

No rate hike seen this year

Waheed Abbas

DUBAI — Borrowing costs for personal, auto, and home loans in the UAE are most likely to remain stable, or could even drop slightly in 2020, experts say.

Most economists expect the US Federal Reserve to keep rates stable, but some experts see the possibility of two rate cuts of 25 basis points this year. Since the UAE follows the Fed in policy rates, the Fed's decision will be directly reflected in the UAE's rates. However, some banks could offer more competitive rates amidst stiff competition to grow their market shares.

Though some economists talk of a likelihood of recession in the US, several believe that the economy is functioning well and a recession is unlikely in the near-term.

Monica Malik, chief economist at Abu Dhabi Commercial Bank, sees the Fed remaining on hold in 2020 after its mid-cycle cuts in 2019. "Economic activity in the US remains solid with inflationary pressures muted. The Fed has indicated that interest rates are well calibrated with the economic momentum," she said.

SEE PAGE 15 

FED RATE MOVES IN 2019

3 Rate cuts were announced in 2019

0.75% Reduction in interest rates since mid-2019

0.25% Rate cut in July 2019

0.25% Rate cut in September 2019

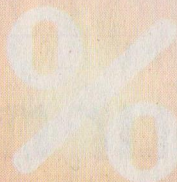
0.25% Rate cut in October 2019

FED RATE CUTS POSSIBILITY IN 2020

> Interest rates are most likely to **remain stable**

> **Maximum two rates cuts** are possible

25 basis points rate cuts are possible each time



WHAT WILL INFLUENCE FED ON RATES?

GDP growth



Recession possibility



Inflation



Middle East tensions



Manufacturing and services sectors



Trump's insistence to cut rates further



The UAE interest rates are unlikely to move significantly. However, competition in the UAE banking market remains fierce
Samer Hijazi, head of Abu Dhabi Office at Grant Thornton



We believe that the US Federal Reserve will cut interest rates at least once or twice this year by 25bps on each occasion
Anita Yadav, chief executive of Century Financial



Borrowing costs in UAE could drop in 2020

Anita Yadav, CEO of Century Financial, said that although the Fed's dot plot indicate no rate cuts in 2020, the Futures market is pricing probability of at least one rate cut this year.

"We believe that the US Federal Reserve will cut interest rates at least once or twice this year by 25bps each. The latest Fed Meeting minutes reflect continued confidence in the economy and a preference for using quantitative easing type tools to support the economy if need be, instead of cutting interest rates. However, we think that despite the Fed's

ANOTHER PERSPECTIVE: RATES MAY HIT 0%?

The Federal Reserve will cut rates to zero as the US economy will slip into recession briefly in 2020, according to Philip Marey, senior US strategist at Rabobank.

"We expect the US economy will mount into slight recession in the course of the year and that will force Fed to go back to zero. In second scenario, the Fed will see slowdown coming and cut rates to zero and prevent recession. And either way that will lead Fed to cut rates to zero before the end of the year," Marey told Bloomberg.

Marey sees a recession in the manufacturing sector, which is slipping over to the services sector.

— waheedabbas@khaleejtimes.com

independence, US President Donald Trump's insistent demand to bring rates down to zero may exert some pressure on the Fed to cut rates," Yadav told *Khaleej Times* in an interview on Saturday.

Going forward, in addition to economic data related to GDP, unemployment and inflation tensions in the Middle East region, and more than expected weaken-

ing of the US economic growth due to continued trade disputes or persistently low inflation, can influence Fed's decision on the rates, Yadav added.

According to Monica Malik, key domestic indicators particularly related to GDP growth and inflation will influence the Fed's decision on rates.

"International developments will also be critical, especially

areas that will feed into the domestic economy. Signs of weakening global growth was a key factor for the 2019 rate cuts," she added.

Samer Hijazi, head of Abu Dhabi Office at Grant Thornton, says the consensus view in the market is that the US Federal Reserve will keep interest rates stables for most of 2020 to manage the US economy.

"As such, the UAE interest rates are unlikely to move significantly. However, competition in the UAE banking market remains fierce and there will be some banks out there willing to offer very competitive product rates to capture and/or retain market share," said Hijazi.

The US Fed last cut its benchmark rate on October 30, 2019 by a quarter point to a range of 1.5 per cent to 1.75 per cent. It was the third cut in four months.

Iyad Abu Hweij, managing

partner at Allied Investment Partners, also sees interest rates staying stable during 2020.

"As the US Fed has indicated that it will not be making any rate cuts in the foreseeable future. However, we do expect new Central Bank regulations to be introduced to support the real estate sector, particularly with regards to the maximum loan-to-value (LTV) offered by banks," he said.

David Woo, head of global rates, forex and emerging markets at Bank of America Merrill Lynch, also does not see a possibility of interest rate cut by the US Fed this year.

"2020 is an election year in the US and that the hurdle for the Fed to hike rates is considerably higher than in normal years," said.

— waheedabbas@khaleejtimes.com

De-Registration

M/s. AIONIAN OIL TRADING FZE

(Fujairah Free Zone)

Date 15/01/2020

NOTICE TO CREDITORS

NOTICE IS HEREBY GIVEN TO ALL CREDITORS TO ADVISE THEIR OUTSTANDING DUES FROM M/s. AIONIAN OIL TRADING FZE. CONFIRMATION MUST BE RECEIVED WITHIN THIRTY DAYS OF THE DATE OF THIS NOTICE BY REGISTERED POST AT THE ADDRESS GIVEN BELOW:

P.O. Box 1133, FUJAIRAH, UAE - Tel: 09-2228000

This notice is published under the responsibility of the advertiser