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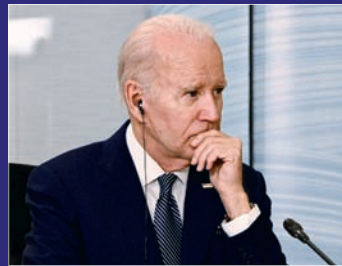
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GULF TIMES

BUSINESS

**MAJOR HURDLES REMAIN: Page 11**

Biden confident US will avoid default amid tense debt talks

Qatar's banking sector risk among lowest in Middle East: EIU

By Pratap John
Business Editor

Qatar's banking sector risk is among the lowest in the Middle East, a new report by The Economist Intelligence Unit (EIU) has shown.

Qatar's banking sector risk is the second lowest in the Gulf Co-operation Council (GCC) region and the entire Middle East (with the exception of Israel), EIU noted in its latest report. Only Saudi Arabia (risk score 33) is ahead of Qatar (38) in this regard.

Middle Eastern banks have "limited direct exposure" through investment in equities or bonds linked to financially stressed institutions in North America and Europe, it said.

GCC commercial banks had less than 5% of total assets and less than 3% of total liabilities involving US counterparts at the end of 2022, and although they have increased their financial links to European financial services providers in recent years – especially Saudi Arabia following an aggressive outreach strategy – their overall exposure remains manageable.

Banking sectors in the region's key business and finance hubs located in the GCC states especially Doha, Dubai, Abu Dhabi, Bahrain, Riyadh and Kuwait City – appear “well positioned” to withstand the shocks emerging from financial markets in Europe and North America.

“These hubs hold the region’s key financial institutions and most developed banking industries and have started 2023 on a strong financial footing,” EIU noted.

For instance, EIU said to-



Qatar's banking sector risk is the second lowest in the Gulf Co-operation Council region and the entire Middle East (with the exception of Israel), EIU noted in its latest report.

tal assets, customer deposits, net loans and net interest income – the difference between interest earned from lending activities and interest paid to depositors – for GCC listed banks have been on an upwards trajectory since the start of 2021 and these performance measures reached record highs in the fourth quarter of 2022.

The outlook for the banking industry in 2023 across the GCC and Israel looks reasonably bright given the expectation of strong international energy demand and associated investment and exports, recovering tourism industries, buoyant non-energy business activity, major public and private investment programmes, and a continued boom in initial public offerings (IPOs), which had a bumper year in 2022.

Moreover, the GCC banking sector is likely to benefit from stable exchange rates

and relatively low inflation, as well as the prospect of further consolidation across the industry amid the push to create lenders with larger revenue streams and operating efficiencies capable of supporting ambitious diversification agendas.

According to EIU, banks across major markets in the Middle East retain ample financial buffers in terms of core capital-adequacy ratios, liquidity coverage ratios and net stable funding ratios.

All these measures were comfortably above the minimum required levels as set out under Basel III requirements for banking sectors in aggregate and for major individual banks in 2022.

In addition, and specifically in the GCC, banks tend to rely much more on relatively stable domestic funding sources from government, corporate and retail depositors rather than external, market-sensi-

environment that supports their own development and diversification agendas.

The Middle East has fared better than other regions during previous periods of financial instability, such as the global financial crisis of 2008. Limited direct exposure to risky foreign investments, a focus on traditional lending and savings mobilisation, strong regulation and financial buffers, and prompt and forceful policy action proved beneficial in the past and will provide some protection once again.

Moreover, limited integration into the global financial system of the region's weaker states should militate against direct effects through the financial system.

However, an escalation of the current financial difficulties in major developed markets and a sharp deterioration in global financial conditions would most likely affect the Middle East through second-round effects and in various ways.

The region's developed and developing banking sectors would probably suffer impacts on income statements and balance sheets caused by a contraction in global economic activity, trade and investment, volatile and bearish international energy markets, plunging overseas and domestic asset prices – including equities and real estate – and softer domestic business activity.

The Middle East's major banking industries would remain well capitalised, but profitability and asset quality would probably suffer, to the detriment of regional economic growth and stability, EIU noted.

QIIB awarded PCI-DSS, 'highest' cybersecurity certification for 8th consecutive year



Mohamed Jamil Ahmad Hamad, chief risk officer at QIIB, was handed over the certificate by SISA vice-president Ramakrishnan Balagopal during a ceremony held at the bank's headquarters at the Grand Hamad Street.

For the eighth consecutive year, QIIB has been awarded the highest certification in cybersecurity and protection of bank cards data - Payment Card Industry Data Security Standard (PCI-DSS) - granted by SISA company to banking institutions with the best security standards and protection for their customers' information.

Mohamed Jamil Ahmad Hamad, chief risk officer at QIIB, was handed over the certificate by SISA vice-president Ramakrishnan Balagopal during a ceremony held at the bank's headquarters at the Grand Hamad Street.

On this occasion, Hamad stated: "QIIB's award of the PCI-DSS certification for the eighth consecutive year reflects our

continuous investment in cybersecurity solutions and adoption of the best-known technology in the banking sector. We are committed to achieving global standards in the field of cybersecurity in terms of software, infrastructure, training, and attraction of qualified experts.

"QIB's success in achieving the required standards for obtaining this certification is translated in the huge progress made by the bank in the field of digital transformation, as it continues to invest in its digital solutions in parallel with its increased investment in security and protection solutions for all its operations and customers' information, and it reflects the bank's investment in combating cybercrime, hacking and cyber fraud".

Hamad also stressed “QIIB is working to strengthen cooperation with the relevant institutions and authorities to protect customers’ data in all its forms, and it will continue to rely on the best solutions adopted in the global market to maintain its prestigious position in the field of information security.”

QIIB chief risk officer expressed his thanks and appreciation to SISA for awarding QIIB the PCI-DSS certification, after its in-depth review of the exerted efforts and the distinguished level achieved by the bank in the field of information security”.

On his part, Balagopal said: "We congratulate QIIB on maintaining this outstanding level of customer data protection and on earning a PCI-DSS

certification, which is one of the most important internationally-recognised standards in data security. We are confident that the bank will remain a leader in cyber security solutions given its long-term investment in technology dedicated for this purpose and its keenness to protect the data of its customers in the best possible way."

It is noteworthy that QIIB has succeeded in establishing an advanced technological infrastructure and various alternative channels to enhance its banking services taking it to a new level, which contributed in strengthening its role in the banking market and meeting the needs of customers in accordance with the best international standards.

American-JetBlue alliance is blocked as anticompetitive

Bloomberg
New York

American Airlines Group Inc and JetBlue Airways Corp must dissolve a partnership covering flights across the northeastern US, after a federal judge agreed with anti-trust enforcers that the alliance would reduce competition and boost fares for consumers.

The Northeast Alliance, “operating as it was designed and intended by American and JetBlue, substantially diminishes competition in the domestic market for air travel,” US District Judge Leo Sorokin said in a ruling on Friday. The agreement has replaced “full-throated competition with broad co-operation,” he said, thereby hurting customers.

The decision, which follows a month-long trial that ended in November, hands a win to the Justice Department, which argued that the alliance, formed in 2020, gives the carriers too much control over competition in Boston and New York City and has led to higher prices. The judge permanently blocked the airlines from further implementing the tie-up, effective 30 days from the order.

“We believe the decision is wrong and are considering next steps,” American said in a statement. “The court’s legal analysis is plainly incorrect and unprecedented for a joint venture like the Northeast Alliance. There was no evidence in the record of any consumer harm from the partnership and there is no legal basis for inferring harm simply from the fact of collaboration.”

JetBlue said the partnership was “a huge win for customers” and added it’s also evaluating its next action.

“Today’s decision is a win for Americans who rely on competition between airlines to travel affordably,” Attorney-General Merrick Garland said in a statement from the Justice Department. The airlines can appeal the decision. The Justice Department’s lawsuit was the first challenge the government has brought against airlines since 2013, and is part of the



An American Airlines plane lands on a runway near a parked JetBlue plane at the Fort Lauderdale-Hollywood International Airport in Florida. American Airlines and JetBlue Airways Corp must dissolve a partnership covering flights across the northeastern US, after a federal judge agreed with antitrust enforcers that the alliance would reduce competition and boost fares for consumers.

agency’s renewed trust-busting efforts under the Joe Biden administration. The department has also sued to block JetBlue’s proposed \$3.8 billion merger with Spirit Airlines Inc. A trial is scheduled for October.

“This was a bit of a surprise, as we believed with more than two years of data, the judge would rule in the airlines’ favour,” Helane Becker, a TD Cowen analyst, said in a note. The ruling “has negative implications” for JetBlue’s pending merger with Spirit, she said.

That sentiment was echoed by Francois Dufлот, a Bloomberg Intelligence analyst, who said the decision

makes the merger “more uncertain.”

JetBlue shares fell 1.8% on Friday in New York, while American slipped 1.5%. The companies’ shares were little changed in light post-market trading.

American and JetBlue are two of the four largest carriers operating in New York, and two of the largest three in Boston, Sorokin noted. Delta Air Lines is the only other carrier with a large presence in Boston.

“Though the defendants claim their bigger-is-better collaboration will benefit the flying public, they produced minimal objectively credible proof to support that claim,” the

judge wrote. “Whatever the benefits to American and JetBlue of becoming more powerful – in the northeast generally or in their shared rivalry with Delta – such benefits arise from a naked agreement not to compete with one another.” He added that “such a pact is just the sort of ‘unreasonable restraint on trade’ the Sherman Act was designed to prevent.”

American and JetBlue argued the alliance gave them the size to compete with larger rivals Delta and United Airlines Holdings Inc in Boston and New York and created more options for consumers. The government didn’t prove travellers had been harmed

by the venture, they said. Under the partnership, American has increased its presence at New York’s major airports after previously reducing flights from John F Kennedy International and LaGuardia Airport, while giving American customers access to dozens of JetBlue flights out of New York and Boston.

The partnership let JetBlue expand service, gaining access to coveted gates and 100 flight slots in New York held by American that the smaller carrier hadn’t been able to secure on its own.

Consolidation within the industry, mainly triggered by a series of bankruptcies, eliminated five of the 10 biggest airlines between 2005 and 2013. The Justice Department sued to prevent the \$17.2bn merger of AMR Corp, then parent of American, and US Airways Group Inc in 2013. That case was settled and the combination allowed to take place.

The agreement between American and JetBlue diminishes competition “by combining the Boston and New York operations of two airlines that are among the most significant competitors in that region,” the judge found. “These two powerful carriers act as one entity in the northeast, allocating markets between them.”

The court found there was “no credible evidence” that American and JetBlue have continued to treat each other as competitors in the northeast, despite claims from both airlines.

In forming the NEA, the airlines “decided to stop competing and start cooperating with one another in the northeast,” according to the judge. Instead, he said, “competition between them has effectively ceased.”

The airlines focused on growing in New York at the expense of other cities, Sorokin said. For example, American “deprioritised” long-range plans to expand in Philadelphia in favour of service at Kennedy, while JetBlue put plans to increase service to Fort Lauderdale on hold, the judge wrote.

The case is US vs American Airlines Group Inc and JetBlue Airways Corp, 21-cv-11558, US District Court, District of Massachusetts.

Walmart a top pick on Wall Street as consumers reevaluate spending

Bloomberg
New York

Walmart Inc shares are far outshining those of Target Corp and other retail peers, as Wall Street anticipates the shopping behemoth’s broad array of household necessities will offer more shelter from slowing economic growth.

One year after both firms shocked Wall Street by slashing profit projections in the face of swelling inventories, Walmart’s stock has proven the sure winner among investors. Its shares have climbed about 22% in the past 12 months, adding some \$67bn of market capitalisation – almost the same as Target’s entire market value. In the same period, Target is down about 6%, while the 87-member S&P Retail Select Industry Index has dropped close to 5%.

The stunning outperformance drives home that Walmart’s discount model and its strength in areas like groceries set it apart with consumers curbing discretionary spending as concern builds that a recession is ahead.

“You want to stick with Walmart here, especially in the environment we’re in at the moment,” Telsey Advisory Group analyst Joseph Feldman said on Bloomberg Television on Thursday after the company boosted its profit outlook. “In tougher times, Walmart tends to shine.”

Retailers have been under pressure since last year, when consumers began shifting spending to necessities amid a soaring rate of inflation. That worked against Target and other retailers that primarily sell discretionary goods, like furniture, apparel and electronics. On Friday, Foot Locker Inc provided the latest evidence that consumers are pulling back, cutting its financial projections for the year amid slowing sales trends.

Goldman Sachs Group Inc analyst Kate McShane has buy ratings on both Walmart and Target, but she prefers Walmart against the current economic backdrop given its relatively defensive profile. Walmart gets more of its sales from groceries, and it’s positioned to benefit as shoppers trade down from costlier retail peers, she said.

In their most recent fiscal years, food and other household essentials made up nearly 60% of Walmart’s US sales, compared to less than half of Target’s, their financial statements show.

At Baird, analyst Peter Benedict highlights Walmart’s progress in scaling revenue streams including advertising and its online marketplace – businesses with higher operating margins. He has an outperform rating on the stock. Walmart has 36 buy, 11 hold and zero sell recommendations among analysts tracked by Bloomberg, giving it a higher ratio of bullish ratings than Target.

Valuation is one sticking point for some on Wall Street when it comes to Walmart, although not enough of a stumbling block to spur calls to sell. The stock trades at about 23 times projected earnings, exceeding the five-year average and well above Target’s roughly 17 times.

“While we are bullish on Walmart’s growing momentum and are looking for an opportunity to become more constructive on the stock, its valuation still gives us pause,” Truist Securities Inc analyst Scot Ciccarelli wrote in a note to clients.

Hedge funds’ ultra-bearish oil bets signal US recession angst

Bloomberg
New York

Money managers that trade derivatives linked to oil and fuel prices are about as bearish as they’ve been in more than a decade, suggesting they’re braced for a recession that could cause contracts from crude to jet fuel to take another tumble.

The trading positions of non-commercial players such as hedge funds are near the most bearish levels since at least 2011 across a combination of all major oil contracts.

And in bets that are perhaps most indicative of recession expectations, speculators’ combined views on diesel and gasoil – fuels that power the economy – are near the most bearish levels since early in the Covid-19 pandemic.

The gloom over the oil market this year has come from multiple directions, including expectations that the Federal Reserve’s rate hikes will provoke a contraction and China’s less-than-booming rebound from its Covid-19 restrictions. Add in the threat of a US default if politicians fail to raise the debt ceiling and the possibil-

ity that Opec+ may not deliver all the output cuts they’ve pledged, and traders have no shortage of bear scenarios to choose from.

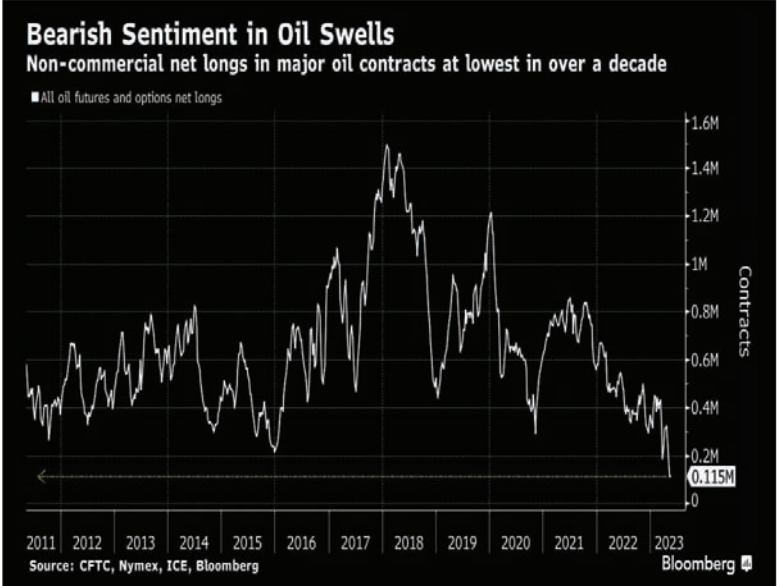
“It’s pretty remarkable to see this type of positioning,” Greg Sharenow, who manages a portfolio focused on energy and commodities at Pacific Investment Management Co, said in an interview.

To be sure, the investors that make up the non-commercial cohort are a diverse group with a variety of approaches, ranging from hedge funds betting on macro strategies to algorithm-driven traders focused on price momentum and trends.

Positioning in gasoil and US diesel ticked slightly higher in the latest week. And commercial traders – those that work for the producers as well as other merchants of crude – aren’t so bearish, with some even reducing hedges against a potential price drop.

But the extreme extent of the financial traders’ bearishness raises the risk of volatility if the Organisation of Petroleum Exporting Countries and its allies decide to cut production further. That scenario may set off a rush to exit the bets that sends oil prices surging and worsens inflation.

Goldman Sachs Group Inc. projects



any large gains in oil prices could unleash as much as \$40bn worth of buying in US crude and Brent alone from trend-following commodity trading advisers, according to a note to clients seen by Bloomberg. By contrast, any big declines in prices aren’t likely to budge positioning much further, the

bank forecasts. The oil traders aren’t exactly going out on a limb with their recession bets, though.

Of the 27 forecasters surveyed by Bloomberg in early May, 22 expected the US economy to slip into a contraction over the next year. However, the starting point for the downturn keeps

getting pushed back as the robust labour market keeps wages growing and savings accumulated during the pandemic boost Americans’ spending power.

More broadly, the sentiment among global fund managers deteriorated to the most bearish this year, with 65% of survey participants now expecting a weaker economy, according to Bank of America Corp’s latest survey.

Meanwhile, underlying physical markets aren’t reflecting the dire state that traders are preparing for. Refineries are processing the most crude for this time of year since the pandemic began. Air travel is rising just about everywhere, and gasoline demand in the US is now at the highest level since December 2021. At the same time, fuel inventories are below seasonal norms for gasoline and diesel in the US, and Opec+ cuts and Canadian wildfires have limited crude supply.

Those trends have oil producers and other industry players pulling back on hedges against a drop. Positions among swap dealers – who are typically net short because they execute hedges for oil producers – are growing less bearish as some drillers buy back their protection against a sudden price decline, market participants said.

Treasury’s cash pile dwindles to lowest since 2021

Bloomberg
Washington

The US Treasury’s window to keep the government from running out of borrowing room continues to narrow as a decline in its cash balance to the lowest since 2021 was offset by a slight uptick in funds available for extraordinary measures. The Treasury had just \$92bn of extraordinary measures to help keep the government’s bills paid as of May 17, the department said in a statement Friday. That’s up from around \$88bn on May 10 and means that a little over a quarter of the \$333bn of authorised measures are still available to keep the government from running out of borrowing room under the statutory debt limit.

At the same time, the Treasury’s cash balance fell to \$57.3bn as of May 18, according to data published on Thursday. That’s down from \$68.3bn a day earlier




The US Treasury’s window to keep the government from running out of borrowing room continues to narrow as a decline in its cash balance to the lowest since 2021 was offset by a slight uptick in funds available for extraordinary measures

and \$140bn at the end of last week. The Treasury’s bank account has been under downward pressure recently because of measures being taken to avoid breaching the \$31.4tn debt cap.

Treasury Secretary Janet Yellen reiterated to lawmakers earlier this week that her department’s ability to avoid breaching the statutory debt ceiling via special accounting manoeuvres could

be exhausted around early June. She told top bank executives on Thursday that a failure to raise the debt ceiling would be “catastrophic” for the financial system. House Speaker Kevin McCarthy’s top debt-ceiling negotiators walked out of negotiations Friday morning, an abrupt reversal from optimistic signals on progress from both sides a day earlier. The Republican team’s departure from the closed-door session about an hour after it began Friday morning threw into doubt the status of talks to avoid a US default. One person familiar with the talks said it wasn’t a specific issue but ranged broadly across GOP budget-cutting demands. This is a turnaround from the prior day when politicians in Washington expressed optimism about a deal being imminent, with even McCarthy and Senate Majority Leader Chuck Schumer making plans for votes in the coming days on a bipartisan deal.



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Slowdown fears weigh on China tech stocks

Bloomberg
Beijing

Slowdown fears are weighing on Chinese tech stocks and even upbeat sales figures from the industry's bellwethers can't revive them.

Shares of Tencent Holdings Ltd have fallen more than 2.5% in Hong Kong since China's most valuable company announced its fastest revenue growth in more than a year on Wednesday.

Similarly, the nation's Internet search leader Baidu Inc has declined over 2% following a stronger-than-expected sales report on Tuesday.

The Hang Seng Tech Index has dropped more than 7% this year, trailing the Nasdaq 100 gauge's gain of more than 26% in a reflection of the broader malaise afflicting Chinese equities.

A slowing economic recovery with few signs of policy support and Beijing's rift with Washington are undermining sentiment toward China's assets.

"I don't really see much upside in the short term," said Dickie Wong, executive director of research at Kingston Securities Ltd.

"On the earnings front, JD.com and Baidu actually beat my expectation while Tencent and Alibaba are in line. But with a weaker yuan, geopolitical risks from the upcoming G7 meeting and unresolved auditing issues, the market is more likely to remain in range-bound trading."

Chinese tech stocks have succumbed to the pull of gravity after investors' hopes for a swift rebound in growth failed to materialize. Official data released this week showed China's industrial output, retail sales and fixed investment grew at a much slower pace than expected in April. As a result, traders have been focusing more on bad news of late.

Case in point: Alibaba Group Holding Ltd slumped as much as 5.9% in Hong Kong on Friday as traders zeroed in on



Tencent Holdings headquarters in Shenzhen, China. Slowdown fears are weighing on Chinese tech stocks and even upbeat sales figures from the industry's bellwethers can't revive them. Shares of Tencent have fallen more than 2.5% in Hong Kong since China's most valuable company announced its fastest revenue growth in more than a year on Wednesday.

the firm's weak sales growth even after the company laid out IPO plans for its logistics and grocery arms to unlock the group's long-term value.

During this earnings season, all the industry bellwethers seemed to have gotten a lid on costs — the new fixation for markets as once-phenomenal growth evaporated at the tail-end of the pandemic years. Investors are expecting more of the same when Kuaishou Technology and Xiaomi Corp report next week.

But that may not be enough to reverse the negative sentiment. Investors have pulled \$256mn from the KraneShares CSI China Internet ETF this month, putting the vehicle on track for a fourth month of outflows, according to data compiled by Bloomberg.

Given all the uncertainties,

tech shares are likely to remain in the doldrums for now.

"The results of Baidu, JD and Tencent have lifted the bar for people's expectation on the net profit side," said Willer Chen, a senior research analyst at Forsyth Barr Asia Ltd.

For tech companies reporting next week, investors are expecting topline growth to be "pretty tepid" while they wait for the guidance, he added.

The buzz around artificial intelligence and broad tech optimism are driving large bullish bets on the Nasdaq 100, with call-option volume hitting the highest level since 2014.

The likely end of the Federal Reserve rate-hike cycle, and prospects of a positive outcome in US debt-ceiling talks have given fresh impetus to tech bulls.

The benchmark edged higher, up 0.1% on Friday.

Alibaba Group Holding Ltd's surprise move to fully spin out a potentially transformative \$12bn cloud business is stirring speculation about whether the Chinese e-commerce leader bowed to market or political realities.

Bank of America Corp strategist Michael Hartnett reiterated his call to sell US stocks, saying tech and artificial intelligence are forming a bubble and the Federal Reserve's rate hikes may not be over, with rising bond yields posing a risk.

OpenAI Inc is bringing its ChatGPT generative AI tool to smartphones for the first time, releasing an iPhone version on Thursday and promising a service for Android devices in the future.

Elon Musk's top outside attorney sent Microsoft Corp Chief Executive Officer Satya Nadella a letter Thursday, saying Microsoft had accessed Twitter's data for unauthorized purposes.

A diverse group of Montana TikTok creators with hundreds of thousands of followers sued to challenge the first statewide ban of the popular app, arguing the law violates free-speech rights and will disrupt their livelihoods.

A delegation of Tesla Inc executives to India discussed the possible local sourcing of components and incentives, but stopped short of proposing to build vehicles in the country, people familiar with the matter said, after the electric carmaker reopened dialogue with the government after a year-long impasse.

Business tough in China as national security trumps all

AFP
Shanghai

Doing business in China has become harder and potentially more perilous as the government prioritises an ever-widening definition of national security over all else, despite insisting the country has reopened for trading. In late March, authorities hosted global executives in Beijing, telling them they were "not foreign visitors, but a family" and pledging to slash red tape. But since pandemic restrictions were lifted in recent months, China has restricted overseas access to data and publicised raids on consulting firms. Amendments to anti-espionage laws effective from July 1 will broaden the definition of spying and ban transferring information that relates to national security. This has spooked foreign and domestic firms as they try to decipher authorities' intentions — and crucially, pinpoint what is off-limits.

"Companies are scrambling to figure out protocols to protect their staff. But the definitions are so vague," an employee of a major international auditing firm told AFP. "No one knows whether they have crossed a line or not, or where the red line is." US due diligence firm Mintz Group was left in no doubt it had crossed one when police closed its Beijing office and arrested five local staff members in March. The following month, US consulting giant Bain & Company said employees at its Shanghai office had been questioned.

And in a 15-minute segment on state television last week, authorities said multi-city raids on global expert network Capvision were part of a wider campaign to overhaul China's consulting sector.

The events "send a worrying signal and heighten the uncertainty felt by foreign companies operating in China", the EU Chamber of Commerce in Shanghai told AFP. When "companies are looking for clear signs that China's business environment is becoming more predictable and reliable, the developments are not conducive to restoring business confidence and attracting foreign investment". But Yale legal expert Jeremy Daum said the key was that "China believes there are legitimate threats to its national security, and will always prioritise addressing them over other interests". "As international

tensions continue to rise... the situation isn't likely to get better soon," he added.

With US-China relations in particular riddled with explosive issues like trade, human rights and Taiwan, Beijing has tightly consolidated its control of sensitive information. Many experts interpreted state TV coverage of the raids as an unambiguous warning to Chinese citizens about the risks of engaging with firms like Capvision.

Several industry analysts who spoke to AFP said it appeared Capvision, Mintz and Bain had been targeted for individual cases, rather than being a sign of an arbitrary campaign to attack foreign firms.

Capvision, though it has a regional headquarters in New York, is first and foremost a Chinese company. The CCTV report said one of its sources had leaked information about "the manufacturers and quantities of some important military equipment".

"I think certain firms... have always engaged in research activities that push the boundaries — and that, as has always been true for decades now, some of them will get caught," said Bob Guterman, a former Capvision chief compliance officer who now runs news and business intelligence site The China Project. "People are waking up — or it's more like the newest round of awakening to the dangers of doing business in China that have always existed." Crackdowns on sectors where regulations were previously often lightly enforced — like tech and private tutoring — have been a feature of President Xi Jinping's time in office.

Beijing-based lawyer Lester Ross, who specialises in regulatory compliance, told AFP that state security forces had been pushing for tighter controls on data-gathering industries for some time.

China's upper echelons of power are stacked with Xi's allies after he secured a third term last year. "It is the change in the balance of forces within the system, among competing bureaucracies, that has triggered the actual raids," Ross posited. The full effect of the amended anti-spying law is still unknown. Yale's Daum said the original definition of espionage was so broad, "it isn't immediately clear what the impact of the expanded definition will be". The "open-endedness sometimes makes it difficult to fully assess the risk... (which) inevitably leads to a chilling effect", he told AFP.

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The Qatar Stock Exchange (QSE) Index decreased 97.88 points or 0.9% during the week to close at 10,643.94. Market capitalisation edged lower by 0.1% to QR628.6bn compared with QR629.0bn at the end of the previous trading week. Of the 50 traded companies, 28 ended the week lower, 19 ended higher, while three were unchanged. Nakilat (QGTS) was the worst performing stock for the week, declining 3.9%. Meanwhile, Dlala Brokerage & Investment Holding (DBIS) was the best performing stock for the week, climbing 20.6%.

Masraf Al Rayan (MARK), Nakilat (QGTS) and Commercial Bank (CBQK) were the primary contributors to the weekly index decline. MARK and QGTS removed 26.44 and 23.05 points from the index, respectively. Further, CBQK deducted another 19.50 points.

Traded value during the week declined 3.4% to reach QR3,100.8mn from QR3,210.1mn in the prior trading week. QNB Group (QNBK) was

the top value traded stock during the week with total traded value of QR404.5mn.

Traded volume fell 24.3% to 1,099.7mn shares compared to 1,453.1mn shares in the prior trading week. The number of transactions rose 8.2% to 108,937 vs 100,704 in the prior week. Dukhan Bank (DUBK) was the top volume traded stock during the week with total traded volume of 111.1mn shares.

Foreign institutions remained very bullish, ending the week with a net buying of QR90.5mn vs net buying of QR186.4mn in the prior week. Qatari institutions remained bearish with net selling of QR23.1mn vs net selling of QR102.3mn in the week before. Foreign retail investors ended the week with net selling of QR23.8mn vs net selling of QR5.7mn in the prior week. Qatari retail investors recorded net selling of QR43.6mn vs net selling of QR78.4mn the week before. YTD (as of Thursday's closing), global foreign institutions were net short \$6.4mn.



Weekly Market Report

Market Indicators	Week ended. May 18, 2023	Week ended. May 11, 2023	Chg. %
Value Traded (QR mn)	3,100.8	3,210.1	(3.4)
Exch. Market Cap. (QR mn)	628,595.8	629,008.6	(0.1)
Volume (mn)	1,099.7	1,453.1	(24.3)
Number of Transactions	108,937	100,704	8.2
Companies Traded	50	49	2.0
Market Breadth	19:28	42:7	-

Source: Qatar Exchange (QE)

Market Indices	Close	WTD%	MTD%	YTD%
Total Return	22,843.39	(0.9)	4.5	4.4
ALL Share Index	3,584.85	(0.5)	5.5	5.0
Banks and Financial Services	4,455.81	0.0	6.7	1.6
Industrials	4,108.06	(0.5)	1.8	8.6
Transportation	4,652.33	(2.9)	3.8	7.3
Real Estate	1,571.35	(2.8)	7.4	0.7
Insurance	2,246.99	(1.0)	10.0	2.8
Telecoms	1,649.68	0.7	12.6	25.1
Consumer Goods & Services	7,950.38	(1.2)	3.2	0.4
Al Rayan Islamic Index	4,722.18	(1.3)	3.9	2.8

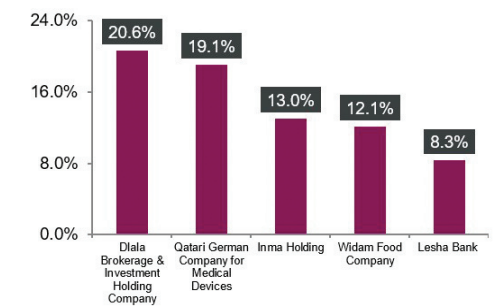
Source: Qatar Exchange (QE)

Regional Indices	Close	WTD%	MTD%	YTD%	Weekly Exchange Traded Value (\$ mn)	Exchange Mkt. Cap. (\$ mn)	TTM P/E**	P/B**	Dividend Yield
Qatar*	10,643.94	(0.9)	4.5	(0.3)	851.68	172,361.0	12.8	1.5	4.6
Dubai	3,555.50	(0.5)	0.2	6.4	464.78	169,671.8	8.7	1.2	5.0
Abu Dhabi	9,508.67	(1.9)	(3.1)	(7.1)	1,089.67	711,527.6	29.1	2.6	1.9
Saudi Arabia*	11,277.60	(1.0)	(0.3)	7.6	7,970.95	2,881,910.2	16.8	2.2	3.0
Kuwait	6,800.58	(2.1)	(4.8)	(6.7)	510.87	141,202.1	16.5	1.5	4.3
Oman	4,696.61	0.6	(0.5)	(3.3)	29.47	22,435.5	15.3	1.1	4.4
Bahrain	1,943.05	0.3	2.0	2.5	38.56	65,545.5	6.7	0.7	8.9

Source: Bloomberg

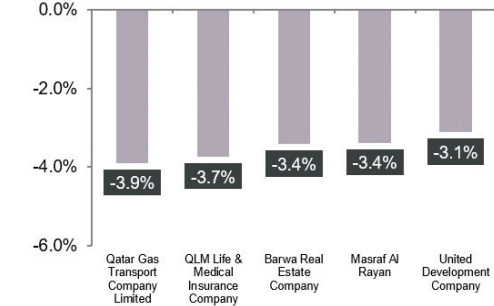
Qatar Stock Exchange

Top Five Gainers



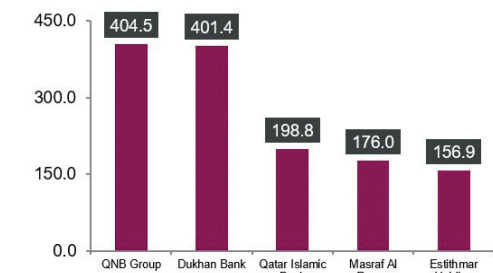
Source: Qatar Stock Exchange (QSE)

Top Five Decliners



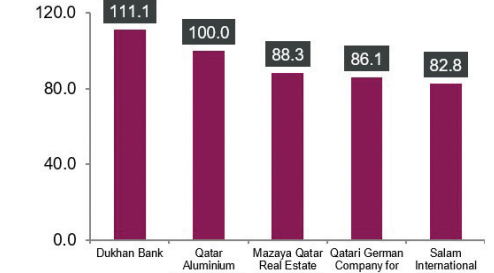
Source: Qatar Stock Exchange (QSE)

Most Active Shares by Value (QR Million)



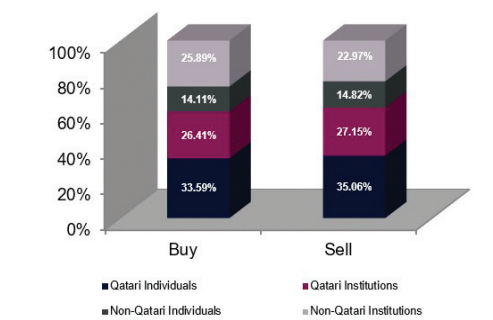
Source: Qatar Stock Exchange (QSE)

Most Active Shares by Volume (Million)



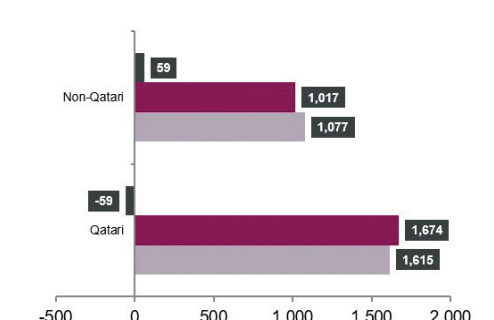
Source: Qatar Stock Exchange (QSE)

Investor Trading Percentage to Total Value Traded



Source: Qatar Stock Exchange (QSE)

Net Traded Value by Nationality (QR Million)



Source: Qatar Stock Exchange (QSE)

Company Name	Price May 18	% Change Weekly	% Change YTD	Market Cap. QR Million	TTM P/E	P/B	Div. Yield
Qatar National Bank	16.95	2.05	(5.83)	156,557	11.2	1.9	3.5
Qatar Islamic Bank	18.54	(1.07)	(0.11)	43,809	11.3	1.9	3.4
Commercial Bank of Qatar	5.95	(2.30)	19.00	24,081	9.0	1.3	4.2
Doha Bank	1.67	2.65	(14.64)	5,168	13.4	0.5	4.5
Al Ahli Bank	4.00	0.00	(0.25)	10,205	13.7	1.6	5.0
Qatar International Islamic Bank	10.00	(1.96)	(3.85)	15,137	15.3	2.3	4.0
Masraf Al Rayan	2.72	(3.38)	(14.32)	25,268	21.5	1.1	3.7
Qatar First Bank	1.29	8.32	12.58	1,444	18.7	1.2	N/A
National Leasing	0.86	1.30	21.88	425	20.9	0.7	3.5
Dlala Holding	1.31	20.63	14.71	249	N/A	1.3	N/A
Qatar & Oman Investment	0.68	2.41	25.82	215	74.4	0.9	1.5
Islamic Holding Group	6.12	13.03	48.78	346	69.4	2.3	0.8
Dukhan Bank	3.63	6.05	N/A	18,984	N/A	N/A	4.4
Banking and Financial Services				301,888			
Zad Holding	14.00	(1.41)	0.68	4,024	21.3	3.0	4.2
Qatar German Co. for Medical Devices	2.02	19.06	61.02	234	237.3	6.7	N/A
Salam International Investment	0.67	1.52	8.79	764	14.1	0.5	N/A
Baladna	1.49	(1.78)	(2.48)	2,838	38.1	1.3	N/A
Medicare Group	7.38	7.00	18.93	2,078	25.7	2.1	24.4
Qatar Cinema & Film Distribution	3.12	0.00	0.26	196	76.5	1.5	1.9
Qatar Fuel	16.60	(2.75)	(7.52)	16,505	16.1	2.0	5.4
Qatar Meat and Livestock	1.82	12.15	(10.48)	327	N/A	2.0	N/A
Mannal Corp.	6.09	(0.15)	(19.73)	2,779	N/A	2.9	53.4
Al Meera Consumer Goods	14.84	(0.34)	(3.14)	3,057	15.5	1.9	2.9
Consumer Goods and Services				32,801			
Qatar Industrial Manufacturing	2.86	(1.92)	(11.06)	1,357	8.3	0.8	4.5
Qatar National Cement	3.96	(0.58)	(18.18)	2,588	12.0	0.9	7.6
Industries Qatar	13.09	(0.30)	2.19	79,195	10.9	2.2	8.4
Qatari Investors Group	1.70	(0.81)	1.07	2,119	13.2	0.7	8.8
Qatar Electricity and Water	17.50	(2.40)	(1.13)	19,250	11.3	1.4	5.4
Aamal	0.87	(2.03)	(10.77)	5,481	15.1	0.7	5.7
Gulf International Services	2.10	2.44	43.93	3,903	13.3	1.1	4.8
Mesaieed Petrochemical Holding	2.06	(1.01)	(3.34)	25,830	16.3	1.6	5.4
Investment Holding Group	2.16	4.09	20.06	7,356	16.0	1.6	N/A
Qatar Aluminum Manufacturing	1.56	1.50	2.57	8,699	11.2	1.4	5.8
Mekdam Holding Group	5.90	(1.22)	(14.58)	443	14.3	4.9	5.4
Industrials				156,220			
Qatar Insurance	2.00	(1.53)	4.00	6,532	N/A	1.2	N/A
QLM Life & Medical Insurance	3.17	(3.74)	(34.01)	1,108	14.7	2.0	3.9
Doha Insurance	2.20	(3.04)	11.17	1,100	9.2	1.0	6.8
Qatar General Insurance & Reinsurance	1.37	2.09	(6.95)	1,195	N/A	0.3	N/A
Al Khaleej Takaful Insurance	2.77	4.64	20.47	708	12.3	1.3	3.6
Qatar Islamic Insurance	8.89	0.02	2.18	1,334	12.8	3.2	5.1
Damaan Islamic Insurance Company	3.71	(2.34)	N/A	742	N/A	1.7	4.3
Insurance				12,719			
United Development	1.15	(3.11)	(11.31)	4,083	10.3	0.4	4.8
Barwa Real Estate	2.74	(3.42)	(4.59)	10,666	9.3	0.5	6.4
Ezdan Real Estate	1.16	(1.19)	15.98	30,795	132.3	0.9	N/A
Mazaya Qatar Real Estate Development	0.71	0.00	2.59	827	20.1	0.8	N/A
Real Estate				46,371			
Ooredoo	11.09	1.46	20.54	35,523	13.4	1.4	3.9
Vodafone Qatar	1.81	(1.52)	14.26	7,655	14.4	1.7	5.5
Telecoms				43,179			
Qatar Navigation (Milaha)	10.03	(1.67)	(1.18)	11,396	11.2	0.7	3.5
Gulf Warehousing	3.65	(1.22)	(9.83)	214	8.8	1.0	2.7
Qatar Gas Transport (Nakilat)	3.95	(3.89)	7.86	21,884	15.1	2.0	3.3
Transportation				33,494			
Qatar Exchange				628,596			

Technical analysis of the QSE index



The QSE index closed down by 0.91% from the week before; it closed at 10,643.94 points. We expect more volatility on the index to unfold after the

recent breakout above the downtrend. The weekly resistance is expected around the 11,200 level and the support at 10,000 points.

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 in-

dicates 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.

GWC Energy Services to transform region’s energy sector

By Ranjeev Menon

Thanks to its geographical position and natural resources, Qatar is a critical player in the global energy market – and while the country grows and diversifies its economy, energy logistics will remain an essential component of its ongoing success. GWC Group is firmly established as the leading logistics and supply chain solutions provider in Qatar, and through its new energy services subsidiary, is set to play a key role across the GCC. The establishment of GWC Energy Services will power GWC’s ambitious expansion plans and support Qatar’s economic diversification, in line with Qatar National Vision 2030 and the Tawteen in-country value programme. Qatar is a global leader in energy production and if you take the six countries in the GCC, there are proven oil reserves of close to 500 billion barrels, roughly a third of global reserves. Also, if you look at natural gas, this region has the largest reserves in the world.



By creating GWC Energy Services, we are assuring our customers that we are even more committed and focused on enabling them and helping them achieve their goals in the region. We are showing them we want to work hand-in-hand, as a trusted partner, to ensure their goals are achieved. The investments GWC has made – and

continues to make – in this region, especially those related to energy, specifically the oil and gas sector, illustrate our commitment more than ever before. We want to be an enabler for companies in this sector, which will continue to grow significantly across the GCC in the coming years. The vision for GWC Energy Services is to become a leader in the supply chain logistics industry in the region. The infrastructure and partnerships we have developed in other countries will give us the leverage to become a regional player in the coming years and eventually take the GWC brand global. We have built up extensive experience over the past two decades – working with clients in Qatar and around the world. Our vast infrastructure, highly trained staff, unwavering commitment to health and safety, and bespoke IT infrastructure allows us to handle a diverse array of integrated solutions, both offshore and onshore. We are dedicated to supporting growing global energy demand by

providing integrated logistics services and supply chain solutions to local and international companies. From day one, our focus has been on global performance, building long-term relationships, innovation, strong ethics and values, and human capital. GWC Energy Services will provide expert logistics solutions for the entire energy cycle. It will be committed to helping clients achieve business growth. Our customers’ ambitions and strategic targets will sit at the heart of our actions. We are proud to be continuing our journey in the energy sector as we support the goals of Qatar, the growth of GWC Group and ongoing value for our esteemed shareholders. GWC Energy Services opens up a new frontier in a vital industry. GWC started as a warehousing company roughly 20 years ago, operating from a small facility, but today we are a fully integrated logistics player. If a customer – whether oil and gas, retailer or manufacturing – comes to us, we are able to offer a comprehensive solution, which is very unique.

Many companies talk about integrated solutions and end-to-end supply chains – but we truly mean what we offer. And we work hand-in-hand with our customers in order to achieve their goals. We will continue this ethos with GWC Energy Services – providing a comprehensive and bespoke solution for all our clients in this sector. We see this as a game-changer for energy companies and for GWC Group as we continue to expand. We embrace the challenge of being the go-to brand when clients face logistical difficulties. We embrace their trust and confidence with consistent agility and we have proven over many years that we accept every challenge that comes our way. Our history shows the value we bring to the table for energy companies. Our customers are very complimentary in terms of the services we provide, including our infrastructure and safety standards, and you can feel this when you walk around our facilities and see how we manage them. These critical elements are part of our

culture. We know that if our customers prosper, we also prosper. What I would say to oil and gas majors is that we understand the terrain in this region. We know how to recruit people, train them, the infrastructure required, customs clearance, in-country rules and regulations, and so on. We understand the landscape and that means they can come and explore. Our job is to make it seamless for them from a logistics point of view. We are aligned with the goals of Qatar National Vision 2030 and the Tawteen in-country value initiatives. The investments made will contribute significantly to these economic initiatives and, as we continue to grow, enhance the skill base in the country in relation to marine shipping and logistics. We are also making investments that will continue to support micro, small and medium enterprises across the country and region – another boost in terms of economic diversification.

■ Ranjeev Menon is Group CEO of GWC.

Biden confident US will avoid default amid tense debt talks

Bloomberg
Hiroshima, Japan

President Joe Biden downplayed fresh concerns that tensions in US debt-limit negotiations could lead to a catastrophic US default, saying Republicans and Democrats will still be able to reach an agreement.

“Not at all,” Biden said yesterday in Hiroshima, Japan, when asked if he was concerned with the state of the talks.

Biden told reporters there are often hiccups in negotiations and that the two sides could bridge their differences.

“I still believe we’ll be able to avoid a default and we’ll get something decent done,” he said during a meeting with Australian Prime Minister Anthony Albanese.

“It goes in stages,” Biden added. “What happens is the first meetings weren’t all that progressive. The second ones were. The third one was. And then what happens is the carriers go back to the principals and say this is what what we’re thinking about. And then people put down their claim.”

The president’s confidence, based on the ebbs and flows of negotiations, was in stark contrast to the tone struck by White House press secretary Karine Jean-Pierre and White House communications director Ben LaBolt. Jean-Pierre kicked off a



US President Joe Biden.

press briefing from Hiroshima Saturday saying there were “real differences between the two sides,” and LaBolt later issued a statement that called for Republicans to “negotiate in good faith.”

A Republican walk-out of talks on Friday in Washington shattered hopes that negotiators were nearing a deal to raise the debt limit, sending stocks plunging. White House and GOP officials resumed meetings late Friday, however, and planned to reconvene on Saturday. Biden’s aides updated him on the situ-

ation yesterday in Hiroshima, where he is attending the G7 leaders’ summit.

Comments from some Republicans and White House officials indicated that there are still major hurdles to clear until a deal could be reached.

Asked if he is confident the parties would reach a deal in time to prevent default, Representative Patrick McHenry, a key ally of Speaker Kevin McCarthy, said “no.”

“This was a candid discussion about realistic numbers, a realistic path forward, and

something that truly changes the trajectory of this country’s spending and debt,” said Representative Garret Graves of Louisiana, McCarthy’s hand-picked negotiator.

LaBolt called on Republicans to consider raising revenues as part of the budget and debt-limit talks, something they have refused to do. Instead, GOP lawmakers have demanded deep spending cuts and work requirements for entitlement programs that Democrats have long opposed.

“There remains a path for-

ward to arrive at a reasonable bipartisan agreement if Republicans come back to the table to negotiate in good faith,” LaBolt said in a statement.

The debt-limit fight, which could trigger a first-ever US payments default, threatens to inflict pain on the global economy. It has shadowed Biden’s overseas trip. The president postponed travel to Australia and Papua New Guinea in order to return to Washington for the final stages of negotiation. The situation cut short a trip designed to advance Biden’s goals of countering China in the Indo-Pacific region.

Biden said he was sorry for the postponement and reiterated his commitment to travel to Australia in the future.

“I truly apologise to you for having you to come here rather than me be in Australia right now,” the president told the Australian premier. “But we have a little thing at home I got to pay attention to.”

Albanese said that he understood the situation and that he looked forward to attending the state dinner Biden invited him to attend at the White House this year.

“I’m saddened that you’re unable to come down next week,” Albanese said. “But I understand the circumstances that you’re dealing with. I would have done exactly the same thing. All politics are local as you and I both understand.”

JPMorgan investors to scrutinise First Republic takeover

Reuters
New York

As JPMorgan Chase & Co CEO Jamie Dimon prepares to take the stage for the bank’s investor day tomorrow, he can expect plenty of questions about the bank’s purchase of failed First Republic Bank, as well as about succession, following James Gorman’s plan to step down as Morgan Stanley CEO.

Analysts will seek more details about the deal and JPMorgan’s plans to integrate First Republic’s business into the largest US bank.

Here are some key themes that investors are watching.

First Republic: JPMorgan has agreed to undertake \$173bn of the failed bank’s loans, \$30bn of securities and \$92bn of deposits after First Republic was shuttered down by authorities.

Dimon had said that he expects blowback from the FRC deal earlier this month in an interview on Bloomberg TV.

An acquisition of this scale will raise question on integration, execution risks, employee retention among others, analysts believe.

“JPM views FRC as more complementary to its mass affluent approach than its ultra high net worth offering,” Jason Goldberg, Brian Morton and Matthew Keselhaut analysts at Barclays said in a note adding that they expect FRC to be additive to JPM’s consumer and community banking business.

JPMorgan has made 19 acquisitions since 2020 but the last major purchase of this scale by the lender was in 2008 of Bear Stearns.

Succession: After Morgan Stanley CEO James Gorman’s announcement on Friday to step down over the next 12 months,

all eyes are going to be on Dimon’s succession plan.

The 67-year old has been at the helm for over 17 years, longer than Gorman, who at 64 years has been the CEO for 13 years.

JPM’s this year’s proxy statement has identified COO Daniel Pinto “as a key executive who is immediately ready to step into the role of sole CEO, should the need arise in the near-term.” Pinto who has been with the bank for nearly four decades is currently the president and chief operating officer of the bank.

Economy: As JPMorgan’s performance and outlook is widely seen as an economic bellwether, all eyes are also going to be on any warning signs it forecasts about the economy and its likely impact on the banking industry, even though the bank seems largely insulated for now.

Dimon has warned that a failure to raise the US debt ceiling is potentially catastrophic, and the bank has created a war room to tackle the situation with daily meetings.

The CEO along with other executives met Janet Yellen in Washington this week to discuss the health of the banking system and the debt ceiling issue, a source said.

Growth: In its first quarter earnings, the country’s largest lender emerged as one of the biggest beneficiaries of the recent banking turmoil, brushing aside concerns that roiled the banking industry after the collapse of two lenders in March.

The investor day should further highlight the “Goliath is Winning” theme, Wells Fargo analyst Mike Mayo said in a note.

JPMorgan is also expected to reiterate its target for return on tangible common equity – a key metric which measures how well a bank uses shareholder money to produce profit – of 17%.

A \$518bn rally shows Japan stocks are all the rage in 2023

Bloomberg
Tokyo

Some of the world’s most famed investors and the biggest Wall Street banks are voicing a near consensus that Japan’s stock market is the place to be as its larger peers – the US and China – grapple with rising economic headwinds.

Man GLG, JPMorgan Asset Management and Morgan Stanley are among those who see more upside after Japan’s Topix Index reached its highest level since 1990 this week. Equities are shooting above levels dubbed as the “iron coffin lid” as the return of inflation, improving shareholder returns and an endorsement by Warren Buffett all combine to burnish the appeal of the world’s third-largest stock market.

“Japan is my favourite global stock market at this point. It’s getting everything it’s wished for,” said Jack Ablyn, chief investment officer at Cresset Capital Management, a Chicago-based investment advisory firm that manages about \$60bn. “We are about 50% overweight Japanese stocks in our developed-market strategy.”

Japan stands out amid anxiety in the US over the debt-ceiling issue and a possible recession, and as China’s uneven economic recovery and its lacklustre market increasingly frustrate global investors. Overseas funds have further boosted their holdings of Japan stocks this month after snapping up ¥2.2tn (\$15.9bn) in April, the most since October 2017.

The Topix Index closed at 2,161.69 on Friday, taking its gain in May to 3.8% in dollar terms. The Nikkei 225 has rallied more than 5% and finished Friday at its highest in nearly 33 years. Meanwhile, China’s CSI 300 Index has fallen about 3.5%, continuing to lose ground after the initial reopening rally evaporated. The S&P 500 has added less than 1%.

Jeffrey Atherton, head of Japanese equities at Man GLG, sees further 10-15% potential for the market on resilient earnings, modest valuations and corporate reforms. Man GLG is one of the investment divisions of Man Group Plc, the world’s largest publicly traded hedge fund.

“We expect Japanese interest rates to remain very low by global standards, so monetary policy should be supportive



to risk assets, unlike other regions,” he added. Japan’s market value has surged about \$518bn since a January 5 low, data compiled by Bloomberg show. Japan equity funds lured \$800mn in the week ended May 10, the most in seven weeks, while those in the US and Europe saw outflows, according to EPFR

data. All of this comes as years of loose monetary policy finally translates into higher inflation. Consumer prices excluding fresh food rose 3.4% from a year ago in April, showing that Japan has put deflation firmly behind without stoking excessive price gains that warrant rate hikes like in the US. China,

on the other hand, is facing deflationary risks.

Having long sat on piles of cash, Japanese companies are also coming to terms with the need to improve shareholder returns and untangle cross-shareholdings in response to growing demand for better corporate governance. Share buybacks hit a record in fiscal 2022, with investors expecting more following the Tokyo Stock Exchange’s call in January to boost valuations for firms trading at a book value ratio of below one.

“We are beginning to see the interests of all shareholders being recognised,” said head of global equities at Artemis Investment Management. “Too many Japanese companies have been trading for too long at a discount to their book value. That makes for great bargains for investors.”

Warren Buffett helped fuel the recent optimism toward Japan by renewing his endorsement for the market during a trip earlier this year. Societe Generale SA and Pictet Wealth Management are among those with an overweight call on Japan and an underweight on US equities.

Despite the dominant optimism, the

market could still suffer pullbacks in the near term as technical indicators show indexes are in overbought territory. Real wages are falling even as inflation picks up, and a slowdown in the global economy could weigh on local exporters reliant on the US and Chinese markets.

Analysts expect Japan’s economy to grow about 1% this year, above the 10-year average. The US and China, at 1.1% and 5.7% respectively, are forecast to expand below their historical trends.

“The Japanese economy’s exit from deflation” and “transition to a moderately inflationary economy” is one of the unique structural changes in Japan, JPMorgan equity strategists including Rie Nishihara wrote in a note, adding that the rally is likely to be sustainable, given that these factors are not temporary.

For many investors, it’s Japan’s valuation that is too cheap to ignore. Almost half of TSE Prime Market Index members are trading below book, compared with just 5% of the S&P 500 Index, data compiled by Bloomberg show. Even after the rally, the Topix’s price-to-book ratio is about 1.3 times, in line with its 10-year average.

WEEKLY ENERGY MARKET REVIEW

Oil slips as debt talks pause, Fed warns of high inflation

Oil prices fell on Friday, as investors worried that US politicians will fail to agree on a new debt ceiling and trigger a default that would hurt the economy and reduce fuel demand. Brent futures settled at \$75.58 a barrel, while US West Texas Intermediate dropped to \$71.55. Brent and US crude prices nevertheless notched their first weekly gains in a month, with the both benchmarks rising about 2%. Oil gave up gains of as much as a dollar after Republicans in the US House of Representatives and President Joe Biden's administration on Friday paused talks on raising the federal government's \$31.4tn debt ceiling. The Treasury Department has warned the government could be unable to pay all its bills by June 1. Markets were also spooked by Federal Reserve Chair Jerome Powell's comments that inflation was "far above" the Fed's objective, adding no decisions had been made yet on the next interest rate action. Providing some support for markets, US Treasury Secretary Janet Yellen reaffirmed the strength and soundness of the country's banking system in a meeting with bank CEOs on Thursday, the Treasury Department said in a statement. Meanwhile, US oil rig count, fell by 11 to 575 this week.



LNG tanks at the Port of Barcelona at sunset. Asian spot LNG prices slipped to their lowest level in two years on weak demand and high inventories, while European LNG prices also fell below the \$10 mark amid healthy stock build and limited need for additional supply. Picture supplied by the Abdullah Bin Hamad Al-Attiah International Foundation for Energy and Sustainable Development.

Gas Asian spot LNG prices slipped to their lowest level in two years on weak demand and high inventories, while European LNG prices also fell below the \$10 mark amid healthy stock build and limited need for additional supply. The average LNG price for July delivery into northeast Asia was down 6.6% from the previous week at \$9.80 per mmbtu, the lowest since May 2021, industry sources estimated. Prices continue to linger sub \$10 as general demand remains low, opening interest from some Chinese industrial buyers and Japanese utilities who have taken cargoes while favourable pricing exists. South Asian buyers continued to dominate spot tenders; however, the direction of spot prices remains largely dependent on Chinese demand, which has the greatest potential to absorb a global glut of LNG. In Europe, analysts said that the economic driver to sell the non-

The closing price (\$/Barrel) as of Friday 19 May 2023 – June Futures

Benchmark Oil Prices		
Brent ICE	WTI NYMEX	DME Oman
75.58	71.55	74.31
Weekly Change ▲ 1.9%	Weekly Change ▲ 2.2%	Weekly Change ▲ 1.3%
YTD Change ▼ 35.7%	YTD Change ▼ 37.3%	YTD Change ▼ 34.3%

The closing price (\$/mmbtu) as of Friday 19 May 2023 – June Futures

Benchmark Gas Prices		
NE Asia LNG	Europe TTF	US Henry Hub
9.80	9.62	2.59
Weekly Change ▼ 6.7%	Weekly Change ▼ 12.0%	Weekly Change ▲ 14.1%
YTD Change ▼ 67.8%	YTD Change ▼ 71.2%	YTD Change ▼ 65.8%

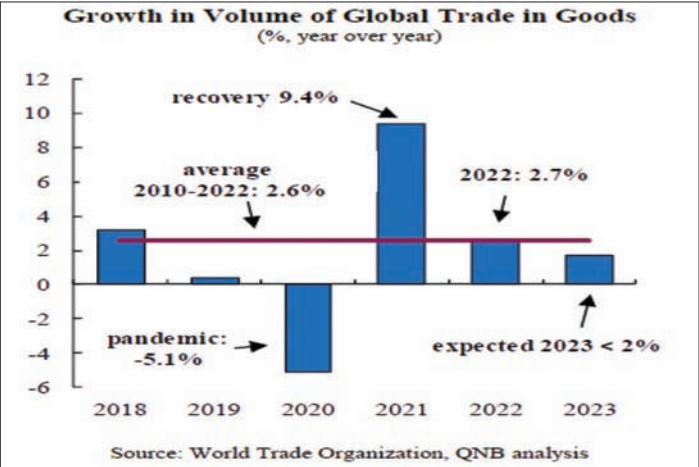
contracted LNG to Europe is diminishing due to lower gas demand and Europe's high inventories that are 65% full which will not be a problem in the near term.

However, it could form a risk for the longer term if demand starts to pick up due to economic rebound after a few months of contraction, or due to extremely hot summer or cold winter.

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

Global trade volumes face short and medium-term headwinds, says QNB

International trade is set to face pressures from the slowdown in the world economy, protectionist trade policies, and geopolitical tensions, QNB said yesterday. "We expect trade growth in volumes to be below 2% this year, and to continue to be weaker than the long-term average over the coming years," QNB said in an economic commentary. International trade is at the centre of the global economy. Its performance provides signals about current economic conditions as well as long-term growth perspectives, QNB noted. After a temporary collapse in global trade volumes in 2020 on the back of the Covid-19 pandemic shock, a strong rebound dissipated concerns that scars on global supply chains could have long-lasting effects on trade. In fact, trade was a significant contributing factor to the post-pandemic global economic recovery. However, QNB said 2022 brought a sharp deceleration in trade activity due to a challenging environment of slow growth and high inflation. In our view, there are three factors that will weigh on trade volumes growth going forward. First, over the short-term, international trade in goods is undergoing a slowdown due to cyclical dynamics. Measured in volume terms, trade increased 2.7% last year, moderating significantly from the strong post-pandemic boom in 2021. The focus on volumes, rather than values, is relevant given that significant fluctuations in the prices of goods, as were observed during 2022, can distort measurements. The headwinds were numerous in 2022 and included high commodity prices and inflation eroding real incomes and demand for imports, an overall weakening global economy as well as pandemic-related restrictions in China. Notably, in China, a key player in the international trade system, exports grew 7% in value terms, which was driven by price inflation, while the volume of exports remained practically unchanged. "Going forward, those cyclical factors will continue to weigh on trade growth. Although we expect the monetary tightening cycles by central banks in major economies to come to an end in the coming months, an environment of higher interest rates will add to the slowdown in advanced economies and their demand for imports through tighter financial conditions," QNB said. Second, protectionist policies continue to build up at the global level. Across the world, increased protectionism is becoming noticeable in trade policy statistics. The number of trade restrictions on goods has increased from levels below 750 per year before 2019 to over 1,700 per year in 2021 and 2022, on the back of the pandemic and the Russo-Ukrainian conflict. Such politically motivated initiatives impact trade negatively. An example of large scale policies implemented by major economies is given by the US, which enacted the "Creating Helpful Incentives to Produce Semiconductors (CHIPS) and Science Act", as well as the "Inflation Reduction Act". These programmes aim to direct, through tax breaks and subsidies, billions of dollars over the next 10 years to bolster domestic semiconductor manufacturing, R&D, the commercialisation of leading-edge technologies as well as clean energy infrastructure. Similarly, Europe and China have put measures in place to replace imported technology with domestic alternatives in order to reduce dependence on geopolitical rivals and strengthen their own competitiveness. Third, persistent and rising geopolitical tensions are leading to a relocation of global supply chains and are an indicator of trade developments in the future. This is relevant, given that international trade flows are, to a large extent, determined by past investments in production capabilities across countries. Therefore, ongoing developments in foreign direct investment (FDI) are informative about future trends in commerce. Total world FDI has been below 2% of world GDP in the last 3 years, the lowest levels since the 1990s. Furthermore, FDI flows are becoming increasingly driven by "friend-shoring", rather than being guided by business considerations. Major negative geopolitical events, such as the Chinese-American strategic rivalry and the war in Eastern Europe spark interest of firms in shifting production to new locations with similar geopolitical positions and aspirations. For example, FDI from the US is shifting from China and Vietnam to "friendly" countries, such as South Korea and Canada. "A reconfiguration of global supply chain networks based on geopolitical considerations implies a distortion for production from an economic rationale that was focused on profit optimisation. This is expected to influence trade developments in the future," QNB added.



Vodafone Qatar is Premier Sponsor of Google Cloud region launch event

Vodafone Qatar is one of the Premier Sponsors of Google Cloud's region launch event slated on May 22 at the Qatar National Convention Centre (QNCC). Vodafone Qatar's presence at the Google Cloud launch event aims to showcase to businesses capabilities that can advance cloud adoption in Qatar and support the digital transformation journey of private and public organisations in the country using the power of data. Ghassan Kosta, Qatar Country manager, Google Cloud, said: "The Google Cloud region launch will bring together Qatar's top leadership, decision-makers, and key opinion formers shaping the digital future of Qatar. We are thrilled to have Vodafone Qatar on board as one of the premier sponsors of the launch event, and we look forward to a successful and engaging event." For more of Vodafone Qatar's business services and solutions, visit <https://www.vodafone.qa/en/business/home>



Vodafone Qatar's presence at the Google Cloud launch event aims to showcase to businesses capabilities that can advance cloud adoption in Qatar and support the digital transformation journey of private and public organisations in the country using the power of data

LME profits fall to 8-year low as nickel crisis hits exchange



Traders on the floor of the open outcry pit at the London Metal Exchange. Profits at the LME fell to the lowest in eight years in 2022, as the massive short squeeze that brought the nickel market to a juddering halt in March took its toll on the exchange.

Bloomberg
London

Profits at the London Metal Exchange (LME) fell to the lowest in eight years in 2022, as the massive short squeeze that brought the nickel market to a juddering halt in March took its toll on the exchange. The LME's annual profit fell 27% to \$56.1mn, the lowest since before a hike in trading fees in 2015, according to its annual report. The drop was primarily due to lower volumes, which fell 7.5% as traders stepped back from the exchange following the week-long suspension of the nickel market, as well as increased expenses for legal and other professional fees.

Since the nickel crisis, the LME has been the object of strident criticism by some prominent fund managers, with Citadel founder Ken Griffin describing the events as "one of the worst days in my professional career in terms of watching the behaviour of an exchange." It is the target of legal action from hedge fund Elliott Investment Management and trading firm Jane Street over its decision to suspend the nickel market and cancel billions of dollars in trades. In its report, the exchange described the total value of the claims, at \$471mn, as "material," but said that it had insufficient information to estimate their financial impact. "There remains a risk that other market participants may

also seek to bring claims in relation to these matters," it said. A separate annual report from LME Clear, the LME's clearinghouse, showed that its profits fell 29% to \$21.4mn, the lowest full year of earnings since it started operations in 2014. Its spending on legal and professional fees jumped 592% to \$4.5mn. The LME was bought by Hong Kong Exchanges & Clearing Ltd for \$2.2bn in 2012. In HKEX's annual report published earlier this year, Chief Executive Nicolas Aguzin said that 2022 had been "a challenging year but also a seminal year" for the LME. "As a parent company, HKEX continues to fully support the LME as it connects capital markets to the physical world," he said.