

Confidence rises about possible UAE, Qatar upgrade by MSCI: expert

DUBAI, June 9 (Xinhua) -- Two days ahead of index firm Morgan Stanley Capital International's (MSCI) verdict whether the United Arab Emirates (UAE) and Qatar will be upgraded to emerging market from frontier market, a senior executive of lender BNY Mellon said here on Sunday that recent developments indicate both Gulf states were ripe for an upgrade. Peter Gotke, vice President and head of GCC Depositary Receipts at BNY Mellon, said in an e-mailed statement he was confident that the UAE and Qatar will be upgraded to "Emerging Markets status" by global index developer MSCI on June 11. Gotke said Inflows from foreign investors have been on an upward curve for some time in both the UAE and Qatar. He added that at UAE stock markets in Dubai and Abu Dhabi "the newly implemented delivery versus payment system (DVP), introduced as part of the MSCI criteria, has now been fully tested." DVP means that the bourse books shares in a trader's account without delay once he or she purchases the securities. An upgrade, which was postponed by MSCI several times in recent years, could trigger new inflows into the three stocks markets, namely, Dubai Financial Market (DFM), Abu Dhabi's ADX and the Doha-based Qatar Exchange. While the market capitalisation of all MSCI frontier markets stands at over 5 billion U.S. dollars, emerging market are collectively worth over 4 trillion dollars. According to MSCI, South Korea, Egypt and China are emerging markets, while the UAE, Qatar, Serbia or Argentina are frontier markets. In anticipation of an upgrade, the equity indices in both the UAE and Qatar rallied since the start of 2013. The DFM and the ADX gained 47.9 percent year to date, while the ADX and the QE 20 Index advanced 36.45 percent and 11.72 percent, respectively, in the same period of time. Gotke said it was likely that the UAE and Qatar would attract significant capital flows in additional foreign investment, should they be upgraded to emerging market status. However, there are also doubtful voices among some Gulf Arab analysts on the MSCI's verdict as neither the UAE nor Qatar allow 100 percent foreign ownership outside their industrial free zones or in all sectors.