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Sub-Saharan economies are still vulnerable to global economic shocks

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GULF TIMES BUSINESS



SUPPLY BOOST: Page 2

Italy's Eni signs \$8bn Libya gas deal as PM Meloni visits Tripoli

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Qatar trade balance surplus surges 10% in December 2022

QNA
Doha

The foreign merchandise trade balance, which represents the difference between total exports and imports, showed a surplus of QR28.2bn in December 2022, an increase of about QR2.6bn or 10% compared to December 2021, and increase by nearly QR2bn or 7.6% compared to November 2022.

Data provided by the Planning and Statistics Authority showed that the total exports of goods (including exports of goods of domestic origin and re-exports) amounted to around QR38.3bn in December 2022, showing an increase of 7.6% compared to December 2021, and increase of 3.1% compared to November 2022.

On other hand, the imports of goods in December 2022 amounted to around QR10.1bn, showing an increase of 1.4% compared to December 2021 and decrease of 7.7% compared to November 2022.

The year-on-year (December 2022 vs December 2021) increase in total exports was mainly due to higher exports of petroleum gases and other gaseous hydrocarbons (LNG, condensates, propane, butane, etc.), reaching QR26.2bn (approximately) in December 2022, i.e. an increase of 12.9%; petroleum oils and oils from bituminous minerals (crude) reaching QR5.0bn, nearly, an increase by 12.8%, and decrease in the petroleum oils and oils from bituminous minerals (not crude) reaching QR2.4bn, or 12.3%.



Total exports of goods (including exports of goods of domestic origin and re-exports) amounted to around QR38.3bn in December 2022, showing an increase of 7.6% compared to December 2021, and increase of 3.1% compared to November 2022, according to PSA data.

In December 2022, China was at the top of the countries of destination of Qatar's exports with close to QR8.4bn, a share of 21.9% of the total exports, followed by India with almost QR4.2bn and a share of 11.0%, and South Korea with about QR3.9bn, a share of 10.2%.

Year-on-year (December 2022 vs

December 2021), the group of turbo-jets, turbopropellers and other gas turbines was at the top of the imported group of commodities, with QR0.9bn, an increase of 3.5%.

In the second place was motor cars and other motor vehicles for the transport of persons" with QR0.5bn, showing an increase of 8.4% and in

third place was "parts of balloons etc; parts of aircraft, spacecraft etc." with QR0.3bn, a decrease of 2.0%.

In December 2022, US was the leading country of origin of Qatar's imports with about QR2.0bn, a share of 19.7 % of the imports, followed by China with QR1.4bn, a share of 14.3%, and Italy with QR0.9bn, a share of 9.0%.

Mekdam Holding posts net profit of QR34.3mn in 2022

Mekdam Holding Group achieved a net profit of QR34.3mn in 2022 compared to QR28.6mn in 2021, which represents an increase of 20%.

The results were announced after a meeting of Mekdam Holding Group board of directors chaired by Sheikh Mohammed bin Nawaf bin Nasser bin Khalid al-Thani.

Sheikh Mohamed indicated that Mekdam's revenue reached QR527mn for the financial year that ended on December 31, 2022, compared to QR284.3mn for the same period in 2021 with a growth rate of 85.4%.

"Providing new services in the distance education system, providing comprehensive maintenance services for gas recycling plants, and providing ground manpower to Qatar Airways Group enhanced the earning level," the company said in a statement.

Earnings per share amounted to QR0.504 in 2022 compared to EPS of QR0.420 in 2021.

CEO Ehab Naser indicated that during 2022 Mekdam was able to sign new contracts with a total value of QR1.272mn exceeding the annual target for 2022.

The board of directors was also briefed on the total value of the contracts being implemented, which amounted to about QR2.065mn, while the value of the remaining works amounted to about QR1.430mn.

With respect to the sales proposals, the total offers submitted and being negotiated with customers amounted to about QR2.102mn. The expected success rate, according to historical indicators, ranges from 20% to 30%. The customer retention rate was around 90%.

The financial position of Mekdam grew by 77.3% by end-December 2022 compared to the same period in 2021, because of the steady expansion of the group's business volume.

The board reviewed the results of the credit rating, where Standard & Poor's confirmed the credit rating of Mekdam

at (gcBBB-), and this rating placed the group in the list of the top 25 private companies in the Middle East and North Africa.

The board also reviewed the stock's performance on the market, where the results of the year 2021 and dividends were welcomed by traders in the Qatar Stock Exchange. This was reflected in the increase in the market value and the increase in the liquidity of the stock.

As a result of the "outstanding" performance and absolute commitment to the requirements of the regulatory authorities, Mekdam was able to transfer the listing of its shares from the venture market to the main market effective January 2, 2023.

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The group was also able to increase the shareholder base to approximately 450 shareholders. The founders, through the listing, offered about 23.8% of the group's capital.

The group aims to increase the shareholder base to about 1,000 shareholders and float 50% of the capital by end of year 2023.

The board of directors decided to recommend to the company's general assembly distribution of dividends to shareholders at the rate of 45.29% of the company's capital, so that cash dividends are distributed to shareholders at 35% of the company's capital, and free shares are distributed to shareholders at a rate of seven shares for every 68 shares (i.e., approximately equivalent to 0.1029 share for each share).

Qatar's budget balance to GDP forecast at 15.4 this year, 10.6 in 2024

By Pratap John
Business Editor

Qatar's budget balance (as a percentage of GDP) has been forecast at 15.4 this year and 10.6 in 2024, while the country's nominal GDP may scale up to \$227.3bn this year and \$228.8bn in 2024, an analysis has shown.

The country's real GDP growth, Emirates NBD said, may be 2.7% this year and 3% in 2024. Current account (as a percentage of GDP) is expected to be 32.6% this year and 28.4% in 2024.

Consumer price inflation in Qatar has been forecast at 3% this year and 2.5% in 2024. While oil and gas output growth is expected to slow this year, continued investment to boost production capacity in the GCC region should see the sector contribute positively to headline GDP again in 2023, Emirates NBD noted.

"The outlook for 2023 is more cautious given the weaker external environment, although the GCC will likely continue to outperform many

developed economies in terms of GDP growth," the regional banking group said.

It expects non-oil sector growth to slow to varying degrees across the GCC in 2023.

2022 was a stellar year for the GCC economies, which have grown at the fastest pace in almost a decade, underpinned by a double-digit increase in oil production and strong non-oil sector activity as well. Emirates NBD estimates GCC real GDP growth at 7.4% in 2022 on a nominal-GDP weighted basis, more than double the growth rate achieved in 2021.

It noted the budgets of major GCC oil producers are likely to remain in surplus this year, allowing governments to push ahead with significant investment in infrastructure and strategic sectors. This, it said, will help to mitigate the impact of weaker external demand and slowing private sector consumption and investment. Consequently, the GCC is likely to be a relative outperformer in terms of growth this year. The global economy, the analysis

noted, is likely to see much slower growth this year as the aggressive monetary policy tightening of 2022 starts to bite.

However, it expects energy prices to remain elevated, with Brent oil averaging over \$100 per barrel in 2023, as supply remains

constrained and there is limited capacity to increase production within Opec+. A faster than expected reopening of China's economy could lead to stronger demand for oil and other commodities in the second half of 2023, Emirates NBD said.



Qatar's budget balance (as a percentage of GDP) has been forecast at 15.4 this year and 10.6 in 2024, while the country's nominal GDP may scale up to \$227.3bn this year and \$228.8bn in 2024, according to Emirates NBD.



Trafigura ends its oil relationship with Kurdistan after snub at Davos

Bloomberg
London

Commodities trading giant Trafigura Group is ending a relationship with the government of Kurdistan in northern Iraq, a fresh blow to the region's ability to sell its oil independently.

The parting of ways comes after Trafigura failed to renegotiate the terms of its contract with the Kurdistan Regional Government following a drop in the price of Kurdish oil, according to a person familiar with the matter.

After the Kurdistan government refused to renegotiate,

Trafigura pinned its hopes on talks with Prime Minister Massoud Barzani in Davos, but a planned meeting last week was cancelled by the Kurdish leader at the last minute without explanation, the person said, asking not to be named as the matter wasn't public.

Trafigura was one of several trading houses that, starting in 2014-15, lent billions of dollars to the cash-strapped government of Kurdistan in exchange for future oil sales.

Oil is the lifeblood of Kurdistan's economy, accounting for more than half the government's revenues, and the exports through Turkiye have underpinned its autonomy

from Baghdad. For the traders, the deals with cash-strapped Kurdistan represented a potentially lucrative opportunity to secure new flows of oil.

But selling Kurdish oil has become more difficult in the past year as Baghdad — which disputes the autonomous region's right to sell its oil independently — has stepped up legal threats against buyers at the same time as a flood of discounted Russian oil has weighed on prices.

"After working together successfully over a number of years, the KRG and Trafigura are amicably parting ways, bringing to an end their long-term contractual arrangements," the two sides said in a joint statement

emailed by a Trafigura spokesperson.

After the Davos snub, Trafigura had been preparing to send an acceleration notice to the Kurdistan government, demanding immediate repayment of the money it was owed, the person said. As of last week, the trading house was owed some \$273mn in prepayments it had made for future oil flows.

Baghdad has long protested Kurdistan's oil sales, but it has stepped up a campaign against them in the past year in the wake of an Iraqi court ruling in February that found the federal oil ministry should have oversight of Kurdish production.

In August, Iraq's state-run oil

marketing company SOMO sent a letter to traders warning them of legal action if they bought Kurdish oil without Baghdad's approval. Kurdistan's oil exports of about 400,000 barrels a day are a small fraction of Baghdad's sales of more than 3mn barrels.

There's evidence that Baghdad's threats had an impact. Tanker tracking data monitored by Bloomberg show that shipments of Kurdish crude to ports in Spain, Greece and Italy dropped sharply from the middle of 2022, with flows increasing to Israel, Croatia and China in the second half of the year and into the start of 2023.

The Kurdistan government

owed a total of \$3.5bn to oil buyers at the end of June last year, according to its latest audited oil accounts. Meanwhile, \$620mn of oil revenues were stuck in bank accounts in Lebanon as a result of the country's financial crisis, according to the accounts.

The importance of the Lebanese accounts for Kurdistan's oil wealth became public thanks to a legal battle between a company controlled by veteran trader Murtaza Lakhani and Lebanon's BankMed SAL.

The Kurdistan government has itself been seeking to renegotiate the prices it pays to oil producers in the region. Shamaan Petroleum Corp announced in October that its

Kurdish unit had agreed to change the benchmark against which its crude was priced from Dated Brent to Kurdistan Blend, known as KBT. Separately, another producer said the change amounted to a \$10-a-barrel reduction in prices for September.

Still, not all oil producers in Kurdistan have agreed to a change. DNO ASA's managing director said in November that it was "not at this time engaged in active discussions" with the Kurdistan government about a change to the pricing formula.

Genel Energy Plc's chief financial officer told investors last week it "had not accepted any change in pricing mechanism."

Libya sees more deals after Eni investment

Bloomberg
London

Libya's state energy firm said it expects to sign more deals with foreign companies after Eni SpA agreed to invest \$8bn to extract natural gas in the North African country. "The energy sector has not witnessed an investment of this magnitude for more than a quarter of a century," Farhat Bengdara, the chairman of Libya's National Oil Corp (NOC), said to Bloomberg. It's "a clear message to the international business community that the Libyan state has passed the stage of political risks." The NOC is negotiating investments in reservoirs and in energy infrastructure such as oil pipelines with other firms, he said. Eni and the NOC signed an agreement yesterday in Tripoli that will lead to the development of two gas fields off Libya's western coast. Italian Prime Minister Giorgia Meloni visited Algeria earlier this week as part of her efforts to boost petroleum supplies from North Africa and help Italy wean off those from Russia following its attack on Ukraine. Libya's abundance of oil and gas reserves — among the largest in Africa — and its proximity to Europe could make it a key energy supplier to the continent. Yet its exports have been held back by political chaos for most of the period since the downfall of dictator Muammar Gaddafi in 2011.

The two fields Eni will invest in will take about 3-1/2 years to develop, Bengdara said. They have estimated reserves of 6tn cubic feet and should be able to pump at a rate of 850mn cubic feet a day for 25 years, he said. Eni will take 38% of the gas sales until \$8bn is recovered, which is expected within 15 years. After that, Eni will take 30% until the end of the agreement — approximately 25 years — after which ownership will fully return to Libya.

The Opec member's oil sector has been more stable since a lull in fighting in mid-2020. Crude output's averaged about 1.2mn barrels a day since September. The NOC hopes to raise output to 2mn barrels a day in three to five years, which will require substantial investment. The frequent closures of oil fields and ports by warring militias — some of which are serious enough to push up global prices — have ended, according to Bengdara.

"We believe that everyone is now convinced that there is no benefit from the closure process," he said. "Most of the oil-service companies have returned to the fields, and the security situation is stable in the fields."

The country still doesn't have a unified government. Two administrations claim power. One, headed by Abdul Hamid Dbeibah, is based in Tripoli in the west, while Fathi Bashagha leads another in the central city of Sirte. In addition, hundreds of foreign mercenaries are thought to remain in the country.

Italy's Eni signs \$8bn Libya gas deal as PM Meloni visits Tripoli

Reuters
Rome/Tripoli

Italian energy company Eni and Libya's National Oil Corporation (NOC) signed an \$8bn gas production deal yesterday aimed at boosting energy supplies to Europe despite the insecurity and political chaos in the North African country.

The deal, signed during a visit to Tripoli by Italy's Prime Minister Giorgia Meloni, aims to increase gas output for the Libyan domestic market as well as exports, through the development of two offshore gas fields.

Output will begin in 2026 and reach a plateau of 750mn cubic feet per day, Eni said in a statement.

"This agreement will enable important investments in Libya's energy sector, contributing to local development and job creation while strengthening Eni's role as a leading operator in the country," said its chief executive, Claudio Descalzi.

Meloni met Libya's Prime Minister Abdulhamid al-Dbeibah, head of the internationally recognised Government of National Unity (GNU) in Tripoli for talks that also focused on migration across the Mediterranean.

At a joint news conference with Descalzi, the NOC chief, Farhat Bengdara, said the gas deal had a duration of 25 years and called it the most important new investment in Libya's energy sector for a quarter of a century.

European countries have increasingly sought to replace Russian gas with energy supplies from North Africa and elsewhere over the past year because of the war in Ukraine.

Italy has already taken a lead in sourcing gas from Algeria, building a new strategic partnership there that includes investment to help state energy company Sonatrach reverse years of declining output.

However, agreements struck in Tripoli may be undermined by Libya's internal



Eni CEO Claudio Descalzi and National Oil Corporation head Farhat Bengdara attend the signing of an agreement between the two companies as Italian Prime Minister Giorgia Meloni and head of Libya's Government of National Unity Abdulhamid al-Dbeibah stand by, in Tripoli yesterday.

conflict, which has divided the country between rival factions who vie for control of government and dispute each other's claims to political legitimacy.

Underscoring the uncertainty, Dbeibah's own Oil Minister Mohamed Oun has rejected any deal that NOC might strike with Italy, saying in a video on the ministry website that such agreements should be made by the ministry.

Eni's Descalzi said the agreement will also entail a carbon capture facility and solar power.

NOC chief Bengdara was appointed last year by Dbeibah, whose own interim gov-

ernment was installed in 2021 through a UN-backed process.

The eastern-based parliament and factions that support it said early last year that the government was no longer legitimate, rejecting both the appointment of Bengdara and deals that Tripoli has struck with foreign states.

Chaos in Libya since the 2011 NATO-backed uprising that ousted autocrat Muammar Gaddafi has left much of the country in the hands of armed factions.

In statements to the press Dbeibah and Meloni said they had also discussed illegal migration from Libya to Italy, a subject

that Rome's right-wing leader had made central to her political campaigning during her rise to power.

Italy will support Libya by providing new search and rescue ships, Dbeibah said.

Insecurity and lawlessness has made Libya a major, albeit dangerous, route for migrants seeking to reach Europe, often via Italy.

Hundreds of migrants die each year attempting to make the journey.

Italian Interior Minister Matteo Piantedosi, who oversees the migration issue for Rome, accompanied Meloni to Libya, as well as Foreign Minister Antonio Tajani.

Opec+ delegates expect committee to recommend steady production

Bloomberg
London

Opec+ delegates said they expect an advisory committee of ministers to recommend keeping oil production levels unchanged when they meet next week amid a tentative recovery in global demand.

Saudi Arabia and its partners will hold a review of output levels on February 1, after agreeing significant cutbacks late last year to keep world crude markets in balance. Delegates from the group said privately that they expect the panel of ministers to maintain the status quo, as they await clarity on the recovery in consumption in China and the impact of sanctions on Russian supply.

International oil prices have climbed in the past two weeks, nearing \$90 a barrel as China — the world's biggest oil importer — abandons almost three years of strict anti-Covid restrictions. Still, the path of recovery remains uncertain as the country faces a resurgence of virus cases, prompting the Organisation of Petroleum Exporting Countries (Opec) and its allies to stay conservative.

At the same time, Opec+ is waiting to see the full impact of European Union sanctions on member-country Russia over its invasion of Ukraine. Measures targeting its crude oil sales took effect in December and restrictions on its trade in refined products will arrive next month, but so far Russian shipments have been surprisingly resilient.



Opec+ is waiting to see the full impact of European Union sanctions on member-country Russia over its invasion of Ukraine

"Opec+ looks increasingly likely to keep output levels unchanged even after the scheduled meeting," Raad Alkadiri, an analyst at consultant Eurasia Group, said in a report. "Prices have firmed, supply remains tight, and significant levels of uncertainty prevail for both supply and demand."

A decision to hold steady by the Joint Ministerial Monitoring Committee when it convenes online next week would be consistent with signals from top officials in the Organisation of Petroleum Exporting Countries.

Opec Secretary-General Haitham al-Ghais said earlier this month that he is "cautiously optimistic" on the global economy as the nascent rebound in China is tempered by weakness in advanced economies. Saudi Energy Minister Prince Abdulaziz bin Salman insisted last month that Opec+ will be "proactive and preemptive" to keep markets in equilibrium.

"All signs indicate that Saudi Arabia is seeking to stick with the policy of preemption for now and keep production constraints in place until there are clear indications that there is suf-

ficient demand for additional supply," said Helima Croft, head of commodity strategy at RBC Capital Markets LLC. Analysts at Goldman Sachs Group Inc and Energy Aspects Ltd predict that Opec+ will only start to reverse its supply curbs — formally about 2mn barrels a day — and increase production in the second half of the year, when accelerating demand will tighten the market. The 23-nation alliance is scheduled to meet at Opec's Vienna headquarters in early June to review production levels for the remainder of 2023.

Qatar Fuel invites tender submission



Qatar Fuel

The Tender Committee Invites Tender Submission for the following Service:

S.R. NO.	TENDER NUMBER	DESCRIPTION	TENDER FEE (QAR)	TENDER BOND (QAR)	TENDER CLOSING DATE
1.	QF/02/P/13/1120020427/48/23	Supply of Transfer Hoses with Fittings (Various Types) on Call-Off Basis for Three (3) Years	500/- (Non-Refundable)	35,000/-	23/02/2023
2.	QF/01/P/10/1120020260/23	Supply, Installation and Maintenance of Android Tablets and Peripherals for a period of three (03) years on Call-Off Basis	1,000/- (Non-Refundable)	69,500.00	23/02/2023

- Tender document for the above invitation can be obtained as per following details:
- Document Issue Date: From 29th January 2023 until Bid Closing Date. No extension to Bid submission date due to late collection of Tender documents.

Tender Fee: Interested Parties shall first deposit the appropriate Tender Fee as mentioned above (non-refundable) into Account Name – Qatar Fuel (WOQOD), Account Number 222-88171-1-030-0 with Doha Bank. Tenderer must mention their Company's full name and specific Tender Number on the deposit slip.

Tender Documents shall be sent from QATAR FUEL (WOQOD) Procurement & Contracts Department e-mail, upon receipt of deposit slip in proof of the required payment along with company letter and copy of Commercial Registration (CR) of the Company to procurement@woqod.com.qa

Tenders shall be accompanied by a Tender Bond issued by one of the Qatari Banks or by a Bank operating in Qatar, in accordance with the terms of the tender documents and should be valid for 210 days from the Tender Closing Date.

Offer should be valid for 180 days commencing from the Tender Closing Date.

Duly completed Tender should be delivered in sealed envelopes with the Tender Number and Bidders Company name clearly marked on the envelope, and should be deposited in Tender Committee Office, P.O. Box: 7777, Ground Floor, WOQOD Tower, West Bay, Doha, Qatar, not later than 10:00 AM on the Tender Closing Date mentioned above. [visit our website www.woqod.com.qa for more information]



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Bloomberg QuickTake Q&A

Who is Gautam Adani and what is Hindenburg Research?

By Sankalp Phartiyal

Allegations of stock manipulation and accounting fraud from New York-based investor Hindenburg Research against Adani Group are piling pressure on the Indian conglomerate and its 60-year-old founder, Gautam Adani, became Asia's richest man last year and was second only to Elon Musk in the world at one point. Unlike Musk, Adani is relatively unknown outside his home country. Here's some background.

1. Who is Gautam Adani? What's his net worth?

Adani was born to a small textile merchant family in 1962 in the western industrial state of Gujarat. He dropped out of university and began his career sorting diamonds for a firm in the financial hub of Mumbai. He later imported materials used in manufactured goods and by the mid-1990s was managing the Mundra Port, which he now owns. While his net worth took a beating in the

days after Hindenburg's report emerged, he was still comfortably in the top 10 in the Bloomberg Billionaires Index as of late January.

2. How does Adani make money?

Adani Group today comprises half a dozen major companies with interests ranging from energy to transportation and infrastructure development. It's India's largest port operator and manages some of the country's biggest airports. Adani Enterprises, the group's listed trading house, reported \$9.3bn in sales in the year through March 31, 2022.

3. What are Adani's companies?

- Adani Green Energy Ltd (Renewable power generation).
- Adani Enterprises Ltd (Coal mining and trading).
- Adani Transmission Ltd (Power transmission).
- Adani Total Gas Ltd (Gas distribution).
- Adani Power Ltd (Coal-fired power generation).

The Adani Group also runs a real estate business, a shadow banking firm named Adani Capital and an edible oil and food business via a venture with Singapore-based Wilmar International Ltd.

4. What are Adani's political connections?

The tycoon is seen as closer to Prime Minister Narendra Modi, who also hails from Gujarat state, than any other Indian billionaire. Adani's corporate strategy has run in parallel with Modi's efforts to develop India's \$3.2tn economy. When Modi promised to bring reliable electricity to more Indians, Adani doubled down on coal-fired power production. The alignment extends to foreign affairs. In 2021, Adani began construction of a major port facility in Sri Lanka. Officials from both countries said the plan was encouraged by the Modi government, which wants to curb Chinese influence in the island nation. Whether building expressways or upgrading data centres, Adani can be counted on to provide money, infrastructure, or expertise, whatever the policy priority.

5. Why did shares in Adani Group companies fall?

They quickly lost roughly \$50bn in market value after Hindenburg Research, founded by short-seller Nathan Anderson, issued a 100-page report on January 24 containing wide-ranging allegations of stock manipulation and accounting fraud that it said dated back decades. The Adani Group dismissed the report as "maliciously mischievous" and said it's exploring legal action.

6. What is Hindenburg Research?

Anderson's firm – technically a research and trading outfit, not a hedge fund with outside investors – is less than five years old and wagers its own money in the markets. Even in Manhattan's financial circles, Anderson is hardly a big name. The closely held firm specialises in forensic financial research, according to its website. It first attracted Wall Street's attention in 2020 for raising serious questions about electric-vehicle makers Nikola Corp and Lordstown Motors Corp.



Chairperson of Indian conglomerate Adani Group, Gautam Adani, speaks at the World Congress of Accountants in Mumbai (file). Allegations of stock manipulation and accounting fraud from New York-based investor Hindenburg Research against Adani Group are piling pressure on the Indian conglomerate and its 60-year-old founder.

Adani Group says \$2.5bn share sale is on track even as bankers mull changes

Reuters

Mumbai

A \$2.5bn share sale by India's Adani Enterprises remains on schedule at the planned issue price, the company told Reuters on Saturday, while sources said bankers were considering changes due to a market rout in the group's shares. Bankers on the deal were considering extending the sale or cutting the issue price after shares of Adani plunged following a report from a US short seller, three people familiar with the matter told Reuters on Saturday. Adani Group in a statement said: "There is no change in either the schedule or the issue price." "All our stakeholders including bankers and investors have full faith in the FPO (Follow on Public Offer). We are extremely confident about the success of the FPO," it said. Seven listed companies of the conglomerate controlled by one of the world's richest men, Gautam Adani, have lost a combined \$48bn in market value since Hindenburg Research on Tuesday flagged concerns about debt levels and their use of tax havens. The Adani Group has called the report baseless and said it was considering taking action against Hindenburg. Sources had said that among the options the bankers were considering included extending the Tuesday subscription closing date by four days. Friday's 20% fall in shares of group flagship Adani Enterprises dragged it 11% below the minimum



offer price of the secondary sale. On the first day of retail bidding on Friday, the issue attracted around 1% of its targeted number of subscribers, raising concerns over whether it would be able to proceed. Investors, mostly retail, had bid for around 470,160 of the 45.5mn shares on offer, stock exchange data showed. "Everyone was shocked. They did not expect such a poor

response," one source said. The other option being considered by bankers is lowering the price, the sources said, with one saying it could be cut by as much as 10%. Adani had set a floor price of 3,112 rupees (\$38.22) per share and a cap of 3,276 rupees – well above their close at 2,761.45 rupees on Friday. A decision was expected on Monday, the sources said.

"Revision in price band or time extension of public issue can technically be undertaken with a newspaper advertisement and issuing an addendum," said Sumit Agrawal, managing partner at Regstreet Law Advisors and a former officer of the Indian capital markets regulator. The sale is being managed by Jefferies, India's SBI Capital Markets,

and ICICI Securities, among others. They did not immediately respond to requests for comment. The Hindenburg report questioned how the Adani Group used entities in offshore tax havens such as Mauritius and the Caribbean islands. It said key listed Adani companies had "substantial debt", which put the entire group on a "precarious financial footing".

Abu Dhabi backer says business decisions are based on facts

Bloomberg

Dubai

Abu Dhabi-based International Holding Co, which has invested almost \$2bn in companies owned by billionaire Gautam Adani, said its business decisions are based on facts after a scathing report on the Indian tycoon's business empire by US short seller Hindenburg Research.

"Our business decisions are purely based on an analysis of objective facts," said Ahmad Ibrahim, a spokesman for IHC, in a statement to Bloomberg. That's "aided by the use of business intelligence and our analytics tools, which help us to achieve the maximum benefits for our shareholders under the corporate governance regulation."

More than \$50bn of market value has been wiped off Adani's corporate empire after Hindenburg issued a report on January 24 detailing wide-ranging allegations of corporate malpractice following a two-year investigation into the tycoon's companies. Adani has said it's exploring legal action after what it called the "maliciously mischievous, unresearched" report by the short seller.

"As a policy, IHC does not comment on other organisations' business activities," IHC's Ibrahim said.

Adani Enterprises Ltd, the group's flagship firm, in April raised 77bn rupees (\$944mn) by issuing preferential shares to IHC, while Adani Green Energy Ltd and Adani Transmission Ltd received 38.5bn rupees.

IHC was among Middle Eastern investors bidding to buy stock in Adani's \$2.5bn share sale, Bloomberg News reported earlier this week. IHC had planned to buy the largest chunk of around \$200mn in offering.

Pakistan's currency shock is the first step towards IMF loan revival

Bloomberg

Karachi

Pakistan has taken a first step toward reviving its bailout programme with the International Monetary Fund by easing its control on the currency, which is among a slew of other decisions to be taken by the government to meet conditions set by the global leader.

Pakistan will have to increase petrol and diesel prices between 15% and 42%, according to estimates by Karachi-based brokerage Arif Habib Ltd. The exact price hike will depend on whether the IMF asks the government to collect a 17% general sales tax on fuel. It is already charging 50 rupees (\$0.2) a litre as tax on petrol.

So far, the nation has dodged the IMF by not accepting a key bailout condition of raising natural gas prices. There seems to be some traction now. The Oil and Gas Regulatory Authority has recommended the government increase gas prices by about 75% this month, while separately Sharif has set up a committee to find ways to reduce debt of about 1.6tn rupees in the gas sector.

After missing the tax collection target by 225bn rupees in December, Sharif said he plans to introduce a flood levy, a tax to cover the losses of floods in August that caused damages of about \$30bn to the economy.

A tough task lies ahead for the South Asian nation's economic managers led by Finance Minister Ishaq Dar, who will have to convince the IMF that the country is ready to meet its obligations. The lender's team is scheduled to arrive in Islamabad on January 31, to review the economy after a three-month delay. Here are the key anticipated decisions by the government.

The decision showed the political weight of the often unglamorous job, and highlighted the potential risk to the new president. But quick solutions have been hard to find. The Philippines has reported shortages of everything from salt to sugar over the last few months even as the economy grew the fastest since the 1970s last year.

The latest scarce ingredient is onions, which briefly cost more than meat earlier this month. Prices have become so absurdly high that 10 Philippine Air flight attendants were caught bringing the vegetables back with them from the Middle East.

The shortages of basic food staples are being felt throughout the economy and helped propel inflation to near the highest levels since the global financial crisis in 2008. Burger King said that it's all out of onions. Coca-Cola had to suspend some operations because it couldn't get enough sugar, and Marcos this month described the surge in food prices an "emergency situation."

Philippine onions are possibly the most expensive in the world.

The price of red onions hit as much as 650 pesos (\$11.84) a kilogram in the country, about 3x the price of chicken and around 25% costlier than beef, ac-

cording to the agriculture department.

As in much of the world, the cost of food, fuel and fertiliser have all jumped since Russia's invasion of Ukraine early last year. But the Philippines is particularly vulnerable, despite being among the world's biggest producers of rice, coconuts and bananas. The World Food Programme estimates that one in 10 households in the country are food insecure, with those reliant on agriculture most affected.

The government and lawmakers blame greedy traders for hoarding food to create artificial shortages that allow them to jack up prices. When discussing the onion crisis last week, Senator Imee Marcos, the president's sister, said there's "a level of treachery and manipulation involved because these prices are inexplicable."

Farmers seem to agree. Ramon Silverio, an onion producer, said he and

others sold their crops at a 60% to 80% discount from the previous years to traders with cold storage facilities.

Many growers in the country don't have access to these warehouses that can greatly extend the shelf life of fresh produce.

"These businessmen buy cheaply from farmers and we're left with no choice but to sell. It's suicide for us," Silverio said. Some of the onions were then resold at as much as 600 pesos (\$11) a kilogram in Manila, he said, more than seven times the price a few months earlier. "There's no shortage of onions."

Government data indicate that the Philippines produced a bumper onion crop last year. The output of 238,562 tonnes – the highest on record – should have been sufficient for the domestic market, which consumes about 20,000 tonnes a month.

Marcos, whose commitment to halve rice prices helped fuel his landslide election win last year, faces the risk of losing public support if he's unable to bring agricultural inflation under control. Historically, food shocks have often spurred social unrest in the Philippines, and they've also created a brisk trade in smuggling basic staples from overseas.

"I don't know if the public will give him a longer honeymoon period," said Jean Franco, a political science professor at the University of the Philippines. "The problems that we have now are really gut issues."

Marcos ordered the agriculture department this month to issue permits to import onions. The country will also buy sugar from overseas. Ultimately, the government wants to lift domestic production but is held back by a range of issues, including inadequate infrastructure to connect farmers to markets. Agriculture output, which accounts for a 10th of the economy, shrank last year.

A full-time agriculture secretary will be appointed once the issues are fixed and the systems are in place, Marcos said this month.

Hoarders who take advantage of the system should be punished as they're a threat to national food security, said Ricardo Dino, an agriculture professor at the University of Camarines Norte. The government should also improve farmers' access to subsidies and cold storage facilities, he said.

"Capitalists are smart, so the government should be smarter," Dino said.

Tempers flaring over onions show Marcos faces risk on prices

Bloomberg

Manila

Ferdinand Marcos Jr made a curious move when he became Philippine president-elect in mid-2022: he named himself agriculture minister, pledging to fix the country's food problems.

The decision showed the political weight of the often unglamorous job, and highlighted the potential risk to the new president. But quick solutions have been hard to find. The Philippines has reported shortages of everything from salt to sugar over the last few months even as the economy grew the fastest since the 1970s last year.

The latest scarce ingredient is onions, which briefly cost more than meat earlier this month. Prices have become so absurdly high that 10 Philippine Air flight attendants were caught bringing the vegetables back with them from the Middle East.

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Philippines Posts Record Onion Harvest in 2022

Annual production

Source: Department of Agriculture, Philippine Statistics Authority

Note: Government data date back to 1990 and was only reported annually from 1999

300,000MT

200,000

100,000

0

1990 1999 2001 2003 2005 2007 2009 2011 2013 2015 2017 2019 2021

Bloomberg

UK regional airline Flybe ceases trading and cancels all flights

Reuters

London

British regional airline Flybe yesterday ceased trading for the second time in three years, cancelling all flights and 276 workers made redundant.

A statement on Flybe's website said the airline, which operated scheduled services from Belfast, Birmingham and Heathrow across the UK and to Amsterdam and Geneva, had entered administration, a form of protection from creditors.

"Flybe has now ceased trading and all flights from and to the UK operated by Flybe have been cancelled and will not be rescheduled," it said.

It advised people due to fly not to travel to airports.

A spokesperson for administrators Interpath Advisory said about 75,000 Flybe customers had future bookings that would now not be honoured.

Headquartered in Birmingham, Flybe operated flights on 21 routes to 17 destinations across the UK and European Union using a fleet of eight leased Q400 turbo-prop aircraft.



Flybe aircraft are pictured on the tarmac at Exeter airport in southwest England. The British regional airline yesterday ceased trading for the second time in three years, cancelling all flights and 276 workers made redundant.

David Pike and Mike Pink from Interpath were appointed joint administrators to Flybe.

Pike said Flybe had struggled to withstand a number of shocks since its relaunch last year, not least the late delivery of 17 aircraft from lessors which severely compro-

mised its efforts to build back capacity and remain competitive.

He said scaled-back elements of Flybe's operating platform would be preserved for a short period while there was a possibility of a rescue transaction.

He encouraged any interested party to

make contact urgently. A spokesperson for Interpath said of Flybe's workforce of 321, 45 had been retained for the time being. The UK Civil Aviation Authority (CAA) said it would provide advice and information to affected passengers.

"It is always sad to see an airline enter administration and we know that Flybe's decision to stop trading will be distressing for all its employees and customers," said Paul Smith, CAA consumer director.

Hurt by Britain's Covid-19 pandemic lockdown, Flybe first fell into administration in March 2020, impacting 2,400 jobs.

In October 2020 it was sold to Thyme Opcos Ltd, a firm controlled by Cyrus Capital, and in April 2022 it resumed flights, albeit on a smaller scale.

Flybe's demise contrasts with a post-pandemic pick-up in demand for air travel.

Low cost airlines Ryanair, Europe's biggest airline, and Britain's easyJet have reported record bookings for summer holidays, in a sign that consumers are still keen on trips despite a looming recession.

Louise Haigh, the opposition Labour Party's transport spokesperson, said Flybe's collapse was "devastating news" for staff and customers.

US appeals against WTO verdicts on steel tariffs

AFP
Geneva

The expert panels the WTO set up in 2018 to settle complaints filed over the tariffs ruled last month that they were inconsistent with various articles of the General Agreement on Tariffs and Trade (GATT). The panels also determined that these inconsistencies were not justified by the security exceptions provided for in the GATT, as they were not applied in a time of war or during a case of serious international tension.

US Ambassador Maria Pagan criticised the rulings during a meeting of the WTO's Dispute Settlement Body (DSB) on Friday.

"The United States will not cede decision-making over its essential security to WTO panels," she said. "For over 70 years, the United States has held the clear and unequivocal position that issues of national security cannot be reviewed in WTO dispute settlement," she said.

"The United States cannot support adoption of these fundamentally flawed and damaging reports," she said.

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MANPOWER RECRUITMENT



The Qatar Stock Exchange (QSE) Index rose by 299.59 points or 2.8% during the week to close at 11,110.16. Market capitalisation increased 2.6% to QR630.3bn compared with QR614.3bn at the end of the previous trading week. Of the 49 traded companies, 32 ended the week higher, 16 ended lower and one unchanged. Commercial Bank of Qatar (CBQK) was the best performing stock for the week, climbing 12.9%. Meanwhile, Zad Holding (ZHCD) was the worst performing stock for the week, falling 5.6%. Commercial Bank of Qatar (CBQK), QNB Group (QNBK) and Qatar Islamic Bank (QIBK) were the primary contributors to the weekly index rise. CBQK and QNBK added 92.53 and 87.60 points from the index, respectively. Further, QIBK contributed another 67.00 points. Traded value during the week decreased 12.6% to QR2,323.2mn from QR2,657.9mn in the prior trading week. Masraf Al Rayan (MARK) was the top value traded

stock during the week with total traded value of QR361.1mn. Traded volume declined 5.4% to 677.7mn shares compared to 716.7mn shares in the prior trading week. The number of transactions fell 23.5% to 74,022 vs 96,738 in the prior week. Masraf Al Rayan (MARK) was the top volume traded stock during the week with total traded volume of 118.6mn shares. Foreign institutions turned bullish, ending the week with net buying of QR157.5mn vs. net selling of QR92.3mn in the prior week. Qatari institutions turned bearish with net selling of QR135.8mn vs net buying of QR28.4mn in the week before. Foreign retail investors ended the week with net buying of QR25.6mn vs. net buying of QR15.6mn in the prior week. Qatari retail investors recorded net selling of QR47.2mn vs. net buying of QR48.4mn the week before. YTD (as of Thursday's closing), global foreign institutions were net buyers of \$29.6mn.

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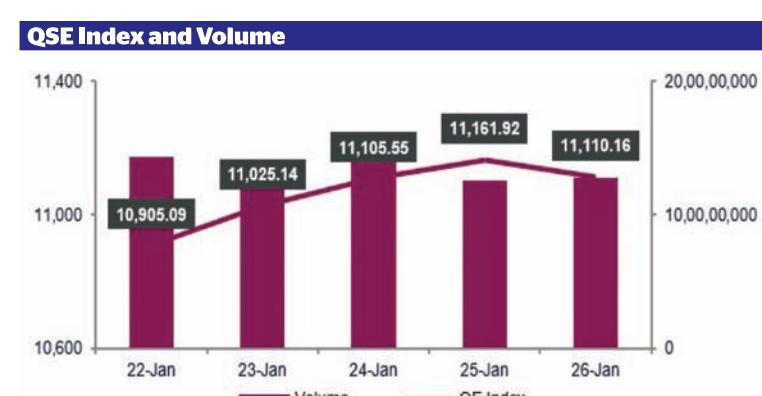
Weekly Market Report

Market Indicators	Week ended Jan 26, 2023	Week ended Jan 16, 2023	Chg. %
Value Traded (QR mn)	2,323.2	2,657.9	(12.6)
Exch. Market Cap. (QR mn)	630,341.2	614,268.8	2.6
Volume (mn)	677.7	716.7	(5.4)
Number of Transactions	74,022	96,738	(23.5)
Companies Traded	49	49	0.0
Market Breadth	32:16	17:30	-

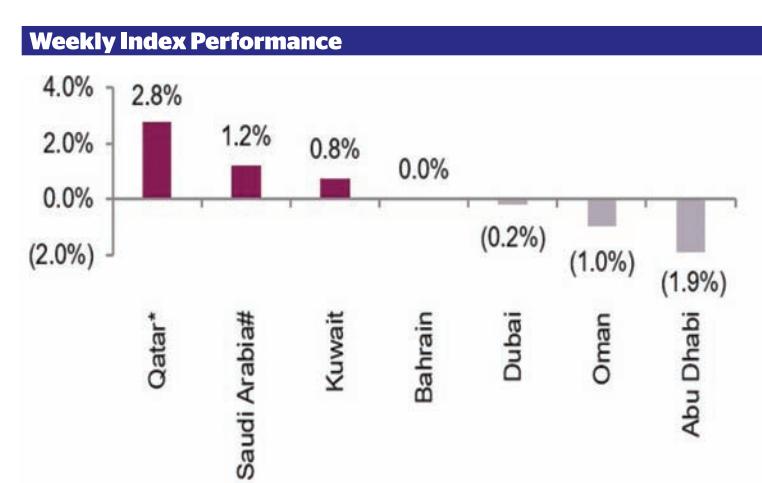
Source: Qatar Exchange (QE)

Market Indices	Close	WTD%	MTD%	YTD%
Total Return	22,757.21	2.8	4.0	4.0
ALL Share Index	3,570.21	0.6	4.5	4.5
Banks and Financial Services	4,603.57	1.9	5.0	5.0
Industrials	4,041.88	1.5	6.9	6.9
Transportation	4,359.01	0.1	0.5	0.5
Real Estate	1,554.36	1.9	(0.4)	(0.4)
Insurance	2,129.31	(2.5)	(2.6)	(2.6)
Telecoms	1,324.93	(0.3)	0.5	0.5
Consumer Goods & Services	7,888.06	(1.3)	(0.3)	(0.3)
Al Rayan Islamic Index	4,724.27	2.1	2.9	2.9

Source: Qatar Exchange (QE)



Source: Qatar Exchange (QE)

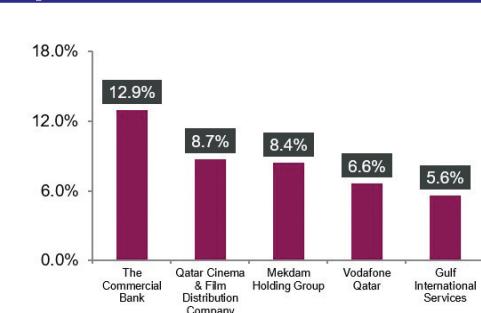


Source: Bloomberg

Regional Indices	Close	WTD%	MTD%	YTD%	Weekly Exchange Traded Value (\$ mn)	Exchange Mkt. Cap. (\$ mn)	TTM P/E**	P/B**	Dividend Yield
Qatar*	11,110.16	2.8	4.0	4.0	637.20	172,776.5	12.0	1.5	4.1
Dubai	3,357.39	(0.2)	0.3	0.3	172.42	159,503.4	20.8	2.2	1.6
Abu Dhabi	9,927.82	(1.9)	(2.1)	(2.1)	1,296.66	687,112.7	17.9	2.8	2.0
Saudi Arabia*	10,809.15	1.2	3.2	3.2	4,703.24	2,716,478.6	16.2	2.1	2.7
Kuwait	7,311.43	0.8	0.3	0.3	899.08	154,394.8	20.0	1.7	2.8
Oman	4,751.49	(1.0)	(2.2)	(2.2)	28.65	21,858.9	13.7	1.1	3.6
Bahrain	1,927.63	0.0	1.7	1.7	49.86	66,662.8	5.3	0.7	5.5

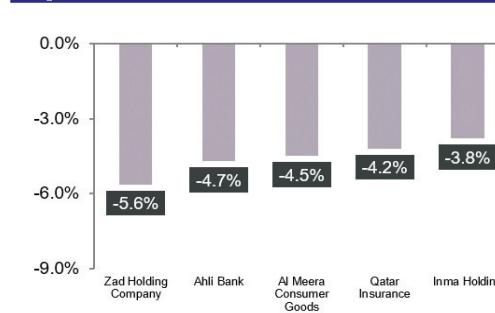
Qatar Stock Exchange

Top Five Gainers



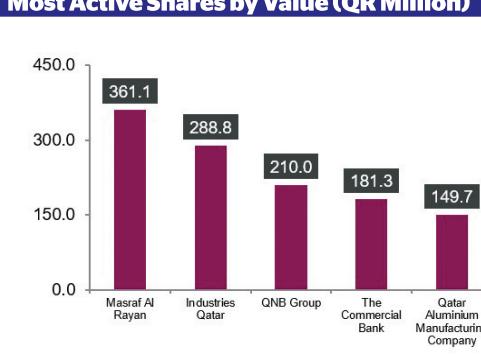
Source: Qatar Stock Exchange (QSE)

Top Five Decliners



Source: Qatar Stock Exchange (QSE)

Most Active Shares by Value (QR Million)



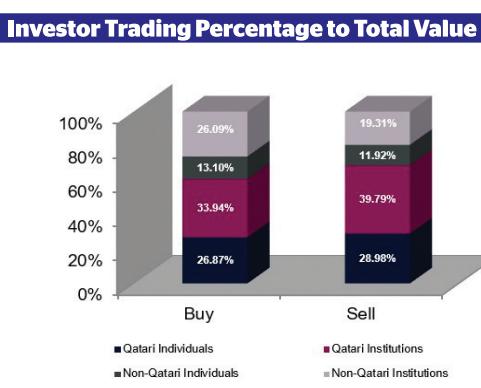
Source: Qatar Stock Exchange (QSE)

Most Active Shares by Volume (Million)



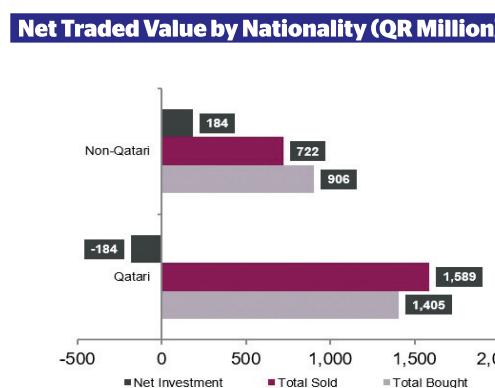
Source: Qatar Stock Exchange (QSE)

Investor Trading Percentage to Total Value Traded



Source: Qatar Stock Exchange (QSE)

Net Traded Value by Nationality (QR Million)



Source: Qatar Stock Exchange (QSE)

Technical analysis of the QSE index



The QSE index closed up by 2.77% from the week before; it closed at 11,110.16. The trend remains down and the Index is expected to test the lower side of the corrective channel. Our

thesis has not changed, the next support level is around the 10,200 then 10,000 psychological support. The first major weekly resistance facing the Index is around the 11,500 level.

Definitions of key terms used in technical analysis

RSI (Relative Strength Index) indicator - RSI is a momentum oscillator that measures the speed and change of price movements. The RSI oscillates between 0 to 100. The index is deemed to be overbought once the RSI approaches the 70 level, indicating that a correction is likely. On the other hand, if the RSI approaches 30, it is an indication that the index may be getting oversold and therefore likely to bounce back.

MACD (Moving Average Convergence Divergence) indicator - The indicator consists of the MACD line and a signal line. The divergence or the convergence of the MACD line with the signal line indicates the strength in the momentum during the uptrend or downtrend, as the case may be. When the MACD crosses the signal line from below and trades above it, it gives a positive indication. The reverse is the situation for a bearish trend.

Candlestick chart - A candlestick chart is a price chart that displays the high, low, open, and close for a security. The 'body' of the chart is portion between the open and close price, while the high and low intraday movements form the 'shadow'. The candlestick may represent any time frame. We use a one-day candlestick chart (every candlestick represents one trading day) in our analysis.

It won't take much for ECB to crush rate-cut bets next week

Bloomberg
Frankfurt

The stage is set for a clash between traders betting on interest-rate cuts and Christine Lagarde, who's ready — once again — to hammer home the need to stamp out inflation. The European Central Bank (ECB) President rebuked investors six weeks ago for underestimating the extent of hikes required to bring soaring prices under control, then repeated the message at the World Economic Forum in Davos this month. Regardless, euro-area bonds rallied in January as investors resisted warnings of aggressive tightening in the coming months and continued to price a decline in rates by year-end. The US Federal Reserve, the Bank of England and the ECB are all due to hold rate-setting meetings next week and strategists from Nomura Holdings

Inc to Societe Generale SA are in little doubt as to who will strike the most hawkish tone. There's also the danger Lagarde will add extra frost to her remarks to prompt a market correction should European inflation data come in milder than forecast. "We expect a slowdown between the ECB and markets," said Nomura economist Andrzej Szczepaniak. "It is clear that markets appear eager to challenge the ECB's 'multiple 50 basis point hikes' mantra." Swaps indicate a half-percentage point rise next Thursday is a done deal, which would take the deposit rate to a 15-year high of 2.5%. Yet traders see just a 70% chance of another 50 basis point hike in March and then begin to price in cuts to the key rate from around September. That's despite the best efforts of ECB officials. At Davos, Lagarde invited traders who've taken dovish rate wagers "to revise their position. They

would be well-advised to do so." Her colleagues, including Dutch central bank chief Klaas Knot, want at least two more half-point rate increases. "The current market pricing is not coherent," Societe Generale strategists including Ninon Bachet wrote in a note on Thursday. "Our economists expect the ECB to stop at 3.75%, with upside risks, meaning that the market can price more." She sees 10-year bund yields trading at 2.5% to 3% in the first half and recommends using options to fade excessive rate-cut pricing. Even after a recent sell-off, 10-year German bond yields are more than 30 basis points below a December 30 peak, at 2.25%. And while the market is pricing about 30 basis points of rate cuts between Sept 2023 and March 2024, those bets are overdone, she said. At least for now, the European economy looks able to handle more hikes. Economists at Goldman Sachs Inc no

longer predict a recession this year as factors including a warmer-than-usual winter in energy-strapped Europe and easing supply-chain constraints boost optimism. Compare that with the UK, where the economic outlook is more challenging. Traders are less certain that the Bank of England will deliver a half-point hike next week, with swaps indicating a 90% probability. The rate is currently 3.5%. "It doesn't look like bonds have all the hikes the ECB needs to carry out priced in," said Gordon Shannon, portfolio manager at TwentyFour Asset Management. Yields on gilts and Treasuries give a much better reflection of the tightening to come from the BoE and the Fed, he said. Even so, January inflation data due next week could embolden traders to revise rates pricing lower if there are signs of a further slowdown — triggering more

gains for bonds. Headline inflation has already dropped from a record 10.6% to 9.2% and economists surveyed by Bloomberg see the pace of price growth dropping to 9%. A measure which strips out energy and food is also predicted to improve, albeit only slightly. ECB officials including Gediminas Simkus have stressed risks around the stubbornness of core inflation, remarking this week that 50 basis-point rate hikes "must be taken unequivocally." But even if the data comes in better than expected, the global battle to tame price growth is unpredictable and there could be surprises down the line. Traders might look to Australia for a cautionary tale. Data there this week showed inflation accelerated to the fastest pace in 32 years in the last three months of 2022, exceeding forecasts and prompting money markets to price in an interest-rate hike at next month's central bank

meeting. The ECB may get a helping hand from the Fed, if US policy makers — who are also expected to raise rates next week — make it clear the inflation fight is far from over. Swaps linked to US central bank meetings imply traders expect almost 50 basis points of rate cuts by the end of the year. While signs of a slowdown are mounting — the Fed has delivered 425 basis points of hikes compared with 250 basis points from the ECB — the US economy expanded at a healthy pace in the fourth quarter, and the Fed has repeatedly warned it will leave rates elevated. According to Florian Ielpo, head of macro at Lombard Odier Investment Managers, the ECB and Fed need to keep ramming home the message that the war on inflation isn't over. "Their job is to convince markets that the rate cuts that have been priced have no place to be there," he said.

Raising debt limit is only solution to avoid fiscal crisis, says Yellen

Bloomberg
Washington

Treasury Secretary Janet Yellen said the only solution to avoid a US default crisis is for Congress to increase the federal debt limit, avoiding engaging with other proposed stopgap measures including short-term extensions or spending cuts.

"It's overly necessary for Congress to raise the debt limit, and I hope they do so in a timely way before we come to a crisis," she said in an interview on Thursday. "I'm not going to comment on rumours about what they are or are not considering," she said, referring to a proposal mulled by House Republican leaders to push the federal debt ceiling until September 30.

Democrats and Republicans remain locked in a confrontation over the government's legal debt limit, with the stability of global financial markets and the US economy hanging in the balance.

Yellen has consistently rejected the idea that Democrats should compromise by allowing spending cuts that Republicans are demanding in return for lifting the ceiling.

She's also dismissed arguments that the Treasury should prepare for technical steps that would minimise the impact of a default, or resort to gimmicks, like minting a \$1tn coin.

However, President Joe Biden's administration may not have public opinion on its side.

A recent survey conducted by The Harris Poll found 66% of respondents believed Republicans should only increase the ceiling after extracting constraints on future spending from Democrats.

Yellen on Thursday — speaking with Bloomberg News while in Johannesburg, South Africa — said that the administration has held regular meetings on how to communicate its stance on the issue, but



Janet Yellen, US Treasury Secretary.

no coordinated public opinion push has yet been formulated.

Payment priorities: During the 2011 debt-ceiling crisis, the Obama administration considered prioritising interest payments on debt over other obligations, which became public when transcripts of discussions at the Federal Reserve's Open Market Committee on the plan were released five years later.

The Treasury secretary, who was then Fed vice chair, said that plan was never agreed to.

"We do talk about what kinds of things are feasible, but even there, if you look at the FOMC discussion of that, you have no guarantees that would work," she said.

By law, the federal government's debt cannot exceed \$31.4tn — a cap that was reached on January 19. The Treasury has said it can hold out at least through early June by using special accounting manoeuvres, but may default on payment obligations any time after that if the limit isn't raised.

"We feel strongly it will be a calamity not to raise the debt ceiling," Yellen said.

Debt sustainability: The Treasury chief said there was no reasonable argument to be made that the US debt is at a dangerous level. The best metric for measuring the sustainability of the debt load, she said, is inflation-adjusted net interest payments as a proportion of gross domes-

tic product. That has averaged close to 2% historically, and ran at around 1% over the past decade, including a stretch when it was negative. It has more recently levelled off at just under 1%, Yellen said. "And 1% real net interest burden as a share of GDP is absolutely fine. There's nothing worrisome about that."

Republicans have pointed to the spike in spending during the Covid pandemic, and to rising interest rates that are causing interest payments to soar, as reasons for concern. "The idea that we're in reasonable fiscal shape did not hinge on the idea that interest rates will always stay at zero forever," she said. "That was never the assumption."

European govt bond yields edge higher ahead of ECB meeting

Reuters
London

European government bond yields edged higher on Friday as traders looked ahead to the European Central Bank (ECB)'s interest rate decision next week.

Germany's 10-year bond yield, the benchmark for the bloc, was up 2 basis points (bps) at 2.24%, having earlier reached a two-week peak of 2.283%.

The afternoon softening echoed a decline in US Treasury yields after the Federal Reserve's favoured inflation measure — the Personal Consumption Expenditures (PCE) index — came in broadly in line with expectations, removing one potential hurdle to the Fed stepping down its pace of interest rate increases to 25 bps on Wednesday.

Yields across the eurozone rose this week after a spate of ECB officials, including President Christine Lagarde, made clear they expect interest rates to keep rising as the central bank battles persistent inflation.

Traders think a second consecutive 50 bps hike from the ECB on Thursday is almost nailed on.

The ECB has already raised its main rate to 2%, from a record low of -0.5% in July 2022.

The market is expecting the rate to peak at around 3.3% in late summer, according to pricing in futures markets.

"The beginning of the year, we had a remarkable rally in safe-haven bonds, specifically (German) Bunds," said Richard McGuire, head of rates strategy at Rabobank.

"Now as we head into the ECB there's certainly an element of caution."

We're pausing in terms of trying to understand where the next moves might be." European government bonds have

bounced around so far this year. The yield on Germany's 10-year bond was at an 11-year high of 2.569% at the turn of the year after the ECB hiked interest rates hard in 2022, causing investors to demand higher returns on bonds.

Yet it hit a one-month low of 1.967% on January 18 as investors hoped falling energy prices and cooling inflation would allow the ECB to stop hiking interest rates sooner than previously expected.

Yields move inversely to prices. Italy's 10-year yield was up 6 bps to 4.23%, retreating, like its German equivalent, from a two-week top of 4.273% touched before the US data.

The closely watched gap between Germany and Italy's 10-year yields widened to 197.4 bps, the most since January 10.

It has increased since touching an eight-month low of 164 bps on January 19.

Germany's two-year bond yield, which is highly sensitive to interest rate expectations, was up 2 bps on Friday to 2.59%.

The Federal Reserve and Bank of England also decide interest rates next week.

"The key driver (for bond markets) will be when the Fed suggests they are done," said Pooja Kumra, rates strategist at Canadian bank TD.

"That's what markets want to hear next week but I think that's not what the Fed wants to deliver. So it could come as a disappointment."

The Bank of Canada, on Wednesday, was the first major central bank fighting global inflation to say it would likely hold off on further increases for now after hiking its key rate by 25 bps to 4.5%, the highest level in 15 years.

As well as the central bank meetings, traders are also looking towards next week's preliminary eurozone inflation data for January, which is due on Wednesday.

Stock gains whipped up in pandemic bubble resist being popped

Bloomberg
New York

Equity bulls limped into 2023 with positions trimmed, hedges firmed and much bubble excess in the rearview. They also came in with an unusually big chunk of their long-term gains intact, and are watching those spiral back up in a January rally that has defied most predictions.

While last year's 20% hit to the S&P 500 was the worst since the financial crisis, it did little to chip away at the bounty laid up by buy-and-hold faithful. That's evident in the S&P 500's annualized return over the past 10 years, which stood at 11.7% even at last year's trough. While down from 16% from a year earlier, the gain was still above the average of 10.6% over any decade since 1927, and beat all but four long-term returns at the end of 13 bear markets.

Statistically speaking, it's a distinction of limited meaning — long-term returns now are far from unprecedented, and the 6% rally since New Year's shows anything can happen over short horizons. But to a category of analysts who hold that major shifts in Federal Reserve policy usually spell doom for

fat seasons in equities, the robust returns of the past decade are a lingering vulnerability given their impact on sentiment and valuations.

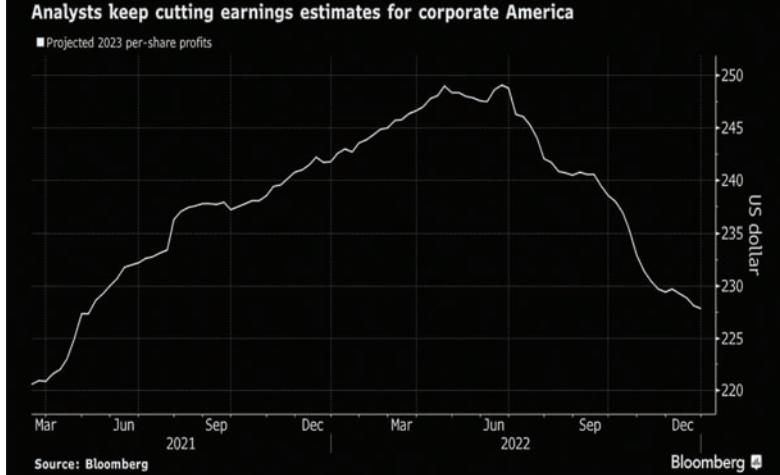
"This one in particular is challenging because we are in an environment where the Fed is facing down inflation that it hasn't had to deal with for more than 40 years," said Jake Jolly, senior investment strategist at BNY Mellon Investment Management. "This is arguably a pretty significant regime change."

The shift in Fed policy last year wrung out excesses brought on by unprecedented government spending and central-bank largesse, sending the Nasdaq Composite index tumbling 33%. But an 11% surge to start the year, powered by bets that tech earnings will withstand an economic slowdown, isn't sitting well with Fed officials who view market gains as diluting tighter policy. The Fed is expected to downshift the pace of its rate hikes next week, and may well reiterate its warning to investors about an unwarranted easing in financial conditions.

Another rousing week on equity markets sent the Nasdaq higher by 4.3% for its fourth straight weekly gains, the longest winning streak since

Profit Sentiment Worsens

Analysts keep cutting earnings estimates for corporate America



August. The S&P 500 advanced 2.5%, with the January surge pushing the rolling 10-year gain even further above the long-term average.

Why consider returns over years or decades? While day-to-day swings get all the press, they're irrelevant to the overwhelming majority of investors who view the stock market through the

lens of retirement savings or putting kids through college. Decade-long returns evolve at a glacial pace but are a significant input into how investors feel about their portfolios.

Even with its rout, last year was the fifth in a row that the S&P 500's annualized 10-year return exceeded 10%, testament to the power of the rally that

came before it. In a sign of how big the post-crisis bull market was, the index could go nowhere in 2023 and still be sitting with a 9.4% annualized gain over the 10 years through December.

Stretches like this aren't unheard of. The runup that cumulated in the dot-com crash of 2000 generated 19 consecutive years in which the 10-year rolling, annualized return was above 10%. The rally that began in 1950 did it for 16 years.

While shorter than those, the latest run of above-average returns has pushed prices in the stock market to valuations with few precedents.

At its all-time high reached just over a year ago, the S&P 500 was trading at 25 times earnings, a multiple that topped all but one bull-market peak since the 1950s. Should the October 12 low in the S&P 500 hold, it will have been set at a valuation higher than nearly every bear market bottom over the same time period.

Valuations are a poor tool for market-timing, but do hold clues about expected returns over longer periods. The higher they are, the worst investors have fared, generally speaking. One popular model, developed by Robert Shiller, uses cyclically adjusted

price-to-earnings (CAPE) going back more than a century and then smooths the ratio out over 10-year intervals. Plotting CAPE against the S&P 500's forward returns in the subsequent decade shows the two track pretty closely.

The relationship was elaborated upon by AQR Capital Management in a 2012 study that broke down the equity index's future performance based on a various range of CAPE levels.

In that framework, the equity rally that pushed CAPE above 38 in November 2021 — a level that exceeded more or less all periods since 1871 save the dot-com era — was bound to lose steam. The impetus was the Fed's policy shift.

While CAPE has since fallen to 28, it is still high, sitting roughly 60% above the average.

That's a bracket that historically corresponded to the worst period of performance for the S&P 500: An average above-inflation return of just 0.5% a year during the ensuing decade. That compares with a gain of about 10% when CAPE stood below 11.

Such a valuation backdrop, along with a hawkish Fed, is why market prognosticators call the latest runup another bear market rally.

WEEKLY ENERGY MARKET REVIEW

Oil prices settle lower on stronger supply outlook

www.abhafoundation.org**Oil**

Oil prices settled lower on Friday, making their weekly finish flat to lower, as indications of strong Russian oil supply offset better-than-expected US economic growth data, strong middle distillate refining margins, and hopes of a rapid recovery in Chinese demand. Brent futures settled down 81 cents at \$86.66 per barrel. US crude fell \$1.33 to close at \$79.68.

For the week, Brent dropped 1.1%, and the US WTI benchmark fell by 2%. Oil loadings from Russia's Baltic ports are set to rise by 50% this month from December as sellers try to meet strong demand in Asia and benefit from rising global energy prices, traders said. In the US, a 4.2m barrel build this week in stocks at Cushing, the pricing hub for NYMEX oil futures, also weighed on the market.

In China, critically ill Covid-19 cases are down 72% from a peak early this month while daily deaths among patients have dropped by 79% from their top, pointing to a normalisation of the Chinese economy and boosting expectations of a recovery in oil demand.

Meanwhile, Opec+ delegates will meet this week to review crude production levels, with sources from the oil producer group expecting no change to the current policy.

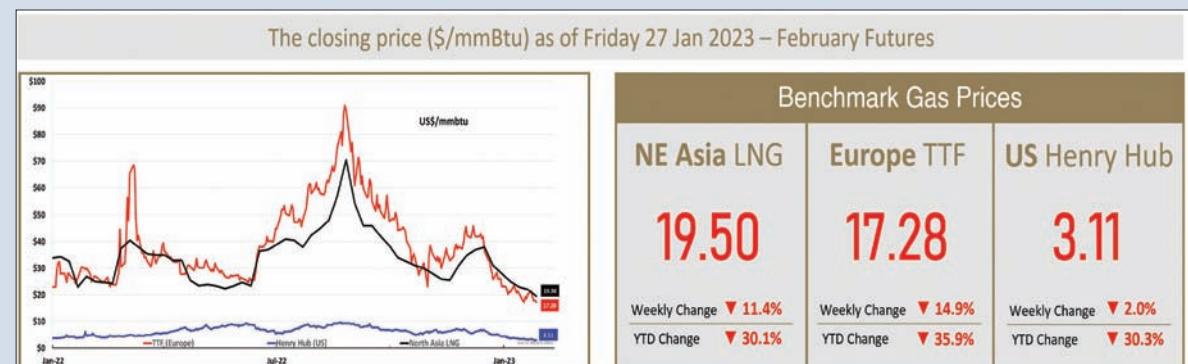
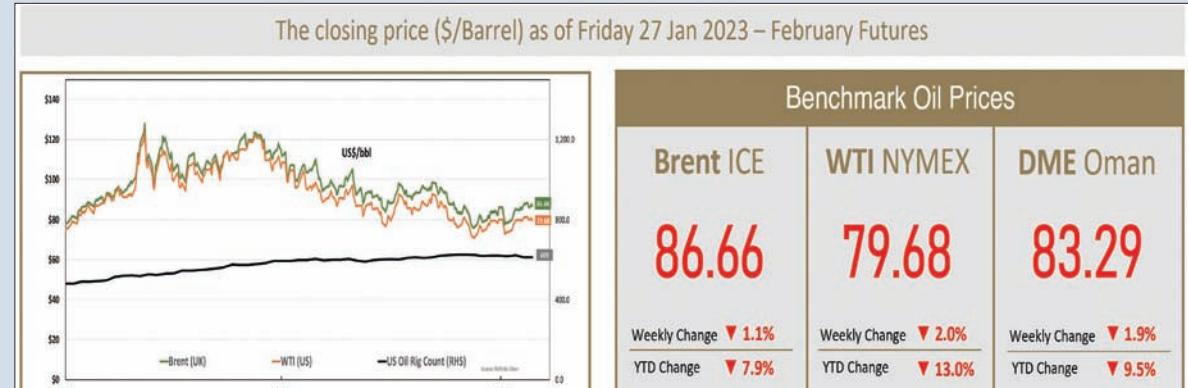


Rows of petroleum tanks in Cushing, Oklahoma. Oil prices settled lower on Friday, making their weekly finish flat to lower, as indications of strong Russian oil supply offset better-than-expected US economic growth data. Picture supplied by the Abdullah Bin Hamad Al-Attiyah International Foundation for Energy and Sustainable Development.

Gas

Asian spot liquefied natural gas prices fell for a sixth consecutive week due to weak trading activity during the Lunar New Year holiday in Asia and lower gas prices in Europe. The average LNG price for March delivery into northeast Asia was \$19.50 per million British thermal units (mmBtu), down \$2.50, or 11.4%, from the previous week, industry sources estimated. Prices have fallen more than 34% year-to-date. The

market has continued to weaken, mainly driven by a lack of demand from Asian buyers. Japanese LNG purchases will likely remain minimal as power utilities still hold a decent stock buffer for the time of year. However, there is some anticipation of higher spot activity from Chinese buyers following the holidays due to the cold weather and the gradual re-opening of the economy. In Europe, gas prices remained lower on robust LNG



This article was supplied by the Abdullah Bin Hamad Al-Attiyah International Foundation for Energy and Sustainable Development.

Sub-Saharan economies are still vulnerable to global shocks, says QNB

Sub-Saharan African economies are still vulnerable to global economic shocks and volatility although elevated and sustained commodity prices amid higher interest rates could benefit SSA net commodity exporters, QNB said in an economic commentary.

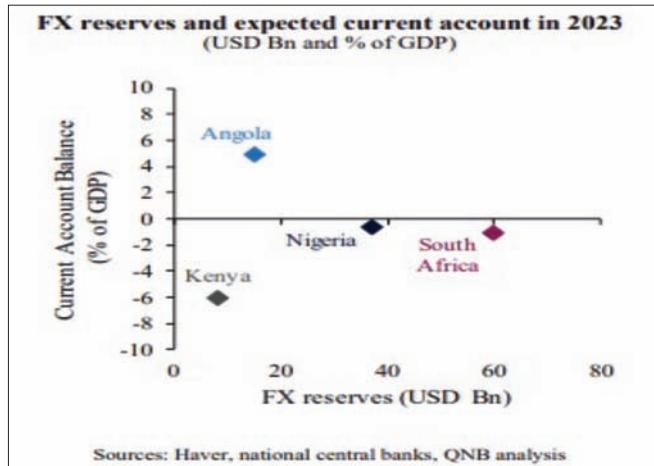
On the other hand, these same trends will continue to further increase the vulnerability of SSA net commodity importers, QNB noted. "Divergence in external vulnerability across the largest SSA economies is currently mostly explained by each country's status as a net commodity importer or exporter," QNB said.

After a strong economic recovery from the 2020 pandemic shock, select frontier markets in Sub-Saharan Africa benefited from the "great global re-opening" in 2021 and 2022.

The end of major, persistent lockdowns or other strict social distancing measures in SSA allowed for a pickup in activity and a rebound in domestic consumption, fuelling a regional economic expansion.

However, the tailwinds from the re-opening started to fade over the last couple of quarters and can now be offset by headwinds from global conditions, particularly as global growth decelerates further, commodity prices are kept elevated and major central banks continue to hike policy rates.

Higher import bills and tighter international financial conditions often pressure the external balances of vulnerable frontier



Sources: Haver, national central banks, QNB analysis

markets. Hence, it is ever more important to track different measures of external vulnerability in key Sub-Saharan African economies, QNB said.

QNB assesses external vulnerability along two dimensions: the current account balance and the overall level of official foreign exchange (FX) reserves. Countries that run current account deficits need to finance it with either foreign capital or drawing down their own FX wealth.

During challenging times, when global economic or financial conditions are difficult, capital flows can dry up or reverse, making it even more difficult to fund deficits without drawing down FX assets. That is why current account balances are an important metric to assess the exposure of countries to capital flows and risk sentiment. The below graph delineates the level of

FX reserves versus the expected 2023 current account deficit for key SSA economies.

QNB analysis delves into the current account position and FX reserves of the four largest frontier or emerging economies in SSA, namely Nigeria, South Africa, Angola, and Kenya, drawing conclusions about their resilience against potential global or regional shocks.

Divergence in external vulnerability across the largest SSA economies is currently mostly explained by each country's status as a net commodity importer or exporter. Net commodity importers, such as Nigeria and Angola, tend to either have accumulated more FX reserves over time or presented current account surpluses.

In contrast, net commodity importers, such as South Africa and Kenya, present a less benign

external position. Nigeria's current resilience is underpinned by strong commodity markets globally. The country is the largest oil exporter of SSA and a major exporter of agricultural products, such as cocoa, rubber and palm oil, as well as solid minerals, such as tin and limestone. Elevated commodity prices continue to support the funding of the country's growing imports, even as productivity remains low and structural reforms are not implemented at an optimal pace and level. Nigeria amassed \$37bn official FX reserves, which comfortably covers the \$4bn of current account deficits expected for this year.

While Angola's level of FX reserves is relatively low at \$14bn, the country is expected to run a current account surplus of about \$7bn in 2023. This is due to the booming oil exports. Elevated oil prices are providing Angola with a windfall in revenue. This allows the country to invest at a reasonable rate and potentially even build up more FX reserves over the next several quarters.

South Africa is a net external borrower, which means that it runs current account deficits. While South Africa is a known exporter of key commodities, such as gold, platinum, coal, iron ore and diamonds, this is more than offset by the need to import other commodities, particularly oil and food-related products.

Hence, the country's terms of trade have been deteriorating, placing economic authorities under pressure. The only large

SSA country that is considered an emerging rather than frontier market, South Africa is more vulnerable to foreign investor sentiment and has been hit by tightening global financial conditions and FX turbulence. South Africa's official reserves amount to \$60bn. While this more than covers for the \$4bn current account deficit expected for this year, it only covers about 60% of the country's short-term external debt.

Kenya is another net external borrower, running structural current account deficits for years. Conditions deteriorated in recent quarters as its import bills ballooned with higher energy prices, which could not be offset by its exports of textile manufacturing, tea, coffee and horticultural products.

The country is under pressure and will need to enact significant re-balancing measures to avoid a more acute balance of payment crisis. This will likely require some import compression and lower GDP growth. Kenya's FX reserves are limited at \$8bn, barely covering the expected current account deficit of \$7bn.

"All in all, while SSA economies are still vulnerable, global trends, such as elevated and sustained commodity prices despite higher interest rates could benefit SSA net commodity exporters going forward, strengthening their resilience towards further economic volatility and shocks."

"On the other hand, these same trends will continue to further increase the vulnerability of SSA net commodity importers," QNB noted.

Musk faces SEC probe for role in Tesla self-driving claims

Bloomberg
New York

promises of eventual fully autonomous, hands-free driving functionality have yet to materialise.

In a behind-the-scenes glimpse into Musk's thinking about the Autopilot video, he told Tesla staff in internal emails in 2016, "I will be telling the world that this is what the car *will* be able to do," Musk continued, "not that it can do this upon receipt."

Tesla beats out its competitors on self-driving vehicles because "the car is upgradeable to autonomy," Musk said during a Twitter Spaces conversation in December. "That's something that no other car company can do," he added.

Separately, Tesla is also facing scrutiny from safety watchdogs over its automated-driving systems and is poised for its first jury trial over a driver fatality blamed on Autopilot.

The SEC declined to comment. Musk and his attorney Alex Spiro didn't respond to requests for comment.

Musk is already clashing with the SEC on several fronts. But the regulator's Autopilot review directly touches on a business priority that Musk has singled out as crucial to Tesla's future.

SEC officials are weighing whether Musk may have inappropriately made forward-looking statements, said the person. An investigation by the agency's enforcement unit doesn't always lead to consequences, but can result in lawsuits, fines or other civil penalties for companies and executives.

It couldn't be determined specifically which of Musk's statements or activities about Autopilot have garnered the attention of the SEC.

Tesla's driver-assistance technology has for years been a focus of Musk. He personally directed the creation of a 2016 video that may have exaggerated the technology's capabilities. The video's

defended that 2018 missive this week in court in San Francisco where investors have alleged that he committed securities fraud. Musk said he believed at the time that he had financial backing from wealthy investors and the Saudi government.

Stock market vigilantes dial back penalties for earnings misses

Bloomberg
New York

Stock-market investors are looking to earnings next week from Apple Inc., Amazon.com Inc and Meta Platforms Inc for signs of whether Wall Street's projections are too optimistic as the US economy cools. But as signs of a slowdown mount, there's a silver lining: Battered by last year's bear market and long focused on the risk of a potential recession ahead, the stock market is rewarding companies that exceed expectations and dialling back the punishment of those that fall short. That's a signal that a lot of bad news has already been priced in.

The S&P 500 has advanced some 2.4% since earnings season began two weeks ago even as the number of its members that beat on earnings lagged early in the cycle, data compiled by Societe Generale show. All told, companies in the S&P 500 that have exceeded projections on both earnings per share and sales have outperformed the S&P 500 by an average of 1.45% within a day of reporting, exceeding the norm of the past six years, according to data compiled by Bloomberg Intelligence. And those that fell short underperformed the broader market by just 1.7%, the least negative reaction in eight quarters, as many companies report taking steps to adjust to shifting business conditions. "A lot of companies have announced

restructuring efforts and cost-cutting plans, which has helped create more confidence among investors that companies can get through slowing economic growth," said Wendy Soong, a senior associate analyst at Bloomberg Intelligence. "That's why we've seen more upward rewarding for stock prices this time around than previously." The reports next week from the megacap tech companies come after disappointing outlooks from Microsoft Corp and Intel Corp this week. On Friday, Intel fell more than 7%, dragging down other chip stocks, after the semiconductor company forecast one of the worst quarters in history. But Microsoft's warning of a sales slowdown had far less impact on the company's stock, which is poised

to finish the week higher despite the outlook. So far this earnings season, the biggest post-report gainers have included SVB Financial Group, the parent company of Silicon Valley Bank, and Lamb Weston Holdings Inc, a US food processing company. On the other end of the spectrum, financial services firm Northern Trust Corp and investment bank Goldman Sachs Group Inc have dropped the most. Overall, though, those who used options to wager on post-earnings rallies have seen one of the best runs in years, underscoring the more bullish atmosphere. Traders who bought single-stock call options — or the right to purchase shares five days ahead of an earnings release this reporting season have reaped a 29% average

return on premium, or the amount paid for the option, data compiled by Goldman Sachs show. Next week's results will coincide with the Federal Reserve's first interest-rate decision of the year on Wednesday. While the central bank is widely expected to deliver a quarter-point rate hike, investors are looking for signals that it will soon stop tightening monetary policy. Speculation about such a pause has fuelled outsized gains this year for growth stocks, whose valuations are more sensitive to changes in interest rates. So far, US companies are beating earnings estimates slightly better than during the previous quarter, which could mean Wall Street projections

were relatively pessimistic for the final three months of 2022. About 72% of firms have posted better-than-expected earnings in the fourth quarter, up from 70% in the third quarter but down from 76% a year earlier, data compiled by Bloomberg Intelligence show. "For now, investors are hoping that the Fed will throw down its gauntlet at the upcoming meeting, with markets anticipating that it could be the final rate hike of this cycle," said Scott Colyer, chief executive of Advisors Asset Management. "But the next batch of tech earnings could change the current market environment depending on what management teams say about their outlooks, while any pause in rate hikes from the Fed may not come until later this year."