

INVESTMENT

Asia-Middle East corridor 'presents opportunities to investors eyeing growth'

Peggy Sito and Kandy Wong
in Riyadh

The economic and investment corridor between Asia and the Middle East is experiencing rapid development, presenting new opportunities for global investors on the lookout for growth, said Nicolas Aguzin, CEO of Hong Kong Exchanges and Clearing (HKEX).

Investments from Saudi Arabia and the wider Middle East were playing an increasingly significant role in their interactions with Asia, Aguzin said during a panel discussion at the FII conference in Riyadh yesterday.

The event, in its seventh year, is themed "The New Compass" this year.

"Capital chases after opportunities," Aguzin said on the first day of the three-day conference, which began yesterday. "While some traditional corridors may be slowing down or even reversing, another corridor is witnessing a rise in activity."

The comment, made during a panel titled "What moves capital in a deconstructed world", reflected one of the latest trends in global capital flow in an increasingly complicated world.

Saudi Arabian, Emirati and other Middle Eastern investors were playing increasingly significant roles in Asia, Aguzin said, pointing out that the region's 10 largest sovereign wealth funds

managed about US\$4 trillion of assets.

"Only a small percentage – about 1 or 2 per cent – of that amount is invested in China," he said.

Financial markets in the six-member Gulf Cooperation Council countries have increasingly used capital markets for fundraising, with initial public offerings more than doubling to 48 last year, according to a report by HSBC last month.

These listings, which together raised US\$23.4 billion, were particularly popular among Asian investors seeking exposure to such industrial sectors as health-care, property and capital goods.

Listings had declined across the world this year because of the rapid rise in interest rates as global central banks led by the US Federal Reserve increased the cost of money to beat inflation, HKEX chairwoman Laura Cha Shih May-lung said.

"Interest rates will remain high in the short term," Cha said during a panel discussion titled "Views from global capital markets" at the summit. "Equity investors should focus on companies with long-term potential."

There is an influx of new-economy companies listing on the Hong Kong exchange, particularly in the fields of health sciences and sustainability. Cha hoped this trend would continue, indicating a growing interest in these sectors.