ADX Implements BCC for DVP

- ADX Press Release

Abu Dhabi Securities Exchange (ADX) announced that it has proceeded with the implementation of the enhancements to its Delivery Versus Payment (DvP) model with the Buyer Cash Compensation (BCC) on Sunday the 5th of May. The improvement is a key factor in achieving emerging market status as donned by MSCI.

ADX has already changed its operational procedures for Delivery versus Payment (DVP) in 2011. The enhancement permits local custodian to reject buy and/or sell trades for settlement where it has not received settlement confirmation from its client or there is a mismatch in the settlement confirmation.

The new BCC procedure-a part of the DvP model- which took effect on the 5th of May, means that a buying investor will be paid cash compensation in the event of securities being unavailable for delivery to the buying investor on settlement date.

ADX has already briefed its market participants to explain the many aspects of applying the new procedure. With the implementation of the BCC, ADX not only seeks to reinforce the current DVP model but also to adhere with international standards for financial markets infrastructure.

On the DvP enhancements, Mr. Rashed Al Baloushi, CEO of ADX said "Abu Dhabi Securities Exchange applied the mechanism as part of it plan of an integrated performance strategy based on the application of best standards of practice applicable in developed markets globally in line with an ideal investment environment to facilitate attracting foreign investment".

Emerging pattern in savings and investments

- D. R. DOGRA
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Savings and investments flows have in recent years, witnessed dynamic and discernible shifts across countries and regions; thereby lending more traction to the convergence theory of growth and development. It is increasingly being argued that the gradual acceleration in growth of developing countries since the 1990's has led to increased household incomes (especially of those countries with a higher proportion of young population), which in turn has led to higher savings and eventually higher investment rates in these countries.

This is evidentially supported by a much visible structural break in the global investments scenario. Investments of developing countries as a share of world GDP touched around 10.0% by the end of the first decade of the 21st century, from 5.0% in the previous decade. At the same time share of investments by developed countries registered a decline to roughly 13.0% (from 19.0% earlier). Similarly, on the savings front, the contribution of emerging Asia, particularly India and China has increased significantly, while that of major developed economies, particularly United States has fallen. For the past two decades savings by developing countries accounted for 4.0% of world income. This ratio has sharply increased to more than 9.0% in 2009; while total savings by high-income countries fell from 18.0% to 12.5% of global income. Indeed, the World Bank in documenting this trend in one of its recent reports indicates that in ensuing years the developing world will represent a very large share i.e. approximately two-thirds of all global savings by 2030; almost double from its 2010 level. Examining this shift is hence interesting.

Why this shift in pattern of savings and investments?

This shift in the pattern of savings and investment is, first and foremost, an outcome of improved growth prospects of developing countries over the years. Advanced countries contributed nearly 80.0% to world GDP a decade ago, the remaining coming from developing/emerging economies. This contribution has steadily declined to 60.7% in 2013, with developing countries accounting for 39.3%. Commensurate with this increase in growth, per-capita incomes in developing/emerging economies has also improved, directly contributing to higher savings and investments.

Secondly, a sectoral change in the economic composition of developing countries, from an agrarian market to a more capital-intensive regime has made this shift more pronounced. Increased manufacturing activities have automatically generated greater investment demand. Moreover, improvements in productivity due to integration of developing countries with global markets coupled with sound macroeconomic policies have propelled such dynamics. Also with development of human capital taking centre-stage, demands for improved education, health and other social infrastructure have also increased, boosting savings and investment needs.

Thirdly, major structural transformations such as financial market developments and change in institutional design and quality, wherein developing economies appear to have moved forward, have also led to an increase in the investment rate at a deeper level.

It is important to note that growing economies require more savings and investments to be mobilised and directed to massive physical infrastructure development needs. On the other hand, advanced economies, having already established a capital-intensive production system, have lower needs for incremental capital investments. Moreover, being driven by consumption demand, their savings rate has also moderated over the years. These attributes thus make this shift in pattern more perceptible.

What could limit this shift in the savings and investments pattern?
An underlying assumption and rather pre-condition to any such expected shift in savings and investment pattern truly materializing, is the that of exponential development in developing economies, led by a widening, deepening, strengthening, and maturing of financial markets across developing/emerging economies. In case of slippages on these accounts the process could slow down and take longer to fully emerge.

Moreover, economic and demographic forces could impact the dynamics of savings and investments. World Bank estimates for world population stand at 8.5 billion in 2030 from around 7.0 billion in 2010. This additional growth by 1.5 billion is expected to occur mainly in developing economies resulting in a significant modification in their age structure. If however, employment opportunities and income generation does not move upwards commensurately, the savings rate would touch a natural cap and investments at their current pace would remain inadequate. This demographic pattern could likely put a downward pressure on both savings and investment in the coming years. Also, sectoral shifts more in favour of services that are network-technology based would also progressively require less fixed capital investments, which could further prompt a decline in these rates.

Furthermore, policy interventions in emerging economies must also be designed to enhance absorptive capacity, in the absence of which a savings glut could be an impending threat. One of the greatest challenges for developing/emerging market economies would be increasing and retaining foreign capital inflows. Limited depth in financial markets and low levels of financial innovation have restricted the capacity of developing/emerging economies to supply investment avenues with appealing risk-return characteristics, which is a pertinent concern.

Conventionally, government investments dominate the investment scene in developing economies. While it may be argued that government investments help shore up demand and balance the savings-investment differential; they do often also crowd-out productive private capital flows.

Way forward…

Despite such possibilities of a decline in the share of developing and emerging market economies in world savings and investments, it is important to note that such a transition is unlikely in the near future. The next decade or so would continue to see developing/emerging economies contribute more to savings, investments and growth. Indeed, the World Bank expects the developing world to control roughly half of the world's capital, whilst accounting for a massive chunk (87% - 93%) of global growth by 2030. This suggests that developing countries would gain resources to adequately and efficiently finance major investments. Hence, a significant escalation in terms of global investment is foreseen from developing countries, with India and China leading this shift. In fact, China alone could account for nearly one-third of global investment with Brazil, India and Russia together constituting 13.0%, an investment bloc larger than that of the United States.

To conclude, in the long-run global savings and investments, influenced by relative costs of capital, would be brought to a productive balance across countries in tandem with their individual absorptive capacities. Presently, not only have developing countries been growing at a faster pace but also their productivity has improved significantly causing their share in global savings and investments to increase significantly. On the other hand, performance of developed countries under strained economic and fiscal conditions has slowed down considerably causing a shift in investment holdings away from uncertain advanced economies to emerging markets. With major structural transformations in line ahead, developing/emerging economies would only continue to accelerate their pace of growth and in turn their share in global savings and investments over the next decade.

LSE Leads Corporate Briefing Program For Highnoon Laboratories

- LSE Press Release

The representatives of Highnoon Laboratories, Company Secretary Mr. Khadim Hussain, Director Finance Mr. Javaid Hussain visited The Lahore Stock Exchange to participate in the corporate briefing program, an interactive program initiated by the Lahore Stock Exchange under the Corporate Communications Department to encourage companies to come forward and share their financials and non financial projects before the members, TREC Holders, investors and the media to abridge the communicational gap between the listed companies and the market participants through this platform.
Mr. Farid Malik, General Manager -LSE while addressing to the participants stated that the purpose of the Corporate Briefing Program was to provide a platform to our listed companies whereby such companies can periodically visit the stock exchange and share the latest corporate information with the stakeholders such as the brokers and the investors alike. He said that since the market price of any company is a function of the financial and strategic information available in the market, therefore, LSE considers it essential for the companies to participate in such programs so that there is no information asymmetry regarding our listed companies.

Director Finance Highnoon Laboratories Mr. Javaid Hussain delivered the presentation before the participants about financial performance and future plans of the company. He stated that the company is in process to \ add new countries to its export as the company is already the first pharmaceutical company to export in France and Saudi Arabia. He also stated that the company has a potential to produce beyond its current capacity provided the trade between the neighboring countries are relaxed. He also shared that the company has invested in building a dedicated hormone facility, a sachet facility and a consumer facility to expand the business.