

# Saudi funds, oil assurance steady stocks

● Gulf markets rose as cheaper valuations attracted the investors

● Saudi stock market index closed 1pc higher

Reuters | Dubai

Saudi Arabian stocks were supported by domestic funds yesterday after top oil producer Saudi Aramco assured some clients that there will be no supply shortage as a result of Saturday's attack on its facilities.

The attack shut about 5 per cent of global supply, sending oil prices as much as 19.5pc higher, their biggest intra-day percentage gain since 1991's Gulf War.

Despite Aramco's assurance, concerns remain over oil supply which could be disrupted if the outage continued for long, while a full return to normal oil



Traders look at a screen at Saudi Stock Exchange

production volumes "may take months", sources told Reuters.

It could also have a wider impact on Saudi Aramco's planned initial public offering (IPO) on its home market.

"The attacks could complicate Aramco's IPO plans given rising security risks and potential im-

production volumes "may take months", sources told Reuters.

After losing 1.1pc on Sunday, the country's stock market index closed 1pc higher with its biggest lender National Commercial Bank surging 4.2pc and Al Rajhi Bank rising 1.4pc.

Traders cited buying by local

and regional investors, as most foreign active investors have already exited the index, which is trading roughly flat year-to-date after it rose as much as 20pc at its peak in May.

"Our channel checks suggest most of the 'active' foreign money in KSA has already exited the

## Closing Bell

SAUDI ▲ 1pc to 7,827

ABU DHABI ▲ 1.7pc to 5,161 points

DUBAI T ▲ 0.3pc to 2,878 points

QATAR ▲ 1.1pc to 10,512 points

EGYPT ▼ 0.4pc to 14,970 points

BAHRAIN ▼ 0.7pc at 1,524 points

OMAN ▼ 0.3pc to 4,009 points

KUWAIT ▼ 2.2pc to 6,101 points

market and what is left is passive funds, who have to stay invested," said Vrajesh Bhandari, senior portfolio manager at Al Mal Capital.

It means local and regional institutions and retail investors are calling the shots and that supply can be relatively better controlled with some support from domestic funds, Bhandari added.

Other major Gulf markets also rose as cheaper valuations attracted the investors.

The Abu Dhabi index rose

1.7pc boosted by a 2pc jump in the United Arab Emirates' biggest lender First Abu Dhabi Bank and a 2.6pc Emirates Telecommunications Group

"In terms of fundamentals, certain high quality companies across MENA are currently being undervalued and investors are gradually adding to their exposure," Bhandari said.

Qatar's index gained 1.1pc with petrochemical maker Industries Qatar up 2.3pc and Qatar National Bank 1.3pc higher.

In Dubai, the index was down 0.3pc with the market heavyweight lender Emirates NBD gaining 0.8pc.

The emirate's largest lender has risen 17.5pc this month after it raised its foreign ownership limit to 20pc from 5pc and announced its intention to lift the limit to 40pc.

Outside the Gulf, Egypt's blue-chip index was down 0.4pc with real estate investment firm Talaat Mostafa Group Holding dropping 2.1pc.

## Saudi on track to partly restore oil output

AFP | Riyadh

Saudi Arabia is believed to be on track to quickly restore at least a third of its oil production lost to devastating attacks, as it scrambles to soothe the market jitters ahead of a mega stock listing.

Oil prices rocketed yesterday after the strikes on Abqaiq -- the world's largest oil processing facility -- and the Khurais oil field in eastern Saudi Arabia knocked out nearly half of the top crude exporter's production.

Seeking to assuage nervous markets, Saudi Energy Minister Prince Abdulaziz bin Salman has said the kingdom would use its vast inventories to partially make up for lost production, and the US also authorised the release of its strategic reserves.

But benchmark Brent crude surged by 20 per cent yesterday -- the biggest gain since the 1991



An Aramco oil facility near al-Khurais area, just south of the Saudi capital Riyadh

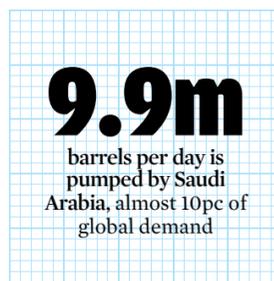
Gulf War -- after US President Donald Trump hinted at a military response to the attacks his administration has blamed on Iran.

The Energy Intelligence specialist newsletter cited industry sources as saying Aramco was "close to restoring as much as 40pc" of the lost production, or about 2.3 million barrels per

day (bpd).

The Wall Street Journal cited people familiar with the damage estimates as saying the hit facilities would take weeks to return to full production capacity.

However, one of its sources told the newspaper: "We should be able to have two million barrels a day back online... by tomorrow (Monday)."



Industry consultant Energy Aspects also estimated the country would be able to restore almost half the lost production as early as Monday.

Saudi-owned Al-Arabiya television said yesterday that Aramco was ready to restart the Khurais plant, which handles 1.5 million bpd.

The kingdom pumps 9.9 million bpd, almost 10pc of global demand, of which seven million bpd is destined for export.

## Apple takes fight against 13-billion-euro EU tax order to court

Reuters | Luxembourg

Apple will launch a legal challenge on Tuesday to a European Commission order to pay 13 billion euros (\$14.4 billion) in Irish back taxes in a landmark case in the EU's crackdown on tax avoidance by multinational companies.

The iPhone maker is expected to send a six-man delegation headed by Chief Financial Officer Luca Maestri to the two-day court hearing at the Luxembourg-based General Court, the EU's second highest court.

In August 2016, the Commission said tax rulings by Ireland in 1991 and in 2007 had artificially reduced Apple's tax burden for over two decades, effectively making it illegal state aid.

European Competition Commissioner Margrethe Vestager pointed to a 0.005% tax rate paid by Apple's main Irish unit in 2014 as an example of the unusually low payments by the company.

Apple is expected to argue that it did nothing wrong as it had followed Irish and US tax laws. It made similar arguments in a blog following an EU tax ruling a couple of years ago.



The Apple logo is displayed at an event at their headquarters in Cupertino, California

It will tell the court that the bulk of its taxes are owed to the United States because the majority of the value in its products including design, engineering and development, is created there.

Ireland, which has accused the Commission of exceeding its powers and interfering with the EU member's national sovereignty over tax affairs, is also challenging the EU ruling.

The Irish tax regime is a key attraction for multinational companies, which employ around 10% of the country's workforce.

Luxembourg is backing Ireland while Poland is supporting the Commission. Vestager has also gone after sweetheart deals offered by the Netherlands to Starbucks, Luxembourg to Amazon, Fiat and Engie as well as a British tax scheme for multinationals.

## VW settles Australia emissions cheating scandal

AFP | Sydney

Volkswagen has agreed to pay up to Aus\$127 million (\$87.3 million) to settle multiple class action suits brought by Australian motorists over a diesel emissions cheating scandal, the parties' lawyers said yesterday.



Logo of VW behind a car

The German car giant, which owns brands ranging from luxury Audi to lower-end Skoda,

said in 2015 that 11 million diesel engines globally were affected. Owners of about 100,000 Australian cars will be able to seek compensation from Volkswagen under the terms of the in-principle agreement, which the automaker has agreed to without admitting liability and must still be approved by the Federal Court.

"This is an important step in providing a measure of justice and redress to the thousands of Australian motorists who claim they were financially impacted by the diesel emissions issue," said Julian Schimmel, principal lawyer of Maurice Blackburn, the firm behind one of the class actions.

## US group Advent wins \$5 bln battle for Britain's Cobham

Reuters | London

US private equity firm Advent International won its battle to buy Britain's Cobham for \$5 billion yesterday, taking advantage of the weak pound to pounce on the defence and aerospace group.

Chairman Jamie Pike told a shareholder meeting the management had "pushed as hard as they could push" and engaged in some "arm wrestling" before finally settling on a price that marked a 50 per cent premi-

um to the three-month average share price before the deal was announced.

In the latest of a series of buy-outs in Europe as private equity firms seek new targets for their bumper cash balances, the deal was struck at 165 pence per share. The stock was trading at 161 pence yesterday morning.

Cobham, which employs 10,000 people to make its pioneering air-to-air refuelling system and communications for military vehicles, has a storied history but has faced difficulties



A Eurofighter Typhoon jet lands in Payerne, Switzerland

in recent years.

Launched in the 1930s, Cobham equipment came to the fore ahead of World War Two and in the 1982 Falklands conflict. Its technology is now used in aircraft such as the F-35 Joint Strike Fighter and Eurofighter Typhoon as well as advanced naval vessels, satellites and military vehicles.

However, the company is still recovering from a string of profit warnings in 2016 and 2017, which forced it to raise cash from shareholders and prompt-

ed Chief Executive David Lockwood to embark on a turnaround strategy more than two years ago to improve its financial and operating performance.

Final results from yesterday's shareholder vote are not yet in, but the deal crossed the line with the 93pc approval from proxy votes. Advent has a track record in buying British technology, having snapped up electronics company Laird for \$1.65 billion last year. Cobham's Lockwood was Laird's chief executive between 2012 and 2016.