SLOWDOWN IN ECONOMY | Page 4

Powell signals more hikes coming, while markets detect pivot

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GULF TIMES
BUSINESS

SALES SURGE 37% : Page 3

TotalEnergies second-quarter profits double on soaring oil prices

Qatar may record fiscal balance of 8.6% of GDP this year, 8.8% in 2023: Oxford Economics

By Pratap John
Business Editor

As for Qatar's current account, Oxford Economics said the country is expected to record a balance of 16.2% of its GDP this year and 14.3% in 2023

Qatar is expected to record a fiscal balance of 8.6% of GDP this year and 8.8% in 2023, Oxford Economics has said in a report.

As for Qatar's current account, Oxford Economics said the country is expected to record a balance of 16.2% of its GDP this year and 14.3% in 2023.

Positive fiscal and current account balance indicate that the country's economy is in robust health. According to analysts, positive fiscal balance meant government's revenues exceed its expenditures, whereas the positive current account balance indicates that the nation is a net lender to the rest of the world.

The country's real GDP growth is expected to be 3.6% this year and 3.5% in 2023. Inflation will be nearly 3.9% this year and 2% in 2023, Oxford Economics noted.

As the US Federal Reserve continues its aggressive hiking cycle, all central banks across the Mena region have tightened monetary policy to tackle rising inflation.

Qatar Central Bank (QCB) announced on Wednesday it was raising the deposit rate 75 basis points to 3%, QNA said. It also raised the lending rate 50 basis points to 3.75%.

The central bank cited the evolving domestic and international macroeconomic developments as the reason behind the decision. It also increased the repo rate 75 basis points to 3.25%, the Qatari news agency said. The UAE and Bahrain have hiked the most at 75bps, whereas Kuwait continues to be the least hawkish, only raising rates by 25bps.

"With inflation continuing to rise, we expect more rate hikes to follow later in the year," Oxford Economics noted.

"Looking forward, we expect policymakers to continue on this tightening cycle until it is certain that inflation has begun to ease. Given the currency pegs to the US dollar, it is also important that policy rates do not fall too far out of step with the US Federal Reserve, which we expect to continue hiking until mid-2023.

Separately, a report by Cooper Fitch indicates that job creation grew 10% between first and second quarters (Q1 and Q2) this year in the UAE. This was the largest increase in the Gulf region, with Bahrain second at 9%, Oman at 6%, Qatar at 4%, and Saudi Arabia at 3%.

Kuwait's job market experienced a contraction of 2% between quarters, Oxford Economics noted.

Qatar-Italy 'most common voyage' in European LNG shipments in 2021, says IGU

By Pratap John
Business Editor

Qatar-Italy was the "most common voyage" in LNG shipments in Europe in 2021, International Gas Union has said in a report.

As many as 76 LNG shipments were clocked in the Qatar – Italy route last year, IGU said in its 'World LNG Report 2022'.

With additional liquefaction capacity, 2021 was characterised by a resumption of growth in the number of voyages and vessel utilisation, after Covid-19 demand reduction in 2020, IGU noted.

A total of 6,708 LNG trade voyages departed in 2021, up 12% from 2020, which in contrast saw little growth from the previous year. Global growth in LNG trade voyages is in line with growth in liquefaction capacity, alongside growing competition between Asia and Europe as LNG demand centres.

The number of LNG trade voyages both to Europe and Asia has trended upwards since 2015, with growing year-on-year liquefaction and vessel deliveries.

The Panama Canal was widened and deepened in 2016, allowing for more transits. The resulting voyage distance and time from the United States' Sabine Pass terminal to Japan's Kawasaki LNG site was reduced to 9,400 nautical miles (nm) and 29 days through the Panama Canal, compared to 14,500nm and 45 days through the Suez Canal and close to 16,000nm and 49 days around the Cape of Good Hope.

However, due to the popularity of the route, the Panama Canal has become a bottleneck for this voyage, IGU noted.

LNG carriers reduce speed and increase the amount of LNG afloat in a quasi-floating storage as a short-term bridge before winter to meet larger end-of-year demand.

High charter rates and boil-off usually lead to storing LNG earlier in the year or for longer periods being uneconomical.

Covid-19 led to low LNG shipping charter rates, port closures and excess liquefaction, an environment that allowed for use of LNG carriers at reduced speed or eventually for storage as early as February 2020.

This dampened the effect that demand destruction otherwise would have had on vessel utilisation in 2020.

In March 2021, the Ever Given container ship ran aground in the Suez Canal, blocking the passage for a week. 16 LNG carriers intended to transit through the Suez Canal at this time, some of which made the decision to sail around the Cape of Good Hope instead.

There were 4,598 voyages to Asia in 2021, a 10% increase from 2020 driven by stronger Chinese demand amidst a colder winter at the beginning of the year, coupled with a coal shortage and stronger industrial demand towards year-end.

European trade voyages grew 11% to 1,435, competing head-to-head with Asia for LNG supply.

According to IGU, the most common voyage globally in 2021 was from Australia to Japan, with 452 voyages. This was closely matched with the voyage count from Australia to China, at 447 journeys.

QSE index witnesses a remarkable recovery

QNA
Doha

Qatar Stock Exchange index witnessed a remarkable recovery this week, to break the barrier of 13,000 points and adding 412.930 points to its balance representing a growth rate of 3.250%, to reach the level of 13,122 points.

Commenting on such performance, the financial analyst, Tamer Hassan said that the recovery of the Qatar Stock Exchange is due to the purchase deals made by Qatari institutions, and avoiding selling that characterised the past period, which was supported by the momentum of foreign portfolios by raising the levels of their purchases of Qatari listed companies' shares, in interpretation of the confidence it enjoys among foreign investors.

Hassan returned the gains in Qatar Stock Exchange index to the economic strength, companies' achieved results, oil high prices that exceeded $100 per barrel, in addition to the impact of FIFA World Cup Qatar 2022 championship in strengthening the services sector in its various fields.

The weekly report of Qatar Stock Exchange indicated a raise in the market value at the end of the week's trading to reach QR722.14bn, compared to its level last week of QR705.297bn, recording a raise of 2.38%.

In this context, the financial analyst said that the Qatari market was able to handle the interest rates surge given that various investors expected it to be about 75 base points.

He pointed out that the high levels of liquidity that have been injected into the market in the past few days — which exceeded QR500mn per day — enabled the stock exchange index to return to levels exceeding 13,000 points after maintaining the resistance point at 11,700 points.

The report indicated that the value of stock trading, during the current week that ended its trading today, amounted to QR2.618bn, through the sale of 901.764mn shares, which were executed following the conclusion of 87,659 transactions.

Hassan told QNA that the rise in oil and gold prices in global markets confirms the absorption of the shock of raising the interest rate, saying in this regard that therefore we noticed the recovery that characterised many of them.

The analyst warned against the expected and unexpected profit-taking operations in the Qatar Stock Exchange to maintain the levels achieved by the index, stressing the need for the profit-taking operations to be safe and gradual.

US optimistic about next Opec+ meet, says administration official

Reuters
Dubai

The United States is optimistic that there could be some positive announcement when Opec+ meets next week, a senior administration official said yesterday, adding that additional oil supplies would help further stabilise the market.

The official said this was based on conversations during President Joe Biden's bilateral and multilateral meetings on his recent visit to Saudi Arabia, but that "these are decisions that Opec members have to make and we respect that process".

"We are optimistic based on the conversations we had about this next Opec+ meeting," the official told reporters. "We think that, obviously, additional supply would certainly help even further stabilise the market and potentially bring prices down."

The Biden administration has come under pressure to cut gas prices and other consumer costs ahead of the November 8 mid-term elections where his Democratic Party is seeking to retain control of Congress.

Opec+, which includes both Saudi Arabia and Russia, meets next on August 3. During his visit to Saudi Arabia earlier this month as part of a Middle East trip Biden failed to secure public pledges on raising oil output from Gulf Opec producers.

Saudi Arabia's foreign minister later said on July 19 that there was no shortage of oil in the market, but a lack of refining capacity.

Oil prices rocketed after the United States and Europe imposed sanctions on Russia over its invasion of Ukraine.

Prices have slipped since then.

The Group of Seven richest economies — the United States, Canada, Japan, Germany, France, Italy and Britain — said last month they would consider setting a price cap on Russian crude to curb the oil revenue that Moscow uses to finance the invasion, which it calls a special military operation.

The US administration official said the price cap was an "idea worth exploring" but that a lot of work was still needed to determine its feasibility, including establishing the price level and getting other countries on board.

BUSINESS

HSBC Holdings set to face HK shareholders amid Ping An battle

Bloomberg
Hong Kong

HSBC Holdings Plc executives and directors will do something next week that they haven't done in three years: Meet their Hong Kong shareholders face-to-face. The Tuesday meeting could be a tense one, with shareholders saying they'll quiz the bank on dividends, relocations and the push from largest shareholder, Ping An Insurance Group Co, to consider a break-up.

Christine Fong, a Hong Kong politician who represents 500 small investors in HSBC stock, will attend. Fong supports Ping An taking board seats and for the bank to make Hong Kong its home base once again.

The push for HSBC to relocate is comparable to Alibaba Group Holding Ltd seeking a primary listing in Hong Kong, according to Fong. "Alibaba is seeking a primary listing in Hong Kong," said Fong. "Why not HSBC?"

Noel Quinn, HSBC's chief executive officer, will host the shareholder meeting alongside Chairman Mark Tucker. Neither has talked directly about Ping An's campaign, but the bank has signalled that it wants to stick to its current structure while continuing a pivot to Asia.

In a notice published on HSBC's website this month inviting investors to the informal meeting, the bank said it would provide attendees with an "update on group strategy." The wording is a shift from previous get-togethers with Hong Kong investors, which were billed as an opportunity to discuss the bank's results and "other matters of interest."

The change may reflect pressure the bank is under from Ping An, which has spent the past few months waging a behind-the-scenes campaign to force HSBC to consider a radical overhaul of its strategy. Hong Kong-based shareholders make up around a third of HSBC's investor base and are arguably the most important single bloc of stock on the bank's share register. Many were enraged in 2020 when in the early months of the Covid pandemic HSBC, along with every other major UK bank, cancelled its dividend following a de facto order from the Bank of England.

Simon Yuen, the founder of Surich Asset Management, which manages money for clients who own HSBC shares, said that many investors were disillusioned and were voting with their feet. Quite a few shareholders "are discussing whether to quit or sell off their holdings in HSBC," he said.

Fong said many shareholders were worried that the British authorities would "take charge again" and order HSBC to suspend its dividend. Some local Ping An shareholders who felt they lost out as a result of the insurer not receiving an income from its more than 8% holding in HSBC also support the break-up of the bank, Fong added.

Speaking to Bloomberg in May, Ken Lui, an HSBC shareholder and founder of Hong Kong Investor and Entrepreneur Institute, said breaking out the bank's Asian unit could mean the business is "less affected by political factors and UK regulations."

Next week's meeting will offer HSBC a chance to make the case for keeping the bank's global network. HSBC has commissioned Goldman Sachs Group Inc and advisory firm Robey Warshaw to rebuff Ping An's campaign.

Ping An itself is not expected to make public statements around the results, the first since its proposals for change at HSBC became public.

Taxis line up outside the HSBC Holdings headquarters in Hong Kong. HSBC executives and directors will do something next week that they haven't done in three years: Meet their Hong Kong shareholders face-to-face.

QSE MARKET WATCH

Company Name	Lt Price	% Chg	Volume
Zad Holding Co	18.00	2.86	1,833
Widam Food Co	2.82	0.64	88,804
Vodafone Qatar	1.67	0.36	4,671,099
United Development Co	1.52	2.91	5,006,206
Salam International Investme	0.86	1.42	9,175,186
Qatar & Oman Investment Co	0.74	2.22	2,390,808
Qatar Navigation	10.65	-3.01	1,471,200
Qatar National Cement Co	4.87	0.75	1,204,470
Qatar National Bank	20.11	-1.66	3,158,991
Qlm Life & Medical Insurance	5.50	1.38	556
Qatar Islamic Insurance Grou	8.40	-1.16	33,382
Qatar Industrial Manufactur	3.68	2.51	336,396
Qatar International Islamic	11.80	-1.50	1,558,336
Qatari Investors Group	2.02	0.75	3,244,224
Qatar Islamic Bank	25.71	-1.49	1,501,983
Qatar Gas Transport(Nakilat)	4.08	-0.87	2,932,933
Qatar General Insurance & Re	1.90	-2.86	10,000
Qatar German Co For Medical	1.51	2.59	3,444,210
Qatar Fuel Qsc	17.81	-0.78	579,906
Qatar First Bank	1.16	0.26	591,811
Qatar Electricity & Water Co	18.51	-2.01	346,968
Qatar Exchange Index Etf	12.93	1.88	27,993
Qatar Cinema & Film Distrib	3.65	0.00	-
Al Rayan Qatar Etf	2.83	-0.32	67,949
Qatar Insurance Co	2.35	0.86	256,707
Qatar Aluminum Manufacturing	1.69	4.64	41,307,875
Ooredoo Qpsc	9.30	3.32	1,588,443
Alijarah Holding Company Qps	0.88	1.73	1,205,394
Mazaya Real Estate Developme	0.83	0.85	8,900,319
Mesaieed Petrochemical Holdi	2.72	-0.33	8,422,625
Al Meera Consumer Goods Co	17.89	0.34	30,163
Medicare Group	6.86	0.13	107,384
Mannai Corporation Qsc	9.59	6.55	1,031,939
Masraf Al Rayan	4.40	0.92	20,574,430
Al Khalij Commercial Bank	0.00	0.00	-
Industries Qatar	17.00	3.98	5,874,984
Inma Holding Company	6.07	4.13	2,246,664
Investment Holding Group	1.93	1.10	16,550,423
Gulf Warehousing Company	4.38	-0.52	1,056,256
Gulf International Services	1.98	2.33	18,216,827
Al Faleh Education Holding	1.45	-3.34	162,393
Ezdan Holding Group	1.06	0.47	11,276,378
Doha Insurance Co	2.17	0.84	1,179,014
Doha Bank Qpsc	2.51	0.44	1,653,321
Dlala Holding	1.54	2.06	456,236
Commercial Bank Psqc	7.30	1.47	2,095,096
Barwa Real Estate Co	3.60	0.39	5,290,600
Baladna	1.74	2.29	20,387,354
Al Khaleej Takaful Group	3.27	0.46	1,210,162
Aamal Co	1.16	0.17	761,180
Al Ahli Bank	4.00	0.00	194,883

Yen roars back as hedge funds cut from big macro short

Bloomberg
Tokyo

The yen catapulted higher against major peers yesterday as lowered expectations for rate hikes caused hedge funds to cover short bets from one of the biggest global macro trades of the year.

In early trading the yen strengthened more than 1% to 135.11 per dollar, as hedge funds liquidated long positions in the greenback, according to Asia-based currency traders who asked not to be named as they are not authorised to discuss client activity publicly. It jumped by a similar amount against the euro and the Australian dollar.

The sharp moves suggested that short-yen strategies – a popular macro trade this year – are hitting limits as investors consider how recession risks could lead to less aggressive rate hikes by major central banks. That would alleviate pressure on the Bank of Japan, whose negative rate policy led to a wide gap with the rest of the world and pushed the yen to a 24-year low against the dollar.

"A post-FOMC unwinding of dollar longs is not unexpected," and the yen could strengthen close to the 133 level, said Christopher Wong, senior foreign-exchange strategist at Malayan Banking Bhd. "Dollar-yen should really be much lower if markets are anticipating some sort of global recession."

Treasury yields fluctuated Wednesday after Fed Chair Jerome Powell offered less clear guidance on future rate moves, something markets took as a sign the central bank is turning slightly dovish amid indications of a slowing economy.

The spread between benchmark 10-year yields in the US and Japan has fallen over 60 basis points from a peak in June.

Speculators had been paring some of their bearish yen bets with net-short non-commercial positions falling to the lowest this year at the end of June, according to data from the Commodity Futures Trading Commission. But sizeable shorts remain and hedging costs have continued to push higher amid a debate whether the yen could fall through the closely-watched 140 level.

Some strategists see the yen strength – and the recent pause in the dollar's rally – as temporary.

"At the moment the dollar-yen looks like it could remain under further pressure in the very short term," said Laura Fitzsimmons, executive director of macro rates and FX sales at JPMorgan's Australian unit. But "unless you see a shift in the BoJ's tone," the short-yen macro trade is still on.

Larger flows from institutions and reserve managers were yet to be seen, the Asia-based traders said.

The yen's advance will at least be welcomed by Bank of Japan Governor Haruhiko Kuroda, who risked further currency weakness last week by standing firm with a policy of rock-bottom interest rates.

Japan's benchmark yield dropped to the lowest in four months this week in a sign his strategy to beat back speculative bond shorts is bearing fruit.

"Kuroda already won last week after the market largely gave up betting on much higher JGB yields," said Alvin Tan, strategist at RBC Capital Markets. "The yen's move is more like a cherry on top."

The yen catapulted higher against major peers yesterday as lowered expectations for rate hikes caused hedge funds to cover short bets from one of the biggest global macro trades of the year

Turkish central bank hikes year-end inflation view again to 60%

Reuters
Ankara

Turkey's central bank raised its annual inflation forecast to 60.4% for the year-end from 42.8% three months ago, continuing a trend of playing catch up with extreme price rises, according to a presentation by Governor Sahap Kavcioglu yesterday.

A Reuters poll showed economists expect inflation of 70% at the end of this year, driven by the bank's unorthodox interest rate cuts last year and its continued commitment to easy policy. Kavcioglu, whose bank has kept its policy rate steady at 14% despite the soaring costs of living, said it will continue to take steps to manage any extraordinary developments in commercial and consumer loans, which have cooled recently.

The central bank also lifted its end-2023 mid-point forecast to 19.2%, from 12.9% three months ago, with Kavcioglu predicting a quick decline in inflation as policy steps take effect and the current account balance reaches sustainable levels.

"With the measures taken and the normalisation of conditions...a rapid fall in inflation will be achieved towards levels in harmony with our forecasts," he said.

The bank's quarterly presentation showed the estimated range of annual inflation reaching nearly 90% this autumn before easing.

It neared 79% last month following a series of unorthodox interest rate cuts last year and rising energy prices.

The central bank targets a range around 5% and has consistently underestimated price pressure over the last two years.

Kavcioglu said that while consumer price inflation (CPI) remained above expectations in June, core inflation showed a more positive outlook and cooling demand should help in the second half of the year.

He was also upbeat on the current account deficit, which has risen this year. The balance will turn around, he said, once global commodity prices normalise, helped by Turkish tourism revenues that have far exceeded expectations.

The Turkish lira weakened slightly to 17.931.

It is nearing all-time lows touched during a December currency crisis set off by the unorthodox rate cuts, which also sent inflation soaring.

Inflation is expected to climb further to 84.7% at the end of the third quarter before easing to 70% by year end due to so-called base effects from the previous year, according to the Reuters poll last week.

The inflation surge began last autumn as the central bank gradually cut its policy rate by 500 basis points to 14%, in an easing cycle sought by Erdogan to boost exports, investment and economic growth.

Asian stock markets track post-Fed surge on Wall Street

AFP
Hong Kong

Asian and European markets rose yesterday following a surge on Wall Street fuelled by hopes that the Federal Reserve could slow its pace of inflation-fighting interest rate hikes.

The dollar also struggled to bounce back from a sell-off — sitting at a three-week low against the yen — that came in response to comments by Fed chief Jerome Powell suggesting its next super-sized increase could be its last.

However, analysts cautioned that the initial joy, which sent New York's three main indexes soaring, could be short-lived as the global economy continued to face several headwinds and inflation would likely not come down quickly.

As expected, the Fed lifted borrowing costs 75 basis points to a range of 2.25 to 2.5%, close to the neutral level it considers neither stimulating nor slowing economic growth. Forecasts have rates going as high as 3.8% in 2023, as the bank tries to control runaway inflation.

There is a growing concern that the sharp rise in rates is bearing down on the world's top economy and could send it into recession.

In his post-meeting comments, however, Powell said he did not consider that was the case, because "there are too many areas of the economy that are performing too well". He did note that growth was slowing.

Powell added that officials would not give any guidance on their next move, instead taking each decision on a meeting-to-meeting basis.

While he said another "unusually large increase could be appropriate" in September and officials "wouldn't hesitate" to lift by one percentage point, markets took heart from the suggestion that the bank was ready to take its foot off the gas towards the end of the year.

Visitors stand in front of an electronic ticker at the Tokyo Stock Exchange. The Nikkei 225 closed up 0.4% to 27,815.48 points yesterday.

On Wall Street, the Dow and S&P rallied and the Nasdaq soared more than 4% — its best one-day rise since late 2020 — as tech firms caught a wave of optimism.

The sector is more susceptible to higher rates. And Asia followed suit, though with more muted gains.

Shanghai, Tokyo, Sydney, Seoul, Singapore, Mumbai, Manila, Jakarta and Wellington were also well in the green.

But Hong Kong dipped as the city's de facto central bank followed the Fed in lifting rates owing to its currency peg. London, Paris and Frankfurt were up in the morning.

The prospect of a slower pace of rate hikes weighed on the dollar against most other currencies, and on Thursday it hit its lowest level against the yen since July 6.

There was a warning that the positive mood likely will not last, however.

"This market move is the victory of hope over experience," Jeffrey Rosenberg, at BlackRock Inc, told Bloomberg Television. "I'd be a little bit cautious here." And Citigroup's Andrew Hollenhorst and Veronica Clark added that traders appeared to be misjudging Powell's remarks.

"We read Chair Powell's press conference as more hawkish than the market's interpretation," they said, adding that inflation readings excluding food and energy will "push the Fed to hike more aggressively than they or markets anticipate". All eyes are now on the release of second-quarter growth data.

After a 1.6% contraction in the previous three months, another negative reading would put the economy into a technical recession.

An expected phone call between US President Joe Biden and his Chinese counterpart Xi Jinping will also be high on the agenda for investors as the world's superpowers try to navigate a period of rising tensions.

Updates on US tariffs and Taiwan will be among the main areas of focus.

Oil prices rose after data showed a big drop in US stockpiles, while Powell's comments on the economy eased recession concerns and the weaker dollar made the commodity cheaper for buyers with other currencies.

In Tokyo, the Nikkei 225 closed up 0.4% to 27,815.48 points; Hong Kong Hang Seng Index ended down 0.2% to 20,622.68 points and Shanghai Composite closed up 0.2% to 3,282.58 points yesterday.

CORPORATE RESULTS

TotalEnergies Q2 profits double on soaring oil prices

French energy giant TotalEnergies said yesterday its profits more than doubled in the second quarter on the surge in global oil and gas prices as a result of the war in Ukraine.

TotalEnergies said in a statement that its bottom-line net profit amounted to €5.7bn ($5.8bn) in the period from April to June, compared with €2.2bn a year earlier.

Second-quarter sales were up 37% at €74.8bn.

"Russia's invasion of Ukraine continued to impact energy markets in the second quarter, with oil prices averaging more than $110 per barrel, refining margins reaching record-high levels, and natural gas prices holding above oil parity in Europe and Asia," said chief executive Patrick Pouyanne.

"In this context, TotalEnergies responded by increasing energy output, thus contributing to energy security."

Runaway oil and gas prices are generating bumper profits across the sector. British energy giant Shell also said on Thursday its bottom line increased five-fold in the second quarter. In France, there is much debate on whether such windfall gains should be taxed.

Pfizer

Pfizer reported a jump in second-quarter profits yesterday behind a near doubling of revenues driven by sales of its Covid-19 vaccine and therapeutic drug Paxlovid.

The drugmaker raised some of its overall financial benchmarks, but maintained 2022 sales targets for its two Covid-19 products: $32bn from the vaccine co-developed with German company BioNTech; and $22bn from Paxlovid.

The total is equal to just over half of forecasted 2022 total revenues.

In the quarter ending June 30, profits were $9.9bn, up 78% from the year-ago period following a 47% jump in revenues to $27.7bn.

US officials last month approved emergency authorisation to Pfizer and Moderna for Covid-19 vaccines in under-five-year-olds, the final age group awaiting immunisation in most countries.

Pfizer is currently working on a Covid-19 Omicron vaccine booster candidate for the fall, assuming regulatory approval is granted, company officials said.

Revenues for the vaccine came in at $8.8bn, up 13% from the year-ago period, while sales of Paxlovid were $8.1bn — a big jump over the prior quarter following a five-fold growth in US utilisation.

Volkswagen

German auto giant Volkswagen said yesterday that it was able to overcome global economic headwinds and supply chain issues to put in a "robust" performance in the first six months of 2022.

A week after Volkswagen announced that it would part ways with its chief executive Herbert Diess, the carmaker said it was "confident" for the second half of the year.

"Despite unprecedented global challenges, Volkswagen has demonstrated remarkable financial robustness," said chief financial officer Arno Antlitz.

"Despite all the caution in the face of the volatile market environment and geopolitical risks, we are confident that we can further accelerate the transformation of the group," Antlitz said.

VW said its net profit rose by 26% to €10.6bn ($10.8bn) in the first six months, even if its bottom-line in the second quarter alone was hit by an accounting effect linked to hedging against fluctuations in raw material prices.

Underlying, or operating, profit rose by 16% to €13.2bn in the period from January to June.

"This was driven by strong performances from the premium and sport brand group," VW said.

First-half revenues were nearly stable at €132.3bn, but unit sales were down by 14% at four million vehicles, not least because of the worldwide shortage of semiconductors plaguing the industry.

Looking ahead, Volkswagen said it "confirms its outlook for 2022...as supply constraints ease."

The carmaker expected "the product mix to normalise in the second-half as the semi-conductor situation improves in combination with a strong order book," it said.

"A noticeable recovery of the monthly sales towards the end of second quarter additionally bodes well for second-half sales," it said.

Nevertheless, it was "still not possible to conclusively assess the specific effects of the war in Ukraine or effects of the Covid-19 pandemic on the Volkswagen group's business, on the global economy and growth in the industry in fiscal year 2022," VW cautioned.

Samsung Electronics

South Korean chip powerhouse Samsung Electronics said that second-quarter operating profits were up 12.18%, with record profits in its system semiconductor division despite global supply chain woes.

The company's "system semiconductor businesses... achieved a record high quarterly profit," Samsung said in a statement, adding it had both expanded its product line-up and increased the supply of chips to global customers.

"Earnings in the Memory Business improved both year-on-year and quarter-on-quarter as the Company focused on meeting solid demand for servers," Samsung said.

In June, the company became the first chipmaker in the world to mass-produce 3-nanometre microchips as it sought to match and eventually outpace Taiwan's TSMC in the race to manufacture the world's most advanced chips.

The new chips will be smaller, more powerful and efficient, and will be used in high-performance computing applications before being put into gadgets such as mobile phones.

Merck & Co

Merck & Co reported higher-than-expected second-quarter earnings and revenue on strong sales of its blockbuster cancer drug Keytruda.

The company said it earned $4.74bn in the quarter, or $1.87 a share, compared with $1.55bn, or 61 cents a share, a year earlier.

Analysts on average had expected the company to earn $1.70 a share, according to Refinitiv data.

Revenue in the quarter rose 28% from a year ago to $14.6bn, topping the average Wall Street forecast of $13.9bn. Much of that beat came from sales of Merck's top-selling drug, the cancer immunotherapy Keytruda, which came in at $5.3bn for the quarter, compared with analyst estimates of $4.9bn.

On Wednesday, US Senator Ron Wyden, a Democrat, sent a letter to Merck suggesting the company had avoided billions of dollars of US taxes owed from Keytruda sales in recent years by booking all the profits from the treatment outside of the United States. Sales of Merck's Covid-19 antiviral treatment Lagevrio were $1.2bn in the quarter, primarily from the UK and Japan. Merck raised its full-year sales forecast to $57.5bn to $58.5bn from its previous outlook of $56.9bn to $58.1bn. That includes a negative impact of roughly 3% due to the strong dollar.

Analysts had forecast 2022 sales of $58.1bn, according to Refinitiv data.

ArcelorMittal

ArcelorMittal, the world's number-two steel maker, said that profits fell in the second quarter, weighed down by inflation and the war in Ukraine.

The group said in a statement its performance was "overshadowed by the outbreak of war in Ukraine, where we have steel and mining operations".

"Globally, the conflict is impacting growth and adding further inflationary pressure, which is spilling over into weakening of demand (for steel)," the group said. In the second quarter, net profit eased by 2% to $3.9bn.

But over the first half, ArcelorMittal's bottom line increased by 27% to $8.0bn, primarily due to a strong performance in the first three months of the year.

ArcelorMittal said steel output fell by 18% to 14.6mn tonnes in the period from April to June.

Second-quarter sales, on the other hand, grew by 14.5% to just over €22bn, driven by an increase of some 30% in steel prices.

ArcelorMittal employs some 26,000 people in Ukraine and suspended its operation there when the war broke out.

But it said in May it would resume operations in Ukraine, even if only one of the three furnaces there has since restarted.

Looking ahead, chief executive Adity Mittal said that "despite the more uncertain global macro outlook", the business was "well positioned to effectively manage through the cycle".

Barclays

British bank Barclays said yesterday that profits tumbled on bad debt charges and litigation costs in the first half, and warned on the impact of surging inflation on customers.

Net profit sank to £2.5bn ($3.0bn) in the six months to June, from £3.8bn a year earlier, Barclays said in a statement.

Total provisions and legal charges hit £1.8bn, 10 times higher than last time around.

Barclays booked a net charge of £600mn after selling more products to investors in the United States than it was allowed.

It also set aside £341mn for potential loan losses and warned over the impact of Britain's cost-of-living crisis — echoing remarks from rival UK lender Lloyds.

"We are alert to the pressure that the rising cost of living will have on our customers and colleagues," said Barclays chief executive CS Venkatakrishnan. "We have a range of measures in place to help and are looking to do more."

Barclays forecast UK economic growth would slow, but said it was difficult to say if it would enter recession.

Earlier this week, the International Monetary Fund cut its UK economic outlook due to stalling global growth.

Shell

British energy giant Shell said yesterday that its net profit soared more than five-fold to $18bn in the second quarter, fuelled by resurgent oil and gas prices, and rewarded shareholders with another bumper buyback.

The surge in profits in the three months to June was partially attributable to a reversal of $4.3bn in impairments after the company raised its forecasts for the gas and oil market.

"We delivered strong financial results," said chief executive Ben van Beurden alongside the results statement.

The London-listed energy major announced a $6bn share buyback programme, having already returned $8.5bn to shareholders.

Van Beurden warned also that "with volatile energy markets, economic turbulence and the ongoing need for action to tackle climate change, 2022 continues to present challenges to consumers, to government, and to companies". Shell had rebounded into a $3.4bn profit in second quarter of 2021 from a $18.1bn loss in the same period of 2020 when it took a massive impairment charge on the Covid-ravaged oil market.

However, oil and gas prices have soared this year owing to the Ukraine war and after countries lifted pandemic lockdowns.

Gas prices, which sky-rocketed in March after Russia launched its invasion of Ukraine, are soaring once more this week after Moscow curbed crucial deliveries to Europe in recent days.

The world's energy majors are reaping the benefits of this year's surge in global oil and gas prices as a result of the war in Ukraine.

Recession lurking as US economy contracts again in Q2

Second-quarter GDP decreases at 0.9% rate; inventories account for large decline in GDP; consumer spending slows; business investment contracts; weekly jobless claims fall 5,000 to 256,000

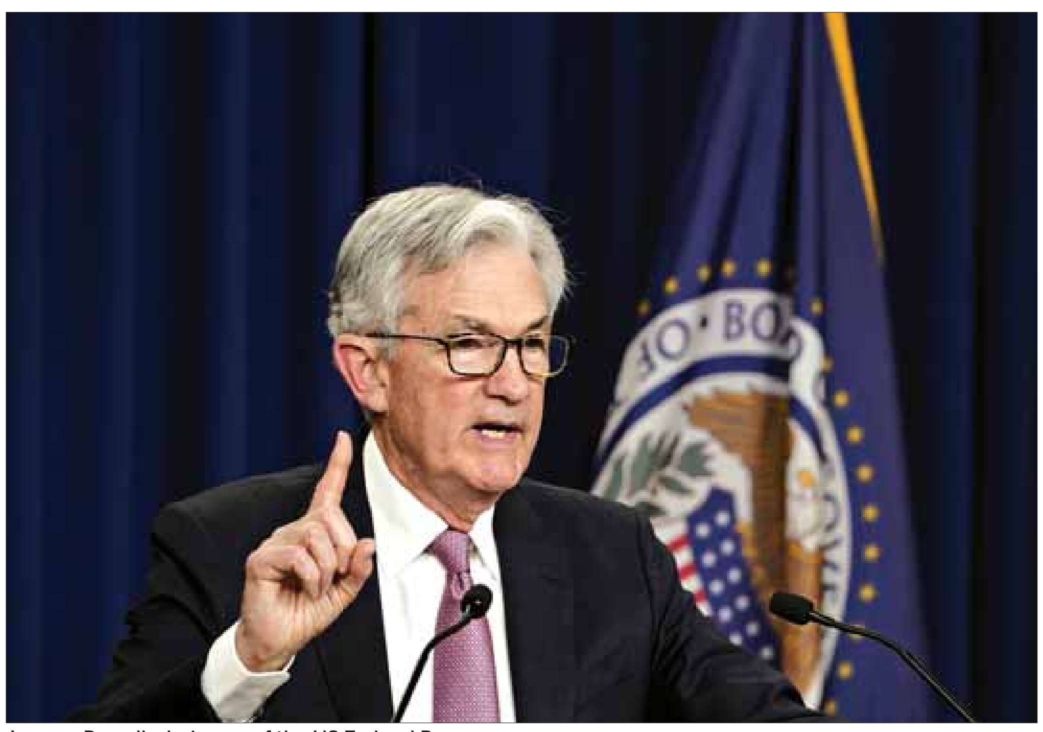
Reuters
Washington

The US economy unexpectedly contracted in the second quarter, with consumer spending growing at its slowest pace in two years and business spending declining, which could fan financial market fears that the economy was already in recession.
The second straight quarterly decline in gross domestic product reported by the Commerce Department on Thursday largely reflected a more moderate pace of inventory accumulation by businesses because of ongoing shortages of motor vehicles.
Slowing consumer spending has also left retailers with little appetite to accumulate more stock.
The back-to-back decline in GDP against the backdrop of aggressive monetary policy tightening by the Federal Reserve could force the US central back to scale back its massive interest rate increases.
"The economy is highly vulnerable to slipping into a recession," said Sal Guatieri, a senior economist at BMO Capital Markets in Toronto."That might discourage the Fed from ramming through another large rate hike in September."
Gross domestic product fell at a 0.9% annualised rate last quarter, the government said in its advance estimate of GDP.
Economists polled by Reuters had forecast GDP rebounding at a 0.5% rate. Estimates ranged from as low as a 2.1% rate of contraction to as high as a 2.0% growth pace. The economy contracted at a 1.6% pace in the first quarter.
The second straight quarterly decline in GDP meets the standard definition of a recession.
But the National Bureau of Economic Research, the official arbiter of recessions in the United States defines a recession as "a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in production, employment, real income, and other indicators."
Job growth averaged 456,700 per month in the first half of the year, which is generating strong wage gains.
Still, the risks of a downturn have increased.
Homebuilding and house sales have weakened while business and consumer sentiment have softened in recent months.
US stocks were lower.
The dollar was steady against a basket of currencies. US Treasury prices rose.
The White House is vigorously pushing back against the recession chatter as it seeks to calm voters ahead of the November 8 midterm elections that will decide whether President Joe Biden's Democratic Party retains control of the US Congress.
Treasury Secretary Janet Yellen is scheduled to hold a news conference on Thursday to "discuss the state of the US economy." While the labour market remains tight, there are signs it is losing steam.
A separate report from the Labor Department on Thursday showed initial claims for state unemployment benefits decreased 5,000 to a seasonally adjusted 256,000 for the week ended July 23.
Economists polled by Reuters had forecast 253,000 applications for the latest week.
Jobless claims remain below the 270,000-350,000 range that economists say would signal an increase in the unemployment rate.
With the economy struggling, the Fed could slow its pace of rate hikes, though much would depend on the path of inflation, which is way above the US central bank's 2% target.
The Fed on Wednesday raised its policy rate by another three-quarters of a percentage point, bringing the total interest rate hikes since March to 225 basis points.
Fed Chair Jerome Powell acknowledged the softening economic activity as a result of tighter monetary policy.
The trade deficit narrowed sharply last quarter, thanks to record exports, adding 1.43 percentage points to GDP growth.
That ended seven straight quarters in which trade was a drag on growth.
While businesses continued to rebuild inventory, the pace slowed significantly from what was seen in the fourth quarter of 2021 and the first three months of this year.
Inventories sliced off 2.01 percentage points from GDP.
Consumer spending, which accounts for more than two-thirds of US economic activity, grew at a 1.0% rate. That was the slowest since the second quarter of 2020 and a step-down from the first-quarter's moderate 1.8% pace.
Business spending contracted, pulled down by weak investment in equipment and nonresidential structures.
Government spending was also soft, reflecting a sharp decline in non-defence outlays.
A measure of domestic demand — excluding trade, inventories and government spending — was unchanged, underscoring the significant loss of momentum in the economy.
Final sales to private domestic purchasers account for roughly 85% of aggregate spending and increased at a 3.0% rate in the first quarter.
Residential investment contracted by the most since the Covid-19 recession two years ago as higher mortgage rates weighed on homebuilding as well as homes sales, which reduced brokers' commissions.

Powell signals more rate hikes coming, while markets detect pivot

Bloomberg
Washington

Chair Jerome Powell said the Federal Reserve will press on with the steepest tightening of monetary policy in a generation to curb surging inflation, while handing officials more flexibility on coming moves amid signs of a broadening economic slowdown.
Policy makers again raised the benchmark US interest rate 75 basis points on Wednesday to a range of 2.25% to 2.5% and said they anticipate "ongoing increases" will be appropriate.
Just how much depends on how the economy performs, the central bank chief said. He stepped away from the specific guidance on the size of upcoming hikes he previously gave, though he didn't take another jumbo move off the table.
"While another unusually large increase could be appropriate at our next meeting, that is a decision that will depend on the data," Powell said. "The labour market is extremely tight, and inflation is much too high."
Despite the whatever-it-takes message, markets staged a powerful rally with the S&P 500 stock index rising 2.6%, keying off Powell's remarks that the pace of rate increases would slow at some point and that policy won't be pre-determined. Equities in Asia gained too.
But Powell didn't flag a pivot to lower rates or even a pause, according to Fed watchers, who argued there was a disconnect between what the central banker said and how markets responded.


Jerome Powell, chairman of the US Federal Reserve.

"We heard plenty of hawkish signals, including refusal to even contemplate that we are in a recession with strong job market gains and many references that restoring price stability is being prioritised over sidestepping a recession," said Jonathan Millar, an economist with Barclays Plc. "Powell does not seem to be ruling out 100 or 75 basis-point hikes in September – it's data dependent."
Central bankers are trying to tame the highest inflation in 40 years. Although the latest shift toward a more real-time approach to policy, Powell is trying to convey that the Fed will keep pushing borrowing costs higher as long as prices continue to jump too fast for comfort.
The strategy does raise risks of overshooting, however. Data lags behind what's happening on the ground, while rate increases can take months to filter through the economy.
"The odds of a recession are 50-50," said Lou Crandall, chief economist for Wrightson ICAP LLC. "The Fed's tools are power tools. They're not precision tools."
Interest-rate markets are pricing a more benign hiking cycle than the Fed's own June forecasts, which Powell pointedly said was the best current guide to the where officials see policy heading.
Investors are betting that rates will peak around 3.3% this year before the Fed starts cutting modestly in 2023. Officials in June projected rates at 3.4% at year-end and 3.8% in December 2023. "By referencing the June Summary of Economic Projections he is not validating market pricing," said Bloomberg's chief US economist Anna Wong. "The Fed is nowhere close to declaring victory over inflation."
In the post-meeting press conference, Powell was clear about the committee's bias. "Restoring price stability is just something that we have to do," he told reporters.
"We do see that there are two-sided risks," he said. "There would be the risk of doing too much and imposing more of a downturn on the economy than was necessary, but the risk of doing too little and leaving the economy with this entrenched inflation – it only raises the cost."
He said it wasn't the committee's intention to tip the economy into a recession, while noting that to achieve their 2% inflation goal slack would have to increase. That means unemployment would have to rise somewhat, while the economy would have to slow to below its full potential.
Walking that line between barely growing and recession is hard for any central bank to achieve. The economy becomes more vulnerable to shocks, and business sentiment can suddenly sour if profits start to vanish, triggering a deeper downturn.
Driving market sentiment is rising recession chatter spurred by anticipation that Thursday's report on second-quarter US gross domestic product will show scant growth, and expectations of lower profits at major retailers.
Investors have a reflexive expectation that the Fed will pivot to easing – maybe as early as next year – to catch the economy if it falters, as it has done time and again over the past two decades. But in those years, inflation was contained and low, and often travelling below the committee's target.
"The market is anchored to the playbook of the last two recessions," said Derek Tang, an economist at LH Meyer in Washington. "The world is different now – inflation is a lot higher."

JetBlue Airways gets long-sought deal to buy Spirit for $3.8bn

Bloomberg
New York

JetBlue Airways Corp is acquiring deep-discounter Spirit Airlines Inc. for at least $3.8bn in cash, clinching a deal less than a day after Spirit called off a planned merger with Frontier Group Holdings Inc.
JetBlue will pay $33.50 per share for Spirit, or as much as $34.15 depending on timing, the airlines said in a joint statement yesterday. That includes a $2.50-a-share prepayment once Spirit stockholders approve the deal agreed to by the airlines' boards, they said.
The agreement caps a more than three-month battle by JetBlue to derail the Spirit-Frontier deal and secure a chance to expand its own network, fleet and access to pilots. While Spirit's board had stood by the rival Frontier proposal, that $2.6bn stock-and-cash deal collapsed late Wednesday after the companies failed to garner enough shareholder support.
"We want to get this deal done," JetBlue chief executive officer Robin Hayes said in an interview, noting his company's plans to divest some assets to help win approval from sceptical regulators. The carriers will operate independently until after receiving regulatory approval and the transaction closes, which the companies expect no later than the first half of 2024.
JetBlue is banking on the combination to give it sufficient scope to effectively influence pricing against the nation's largest airlines, which control about 80% of the US market. The carrier aims to lure away their passengers with lower fares and a nearly comparable onboard product.
A merger would cement JetBlue as the fifth-largest carrier in the US based on domestic passenger traffic. Hayes kept Spirit shareholders out of the arms of its ultra low-cost competitor by offering more cash, upfront dividend payments and a breakup fee if antitrust regulators intervene – something which could derail a merger.
The final deal largely matched JetBlue's last public offer for Spirit, with the exception of an increase in that breakup fee to $470mn from $400mn, with a portion being paid to Spirit itself and the rest to shareholders.
"Absolutely it was important, and JetBlue recognised that," Spirit chief executive officer Ted Christie said in an interview of the unusual fee.
The Biden administration has pledged to more thoroughly scrutinise mergers to assess their market concentration and value to consumers. JetBlue has said it would be willing to give up Spirit assets in New York and Boston, and possibly at other crowded airports, to help secure approval.
JetBlue already faces opposition from the Justice Department, which has sued to break up its commercial agreement with American Airlines Group Inc. The regulators allege that partnership – which targets the New York and Boston markets – is anticompetitive.
Spirit had rebuffed earlier offers from JetBlue based in part on a demand that its suitor abandon the so-called "Northeast Alliance" with American to improve chances for its own combination.
Hayes has pledged to convert Spirit's ultra-discount business model to its own, which features low fares and customer-friendly service like free Wi-Fi. The company also plans to shift Spirit's employees to its higher pay scales and convert Spirit's jam-packed planes to a more roomy seating arrangement.

Billionaire Jack Ma plans to cede control of China's Ant Group

Reuters
Hong Kong/Beijing

Chinese billionaire Jack Ma plans to cede control of Ant Group, the Wall Street Journal reported yesterday, after a regulatory crackdown that scuppered its $37bn IPO in 2020 and led to a forced restructuring of the financial technology behemoth.
While Ma only owns a 10% stake in Ant, an affiliate of Alibaba Group Holding Ltd, he exercises control over the company through related entities, according to Ant's IPO prospectus filed with the exchanges in 2020.
Hangzhou Yunbo, an investment vehicle for Ma, has control over two other entities that own a combined 50.5% stake of Ant, the prospectus showed.
The Journal said, citing unnamed sources, that Ma could cede control by transferring some of his voting power to Ant officials including chief executive Eric Jing.
Ant has informed regulators of Ma's intention as it prepares to restructure into a financial holding company, the report said, adding regulators didn't demand the change but have given their blessing.
Ant and Alibaba did not immediately respond to Reuters requests for comment.
Shares in US-listed e-commerce giant Alibaba slipped 1.2% to $101.51 in pre-market trade after briefly jumping higher.
In April last year, Reuters reported that Ant was exploring options for Ma to divest his stake in Ant and give up control.
The discussions at that time came amid a revamp of Ant and a broader state clampdown on China's technology sector that was set in motion after Ma's public criticism of regulators in a speech in October 2020.
Ant's IPO, which would have been the world's largest, was derailed days after the speech and Ma's sprawling empire has been under regulatory scrutiny and going through a restructuring since then.
Ant operates the world's largest and China's ubiquitous mobile payment app Alipay, which has more than 1bn users.
Once outspoken, Ma has kept an extremely low public profile as regulators reined-in the country's technology giants after years of a laissez-faire approach that drove breakneck growth.
"It's been on the cards for a while," said Danni Hewson, financial analyst at AJ Bell.
"There will be some who will think that potentially this clears the way for Ant to put the past few years behind it and try to get out on the front foot.
There will be others who will be deeply concerned about what comes next because Jack Ma has been such a powerhouse."
A change in control at Ant could slow plans to revive its long-sought IPO, the Journal reported, as China's domestic A-share market requires companies to wait three years after a change in control to list.