, India really should be trading at a significant premium to the US and global markets. Add into this a more dovish RBI and the outlook improves further.

(The views and opinions expressed in this article are those of the author and do not necessarily reflect the policy or position of this newspaper.)