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## Wall Street edges up on financials

**NEW YORK:** The three major US stock indexes edged higher yesterday, logging closing records, with financial stocks providing the biggest boost a day ahead of the Federal Reserve's concluding statement from its two-day policy meeting.

The US central bank is expected to announce when it will begin paring its bond holdings, and while a September interest rate increase is not expected, investors will closely study Fed Chair Janet Yellen's views on inflation for clues whether the Fed will raise rates in December.

"It seems the market is holding its breath and waiting for what the Fed has to say regarding the economy and any future interest rate increases," said Ryan Detrick, senior market strategist for LPL Financial.

"The market could throw a little bit of a fit if they push (balance sheet reduction) back. It could hurt financials and the overall market might not like the uncertainty," he added.

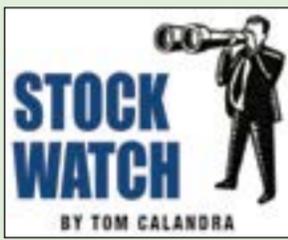
Six of the 11 major S&P sectors closed higher, with the financial sector's 0.8 per cent gain providing the biggest boost. The sector has risen in seven of the last eight sessions, clocking a 6pc rise in that time.

If the Fed reduces its balance sheet, investors are betting that would lift yields for longer-term treasuries, which could boost bank profits, Detrick said.

The Dow Jones Industrial Average rose 39.45 points, or 0.18pc, to 22,370.8, clocking its sixth straight record close. The S&P 500 gained 2.78 points, or 0.11pc, to 2,506.65, hitting its fifth record closing high in the last six sessions.

The Nasdaq Composite added 6.68 points, or 0.1pc, to 6,461.32, also squeaking out a record closing high, slightly above its September 13 close.

The biggest percentage gain was the telecom



services sector's 2.3pc jump on merger and acquisition speculation.

The biggest US telephone operators, Verizon and AT&T, rose more than 2pc, providing the second- and third-biggest individual stock boosts for the S&P. Shares of smaller wireless carrier T-Mobile rose 5.9pc and Sprint jumped 6.8pc, following a report they were in active merger talks.

The healthcare index was one of the biggest laggards, with declines in insurers such as United Health, which fell 1.8pc due to the latest efforts in Washington to overhaul Obamacare.

Best Buy fell 8 percent after the number one US electronics retailer forecast fiscal 2021 adjusted earnings well below Wall Street estimates. The stock was one of the biggest drags on the consumer discretionary index.

Tesla fell 2.6pc after Jefferies started coverage of the electric car maker's stock with an "underperform" rating.

Advancing issues outnumbered declining ones on the NYSE by a 1.09-to-1 ratio; on Nasdaq, a 1.04-to-1 ratio favoured advancers.

About 5.8 billion shares changed hands on US exchanges. That compares with the 5.9bn daily average for the past 20 trading days, according to Thomson Reuters data.

Treasuries were mostly unchanged as traders looked past an early raft of economic data releases to await an important policy-setting gathering of the Federal Reserve.

The benchmark 10-year Treasury yield was at 2.239pc, compared with 2.230pc the day before, while the 30-year bond yield edged higher to 2.810pc, versus 2.804pc.

# New rules for Islamic banks 'credit positive'

By AVINASH SAXENA

**MANAMA:** New Sharia governance regulations for wholesale and retail Islamic banks in Bahrain are credit positive for investors, according to Moody's Investors Service.

The ratings agency said the rules issued by the Central Bank of Bahrain (CBB) on September 9 will lead to a more consistent and robust system for ensuring Sharia compliance for Islamic products and most importantly Sukuk issued in Bahrain, and will reduce the possibility that issuers cite non-compliance as a defence against payment.

The new regulations enhance standardisation of Islamic finance governance in Bahrain and aim to increase transparency, consistency and competence.

Effective from June 2018, they will make Islamic banks subject to an independent external Sharia compliance audit, to ensure that all Islamic banks activities are Sharia-compliant.

Additionally, all internal Sharia board rulings will be made public for banks' clients and investors.

The regulations set guidelines for banks' internal Sharia boards: Their role and responsibility to ensure full independence from commercial activities within the bank, and address any conflicts of interest that arise from their compensation from banks for vetting their products.

They also call for the presentation of the first full externally audited Sharia report in 2020 based on 2019 activities.

Islamic banks in Bahrain and other member states of the GCC currently have their own internal Sharia boards to vet and confirm products' Sharia compliance.

The lack of a single standard contributes to Sharia compliance risk because interpretation of Sharia principles is subjective and various schools of Islamic thought differ.

The approach to Sharia compliance in the GCC region, where banks have individual Sharia boards, contrasts with Malaysia, where there is a single regulatory authority that provides a clear and comprehensive Sukuk framework that standardises documentation and reporting.

The ultimate goal of the new rules is to achieve standardised Sharia principles and products that support the sector's growth.

As per the CBB's latest financial feasibility report in February, there are 105 licensed banks in Bahrain, of which 26 are Islamic banks with a total consolidated balance sheet of nearly \$27 billion as of April 2017.

Of the \$27bn, nearly \$8.8bn, or 33 per cent, are liabilities funded by sources outside Bahrain and these are generally more sensitive to risk, including Sharia-compliance risk.

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■ A seminar on ongoing economic reforms in India, including the roll-out of a nationwide goods and services tax (GST) and demonetisation, was organised last week by the Bahrain Chapter of the Institute of Chartered Accountants of India (BCICAI). The seminar was delivered by Shaktikanta Das, a former economic affairs secretary in the government of India. Indian Ambassador Alok Kumar Sinha was chief guest at the event, which also featured the annual general meeting of the association. It was announced that Uday Shanbhag will be the new chairman of the association for 2017-2018. Above, Mr Sinha, seated, second from left, with BCICAI officials at the event.

## Saudi raises \$1.87 billion

**RIYADH:** Saudi Arabia has raised \$1.87 billion in a new Islamic bond issue as the kingdom bids to finance a budget deficit resulting from low oil prices.

Demand was strong for the third sale of Islamic bonds, known as sukuk, this year with orders exceeding \$6.4bn, the finance ministry said.

The first two issues were made in April and July and were worth a total of \$13.5bn. The kingdom had also issued conventional domestic and global bonds.

The largest Arab economy is suffering from a sharp slide in oil revenues since crude prices plummeted in mid-2014, forcing Riyadh to cut subsidies and delay projects. The kingdom has forecast a budget deficit of \$53bn this fiscal year, down slightly from last year's shortfall.

Riyadh has withdrawn more than \$230bn from its fiscal reserves since the end of 2014 to finance the budget deficit. Its reserves stand at just over \$490bn.

# Bahrain to host fertiliser forum

**MANAMA:** The impact of new market changes on fertiliser trade and key drivers behind future growth will be discussed in detail at the upcoming Gulf Petrochemicals and Chemicals Association (GPCA) Fertiliser Convention in Bahrain next week.

The eighth edition of the annual convention is set to take place between September 26 and 28 at the Ritz Carlton under the patronage of Oil Minister Shaikh Mohamed bin Khalifa Al Khalifa.

Themed "New beginnings: Return to growth", the event will further delve into the topics of how to create a stable environment, reinvent global distribution channels, link business and innovation, and learn about the latest technological advancements in the region and globally.

Delegates will have the exclusive opportunity to hear from chief executives and top executives of some of the region's most successful fertiliser companies, as well as market leaders, government officials and experts from leading international organisations.

Key topics that will be up for discussion at the convention include:

- Energy and feedstock - Is the market stabilising?
- Global and regional mega trends
- Specialty fertilisers - Diversification options for the GCC
- Protecting the environment and resolving technical challenges
- Major demand markets - Who is driving growth?
- Major supply markets - Is competition increasing?

GPIC president and GPCA Fertilisers Committee chairman Dr Abdulrahman

Jawahery will deliver the opening address at the convention.

This will be followed by the inaugural address from Shaikh Mohamed.

The first day will also include an address by Ma'aden president and CEO Khalid Al Mudaifer titled "Threats and opportunities in the Phosphates market", as well as an address by GPCA secretary-general Dr Abdulwahab Al Sadoun, on "The GCC fertiliser industry's landscape - growth dimension and challenges".

Day two will feature speakers such as International Fertiliser Association director general Charlotte Hebebrand, whose keynote will provide an overview of the global market, and China National Chemical Information Centre Consulting CEO Peter Huang, who will provide an overview of the Chinese market.