

Business



Greenpeace boats are seen in the water near the Cairn Energy Stena Don Oil Rig, in the seas west of Disko Island in the Arctic.

BP faces tough future

LONDON (AP) — At a celebration of BP's centennial last October, CEO Tony Hayward boasted to guests that the oil company "lives on the frontiers of the energy industry."

But this week, in the first major sign that the Gulf of Mexico oil spill might have caused lasting damage to the company's long-term strategy of embracing projects with high risks, BP was frozen out of a potentially lucrative license to drill for oil off the coast of Greenland.

The Arctic setback comes as BP's plans to begin deep-water drilling in Libya and the North Sea have been delayed, and its vast offshore U.S. operations remain under a cloud.

BP might face less difficulty in carrying out risky projects in parts of the world where regulation is less restrictive, such as in Angola, Russia and Iraq. But it can ill afford another major accident as years of investigations and costly lawsuits linked to the gulf spill loom.

To help cover the costs of the spill, BP has begun shedding assets around the world, with a goal of raising \$30 billion. Analysts say cleanup, fines and lawsuits could cost BP more than that, although the company appears to have avoided some worst-case environmental scenarios, like oil washing up the East Coast.

By selling mostly land-based assets, BP is

signaling that it intends to remain a deep-water driller. Still, with Hayward gone soon, incoming CEO Bob Dudley is expected to mimic the safety-first strategy pursued by ExxonMobil Corp. after its historic 1989 spill in Alaska's Prince William Sound. For example, Exxon quickly appointed an executive to develop a new inspection system that would examine every major piece of equipment within the company's global operation.

"I don't see (BP) marching off into new frontiers any time soon," said Doug Youngson, an analyst with Arbuthnot Securities in London.

That would be a shift from the past decade or so.

Its aggressive growth, including its acquisition of Amoco in 1998, made it the largest producer of oil and gas in the Gulf of Mexico. And, until the deadly explosion of the Deepwater Horizon rig on April 20, it would have been expected to be at the center of the new oil rush in the Arctic.

Interest in the Arctic is rising after Cairn Energy PLC's announcement this week that it had found gas off Greenland's west coast. BP said it had decided not to bid for a drilling license after showing interest in the preliminary stages of the bid round.

But with a Greenpeace ship already circling Cairn's rig, Greenland Premier

Kuupik Kleist indicated that the company had stood little chance of gaining a license to operate in such an environmentally sensitive part of the world.

"Of course we are influenced by what happened in the Gulf right now," Kleist said this week.

BP spokesman Robert Wine said the company had not ruled out bidding for future licenses around the world.

State-owned oil companies in Libya and the Middle East that have bestowed major contracts have so far stood faithfully by the company. So too have its partners in Russia, where it produces more crude than in the United States — 840,000 barrels a day, compared with 665,000 barrels a day. It also has 19 new discoveries in Angola to explore further and plans for 50-100 wells in southern Iraq.

But Dudley, who takes over from Hayward on Oct. 1, is expected to focus initially on selling assets to pay for the spill and repairing the company's tattered reputation.

The company is putting a positive spin on the fire sale. It has already raked in almost \$9 billion from the sale of assets in Egypt, Canada, the U.S. and Colombia, and says the moves will "better align our strategic footprint with our global strengths."

Resort Collection to begin management for Grand Panama

By **CHRIS SEGAL**
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PANAMA CITY — The Resort Collection of Panama City Beach will become the on-site management company Sept. 1 for the Grand Panama Beach Resort.

The Resort Collection will manage 200 units on the property, which include one-, two- and three-bedroom units. The management company also will be directly involved with operations including food and beverage, maintenance, housekeeping, reservations and front desk management.

"We are in a growth mode," said Paul Wohlford, vice president of sales and marketing for The Resort Collection of Panama City Beach. "We will have approximately 1,000 units managed in Panama City Beach, and we are looking to continue growing."

Wohlford identified the companies forward thinking and planning in addition to good staffing as the reasons The Resort Collection is in a growth mode despite the economic environment and the oil spill.

"The summer, we got through it pretty well," Wohlford said. "We had to change all our messages and the booking window changes from several months out to six to two days out but we communicated more with guest through things like Facebook than we ever had before."

The management company also will work with the current homeowners' associations.

"Hopefully the homeowners will see more revenue as we develop a more robust marketing strategy, which is something Grand Panama has never had," Wohlford said.

The Resort Collection will develop a marketing plan for Grand Panama and reach out to high-end clients who take multiple vacations a year.

"Grand Panama Beach Resort is a great addition to the collection," Resort Collection General Manager Tom Sparks wrote in a news release. "The nearly 200 units that we will manage are luxury at its finest, and we are confident that the addition of this property will allow us to continue to offer our guests an unrivaled quality vacation."

Tom Donahue, previously the director of rental service for The Resort Collection, will oversee daily operations at Grand Panama.

"This is step one with more steps to come," Wohlford said. "We are looking forward to the future."

The Resort Collection of Panama City Beach includes a management portfolio that includes Edgewater Beach & Golf Resort, Majestic Beach Resort, Emerald Beach Resort, Long Beach Resort, En Soleil and Marina Landing. The Resort Collection manages more than 1,200 full-service suites, 90,000 square feet of combined meeting space, 6 Plexicusion tennis courts, retail shops, boutiques, fitness rooms, 23 pool, a nine-hole golf course and 27 holes of golf at the Hombre Golf Club.

Good news: Stocks look cheap

NEW YORK (AP) — With the market down three weeks in a row, investors are understandably grim. But there is a silver lining: Stocks are looking almost as cheap as last year when prices hit 12-year lows — at least according to Wall Street analysts.

It was easy to miss the development amid news of falling home sales, a drooping dollar and sluggish orders for big-ticket goods. But stocks in the Standard & Poor's 500 index now trade at 11.7 times analyst estimates of operating earnings for the coming year. That is one of the lowest — read cheapest — levels for this key figure.

In fact, this so-called price-earnings multiple is roughly back where it stood at the end of March 2009 just as the market was starting an 80 percent surge.

A lot of investors are kicking themselves for having missed that run-up. The question now: Should they jump in now to not to miss another?

Though it is a rough measure of a stock's value, the earnings multiple holds a certain logic. Before buying the corner pizzeria, you would want to know how many years it would take selling pies and sodas to earn your money back. You

can do that by dividing the price you'd have to pay for the business by the profit it generates over a year.

So too with stocks. The earnings multiple divides stock prices by annual earnings to tell you, in a sense, the number of years it might take to be made whole on your investment. The almost 12 years analysts say it would take if you bought stocks now compares with an average of maybe 15 during the past two decades.

But the faster clip assumes actual profits won't fall short of the projected ones, and some longtime market observers are worried about that.

"Some analysts are projecting earnings will hit an all-time high in a year," said Howard Silverblatt, senior index analyst at Standard & Poor's. "That would be nice but I wouldn't bet on it."

History suggests he is right to be skeptical. An April study by McKinsey & Co. of analyst projections over 25 years showed they are almost always too optimistic. On average, analysts estimated profits would grow at 10 percent — 12 percent annually — almost twice as much as they actually did. The two periods when

analysts lowballed profit growth were in the early '90s and early '00s when the U.S. was coming out of recession as it is today.

Mason Hawkins, CEO of Southeastern Asset Management, has trounced the market by buying stocks when others are selling, and he's been buying lately. His flagship Longleaf Partners Fund returned 4.9 percent annually in the past 10 years versus a 1.6 percent decline in the S&P 500.

To get a sense of whether stocks are cheap, the 62-year-old Hawkins looks at how much of your investment you get back in earnings in a year. Based on analyst estimates, if you bought every Dow stock at Friday's 10,150.65 close, you'd get 11 percent back. Though you're not actually pocketing any cash, that's still a big return. After all, some relatively safe investment-grade corporate bonds are throwing off annual interest of 5.3 percent what you pay for them now. That means you'd get nearly six extra percentage points by holding stocks. Since 1932, the difference in yields between bonds and stocks following big drops in the stock market has been 2.8 percent, Hawkins said.

PANAMA CITY MORTGAGE GUIDE

Check Rates Daily <http://panama.interest.com> Bankrate.com

Program	Rate	Points	Fees	% Down	APR	Program	Rate	Points	Fees	% Down	APR
QUICK QUOTE MORTGAGE 866-584-4650						BAY CREDIT UNION 850-785-6103					
http://www.quickquotemortgage.net											
30 yr fixed	4.000	0.000	\$295	20%	4.015	30 yr fixed	4.625	0.000	\$1185	20%	4.687
15 yr fixed	3.625	0.000	\$295	20%	3.651	15 yr fixed	4.125	0.000	\$1185	20%	4.232
5/1 ARM	2.875	0.000	\$295	20%	2.806	30 yr FHA	4.750	0.000	\$4110	3%	4.970
7/1 ARM	3.000	0.000	\$295	20%	2.878	30 yr VA mtg	5.000	0.000	\$3980	0%	5.216
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MORTGAGE UPDATE

Rates slide back near lows By Holden Lewis

Mortgage rates fell again this week, and refinances blipped up.

The benchmark 30-year, fixed-rate mortgage fell 4 basis points this week, to 4.59 percent, according to the Bankrate.com national survey of large lenders. A basis point is one-hundredth of 1 percentage point. The mortgages in this week's survey had an average total of 0.38 discount and origination points. One year ago, the mortgage index was 5.53 percent; four weeks ago, it was 4.71 percent.

In the 25-year history of Bankrate's weekly mortgage rate survey, the average rate on the 30-year fixed has been lower only once. That was the week of Aug. 11, when the average rate was 2 basis points lower at 4.57 percent.

The benchmark 15-year, fixed-rate mortgage fell 3 basis points, to 4.08 percent. The benchmark 5/1 adjustable-rate mortgage fell 10 basis points to 3.85 percent, and the 30-year, fixed-rate jumbo mortgage fell 4 basis points, to 5.22 percent.

Rising refis, home prices

Rates fell this week after the National Association of Realtors released its report on home resales in July. Home sales were much weaker than most forecasters had expected. Concerns about the economy's trajectory led stock prices and bond yields to fall, and mortgage rates went along for the ride.

One thing went up: refinances. Last week, mortgage refis were at their highest level since May 2009, according to the Mortgage Bankers Association.

"With rates this low, many borrowers who refinanced in the past two years may well have an incentive to refinance again, and this is likely increasing refi application activity," says Michael Fratantoni, head of research and economics for the Mortgage Bankers Association.

More than 82 percent of mortgage applications last week were from homeowners who wanted to refi. The flipside of that statistic: Just 18 percent of mortgage applications were from homebuyers, which illustrates the abysmal level of home sales.

Home resales cratered nearly 30 percent from June to July, according to the National Association of Realtors. The Realtors say 389,000 homes were resold in July, compared to 555,000 resales in June. When mortgage rates are so low, it's hard to believe that home sales are so weak. But when you look at what's happened to house prices, the drop-off in sales is not a mystery.

According to the Realtors, the median house price has risen dramatically this year. The median price is the midpoint; half of houses cost less than the median. The median price in January was \$164,900, and the median in July was \$182,600. Over the same period, mortgage rates fell almost half a percentage point. The price increase overwhelmed the rate decrease.

After making a 20 percent down payment on the median-price home, principal and interest totaled \$37 more in July than in January, even though mortgage rates fell substantially. Homes became less affordable. No wonder home sales fell.

Falling prices ahead

At the rate that homes were resold in July, it would take about a year and two weeks to sell them all. In the argot of the Realtors, there's a 12.5-month inventory.

"The inventory is extremely high," says Manuel Iraola, CEO of Homekeys, a Miami-based online real estate brokerage. "I characterize the inventory as an iceberg sitting in the ocean. What we see is huge, huge numbers. And then the problem with the iceberg is what's below the surface. You have millions of properties that are in some stage of foreclosure that haven't reached the market. What are you going to do with those houses?"

Yet, home prices were higher in July, with a 12.5-month inventory, than they were in January, when there was a 7.8-month inventory.

"Prices need to continue to come down," Iraola says. "Look at the surplus inventory. It's economics 101."

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