

World Struggles to cope with Dubai debt crisis

Bradley Wright

Dubai's financial health has come under scrutiny after a government owned investment company asked for a six month delay on outstanding debt repayments. Dubai World, who has over £35bn outstanding debts, requested a delay until May 2010 on forthcoming repayments. The company also enlisted Deloitte to help with its restructuring plans.

Following six years of rapid growth, the Dubai economy has slumped since the second half of 2008. Analysts say Dubai has paid the

price for a flamboyant economic model centred on foreign capital and giant construction projects.

As a result of the credit crisis property prices have slumped, leaving thousands of empty new built homes across the region. Many have dumped cars on the roadside, unable to afford the repayments on new, expensive models.

Dubai's main stock market dropped more than 7% as the markets reopened Tuesday, following a na-

tional holiday Friday through Monday. Neighbouring Abu Dhabi dropped 6.5%, both the most in over a year.

The FTSE 100 was also affected as fears of UK banks exposure to the potential default worried traders on Friday and early Monday, with the key UK index closed down 1.05%, with many other European indexes closing at least 1% down.



Source:....& Caption

Markets

The FTSE 100 Index opened yesterday at 5313 and closed 2.03% below its 52 week high of 5397, set on November 16 2009, at 5287. The FTSE 100 witnessed its biggest daily fall since March, led by banks and the Dubai debt crisis

On December 02 2009, Dow Jones Industrial Average set a new 52-week high of 10,514. However it closed yesterday 1.40% below at 10,366.

Winners & Losers

Company	Price	Change
British Airways PLC	209.5p	1.6%
Eurasian Natural	927.0p	1.31%
AstraZeneca PLC	2,797.5p	0.92%
INTL Power PLC	286.7p	0.88%
Standard Charter	1,505.5p	-4.11%
Liberty INTL PLC	462.7p	-3.58%
Hammer-son PLC	403.2p	-3.56%
AMEC PLC	795.5p	-3.52%

European Central Bank to cut special aid to economy

Stephanie Clarke

The European Central Bank (ECB) announced on Thursday that it will begin dropping some of the special aid measures used to support the economy. This, according to Jean-Claude Trichet, the ECB president, was decided as "conditions in financial markets have indicated that not all our liquidity measures are needed to the same extent as in the past." These measures include the cheap short-term loans offered to banks to boost market liquidity. The last 12 month and 6 month loan offerings will end in December and March respectively.

Trichet added, however, that "Liquidity will remain extremely abundant for a large number of months," and that the Bank is to act "gradually" as part of the "exit strategy." The Bank has held interest rates at 1% - the lowest in the Bank's 10 year history -

which Trichet described as "appropriate" given the unevenness and risk of the recovery process.

As Mr. Brzeski, Senior economist at ING, said, the Bank's "gentle exit has begun. Today's message to banks was crystal clear: do your homework, free refills are coming to an end."

Despite still being less optimistic than private sector economists, the Bank's revised growth forecasts for 2010 were up from previous predictions of between -0.5% and 0.9% to between 0.1% and 1.5%. This follows eurozone growth being recorded at 0.4% in the third quarter of 2009. This growth has been uneven as seen with the growth experienced in France and Germany next to the continued contraction of the Spanish, Irish and Greek economies.

Company Profile

Name: Dubai World Pearl Boateng

Share price: N/A

Overview: Dubai World is an investment company that manages and supervises a portfolio of businesses and projects for the Dubai government across a wide range of industry segments. It is the emirate's flag bearer in global investments and has a central role in the direction of Dubai's economy. Assets include DP World which caused a storm when trying to take over six US ports, and Nakheel, its property arm, which built The Palm Islands and The World developments. It is chaired by Sultan Ahmed bin Sulayem.

The portfolio of the company includes operations in the following sectors; transport and logistics, dry docks and maritime, urban development, investments and financial services as well as energy. Dubai world operates under the following brands: Dubai Ports World, the third largest port operator in the world, Economic Zones World, Nakheel, Dubai Dry-docks, Dubai Maritime City, Dubai Multi Commodities Centre, Istithmar-World, Infinity World Development part owner of CityCenter, Island Global Yachting, Limitless, Leisurecorp, Inchcape Shipping Services, Tejari, TechnoPark, P&O Maritime, Discovery Gardens, Tamweel

Other information: UK banks have an aggregate exposure to Dubai World of about \$5bn, confirming them as the biggest creditor group at the crisis-hit emirate holding company. Of the \$40bn of total Dubai World debt, bankers close to the situation said RBS had between \$1bn and \$2bn (£3.3bn) of exposure, compared with about \$1bn apiece for the other UK institutions. However, Emirates National Bank of Dubai was allegedly the biggest single creditor with outstanding lending of about \$3bn.

Any queries, comments or requests?
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RBS and Treasury Clash over bonus pool

Sarah Lloyd

Royal Bank of Scotland (RBS), which is 70 per cent owned by the UK government, has informed shareholders that the Treasury will have input in the quantum of the 2009 bonus pool. This agreement follows as part of joining the government's asset protection scheme.

RBS has expressed concerns that the Treasury control/input will make it difficult to retain key staff and even harder to recruit new staff. Furthermore, RBS staffs are threatening a mass exodus.

Given that RBS is expected to remain part of the Asset Protection Scheme for several years, the Treasury could potentially sustain control of the bonus pool.

Other RBS shareholders are questioning the government's position, raising questions as to whether the move to control the bonus pool is political. The Association of British Insurers (ABI), which represents major shareholders, is expected to issue an "amber top" warning to shareholders today regarding this issue.

Strictly Bites

Sunny Shah

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Alistair Darling will next week set out a pre-Budget report that will increase taxes on the wealthy and funnel scarce resources into boosting the economy, while deferring tough new measures to cut Britain's £175bn deficit

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Stock Markets in Europe and US fell on Thursday as traders were nervous ahead of the crucial US non-farm payrolls data

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The World Bank and Beijing are in discussions about setting up low-cost factories in new industrial zones in Africa to help the continent develop a manufacturing base and reverse its declining share in global trade.

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The value of UK commercial real estate debt in default or in breach of key lending agreements more than doubled to about £30bn in the first six months of the year, adding pressure on the banking sector, a survey has revealed.

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Comcast has sealed an agreement to take control of NBC Universal from General Electric in a deal valuing the

media property at \$30bn that will create one of America's largest media companies.

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Ben Bernanke on Thursday urged Congress not to take away the Federal Reserve's bank supervision powers or curtail its independence even as he admitted that the US central bank had made regulatory mistakes in the run-up to the crisis.

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Candover has agreed with investors to terminate the €3bn (£2.73bn) buy-out fund it raised last year, turning the firm once considered the gold standard of European private equity into the industry's first big victim of the credit crisis.

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Two of England's building societies, Yorkshire and Chelsea, have agreed a merger. The move will create a building society with a 2.7 million strong customer base, with total assets of £35bn.

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Bank of America has announced that it will pay \$715mn in dividends to the Treasury Department for its participation in the TARP scheme

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