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‘Qatar benefits from fixed exchange regime; interest rates to remain high’



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GULF TIMES BUSINESS



UNWAVERING COMMITMENT : Page 2

Ooredoo Group among top 5 leaders in *Forbes Middle East's* Sustainable 100 list

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Non-energy private sector sees buoyant business; profitability improves: QFC PMI

By **Santhosh V Perumal**
Business Reporter

Doha's non-energy private sector kept experiencing improved business conditions at the start of the final quarter of 2023 and the 12-month outlook remained "upbeat", according to the Qatar Financial Centre (QFC).

Output, new orders and employment expanded in October, and profitability improved as firms hiked prices for goods and services at the fastest rate since February; while average input prices fell for the first time in the year so far, according to the QFC's latest purchasing managers' index (PMI).

"Business conditions in Qatar's non-energy private sector economy continued to improve moving into the final quarter of 2023, albeit at a slightly reduced tempo," QFC Authority chief executive officer Yousuf Mohamed al-Jaida said.

The Qatar PMI indices are compiled from survey responses from a panel of around 450 private sector firms. The panel covers the manufacturing, construction, wholesale, retail, and services sectors, and reflects the structure of the non-energy economy according to official national accounts data.

The PMI posted 50.8 in October, from 53.7 in September, but the overall growth has been maintained since February, although the headline figure dipped below its long-run average (52.3, since 2017) in the latest period.

Business activity among Qatari non-energy private sector firms rose further in October, with firms often reporting higher customer numbers.

Output has risen every month since July 2020, except for a brief correction in January following the conclusion of the FIFA World Cup Qatar 2022. The overall rate of expansion was the softest in 2023 so far, but construction continued to post a solid rebound in activity.

New business increased for the ninth successive month in October, with strong demand at wholesalers and retailers in particular. The overall rate of growth eased since September, however.

Non-oil private sector employment expanded for the eighth month running in October, driven by construction firms and manufacturers, who also held the strongest 12-month outlooks for activity in October.



Yousuf Mohamed al-Jaida, QFCA chief executive officer.

Supply chains continued to improve in October, as lead times for inputs shortened for the 18th consecutive month. Purchasing of inputs rose for the eighth straight month, but only fractionally, as firms aimed to stabilise their inventory levels. Input stocks were unchanged since September.

The survey found wages and salaries were only fractionally up since the previous month.

Qatari financial services companies saw another marked increase in total business activity in October. The seasonally adjusted financial services business activity index posted 58.3, well above the overall private sector figure of 51.4 and a slight improvement on September.

Demand was still strong overall and more robust than the non-energy sector average. Meanwhile, employment at financial services firms rose for the seventh month running, it said.

"Data on financial services suggested the sector continued to outperform the wider economy in October," al-Jaida said.

S&P affirms Commercial Bank's rating at A-/Stable/A-2 with stable outlook

Standard & Poor's (S&P) Global Ratings has affirmed Commercial Bank's long-term issuer credit ratings at A-/stable/A-2 with a stable outlook.

According to S&P, "The stable outlook on Commercial Bank reflects our view that the bank will continue to reduce the proportion of real estate related risks on its balance sheet while maintaining strong capitalisation."

The ratings agency also highlighted the key role of the Qatari Government in the bank's ratings, as stated in the report: "The long-term rating on Commercial Bank is three notches higher than our assessment of the bank's SACP due to a high likelihood of extraordinary government support for Commercial Bank if needed."

Commercial Bank Group Chief Executive Officer Joseph Abraham, said, "The rating affirmation with a stable outlook by S&P reflects the continuing strength of the bank's balance sheet and earnings and the strong position of the Qatar Government and economy".

Commercial Bank is also rated 'A2' by Moody's with a stable outlook and 'A-' by Fitch with a positive outlook.



According to S&P, "The stable outlook on Commercial Bank reflects our view that the bank will continue to reduce the proportion of real estate related risks on its balance sheet while maintaining strong capitalisation"

QCB issues treasury bills worth QR6bn

The Qatar Central Bank (QCB) has issued treasury bills worth QR6bn for maturities of one week, one month, three months, six months and nine months. The total bids amounted to QR12.5bn, reports QNA. The QCB said on its website that the treasury bills were issued as follows: QR500mn for one week at

an interest rate of 5.7550%; QR1bn for one month with an interest rate of 5.8125%; QR1.5bn for three months at an interest rate of 5.8950%; QR1.7bn for six months with an interest rate of 5.9525%; and QR1.3bn for nine months with an interest rate of 6.0000%.

QFMA takes part in meeting of GCC heads of Capital Market Authorities Committee

The Qatar Financial Markets Authority (QFMA) participated in the 27th Meeting of the GCC Heads of Capital Market Authorities (or their equivalent) Committee. The meeting was held on Sunday via virtual communication technology, reports QNA. The QFMA was represented by its Chief Executive Officer Dr Tamy bin Ahmad al-Binali.

The meeting discussed a number of topics, including, the outcomes of the last meeting of the GCC Capital Markets Integration Strategy Working Group, as well as the

outcomes of the meetings of the GCC Financial Markets Regulators Working Group Concerning Communication and Investor Awareness, and the meeting of the GCC Financial Market Regulators Working Group Concerning Training. The Committee meeting also discussed the proposed initiatives to confront financial fraud, in addition to the latest developments regarding the MoU among the GCC financial markets regulators, as well as the various developments in the GCC financial markets.

Qatar banks record uptick in loans, deposits in September: QNBFS

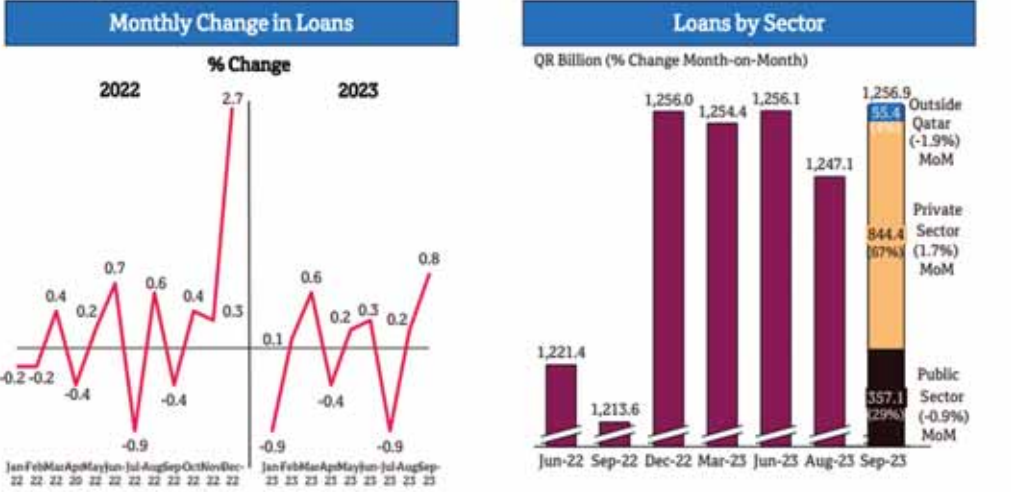
Qatari banks' have seen an uptick in loans in September, driven by the private sector and exceeded QR1.25tn, QNB Financial Services has said. The local banks have also seen a surge in deposits, driven by both the private and public sectors, QNBFS said in its 'Qatar Monthly Banking Sector' update. Deposits with local banks rose 2.8% during September to reach QR953.3bn, QNBFS said. According to QNBFS, total assets of local banks went up 2.4% to reach QR1.92tn. Total assets increase in September was mainly due to a rise by 1.8% in domestic assets and 6.6% in foreign assets. The overall loan book went up 0.8%, QNBFS said. Total private sector loans climbed up 1.7% month-on-month (m-o-m), +2.5% in 2023) in September. The services and trade segments were the main drivers for the private sector loan rise. Services (contributes 31% to private sector loans) gained 2.5% m-o-m (+6.4% in 2023), while general trade (contributes 21% to private sector loans) increased by

3.2% m-o-m (+5% so far this year). Consumption and others (contributing 21% to private sector loans) went up by 1.6% m-o-m (+5.4% in 2023), with the real estate segment (contributes 21% to private sector loans) going up by 1% m-o-m (-5.2% in 2023) in September. Total public sector loans declined by 0.9% m-o-m (-4.6% in 2023). The government institutions' segment (represents 66% of public sector loans) dropped 2% m-o-m (-1.8% in 2023), while the government segment (represents 27% of public sector loans) dipped by 3.9% m-o-m (-16.2% in 2023). However, the semi-government institutions' segment shot up 27.8% m-o-m (+32.5% in 2023). Outside Qatar loans moved lower by 1.9% m-o-m (-4.9% in 2023) during September. Public sector deposits surged up by 4.2% m-o-m (-9% in 2023) in September. Looking at segment details, QNBFS noted the government segment (represents 27% of public sector deposits) was the main

growth catalyst for the public sector, rising by 10.5% m-o-m (-18.6% in 2023). The government institutions' segment (represents 57% of public sector deposits) moved up by 1.1% m-o-m (-6.5% in 2023) and the semi-government institutions' segment increased by 5.7% m-o-m (+1.7% in 2023) in September. Private sector deposits moved up by 2.8% m-o-m (+0.1% in 2023) in September. On the private sector front, the consumer segment rose significantly by 4.6% m-o-m (+7.2% in 2023), while the companies and institutions' segment increased by 0.8% m-o-m (-7.0% in 2023) during September. Non-resident deposits edged up by 0.2% m-o-m (-7.6% in 2023) in September. Qatar banking sector loan provisions to gross loans was at 4% in September, compared to 3.9% in August. The sector's liquid assets to total assets was at a higher 31.5% in September, compared to 30.5% in August this year. An analyst told *Gulf Times*: "The highlights for September is

Commercial Banks Credit Facilities

As at September 2023



the continued growth in loans for the private sector, mainly driven by the services and trade segments, which went up by 2.5% (QR6.3bn) and 3.2% (QR5.4bn)

respectively, indicating an upbeat in both tourism and trade. "The overall deposits surge by 2.8% (QR25.6bn) was driven by both the private and public sectors,

with the consumer segment being attracted by the higher interest rate environment and the government deposits rising with favourable oil and gas prices."

Ooredoo Group among top 5 leaders in *Forbes Middle East's* Sustainable 100 list

Ooredoo Group has achieved a prestigious ranking among *Forbes Middle East's* Sustainable 100, showcasing its unwavering commitment to sustainability and environmental protection.

Forbes Middle East's inaugural Sustainable 100 report highlights companies at the forefront of sustainable business practices across the region. The assessment spans 11 key corporate sectors, evaluating businesses on various criteria, including their environmental impact, ESG commitments, transparency, collaboration, sustainability initiatives within the past year, and their ambitious journey toward achieving net-zero emissions.

In the technology and telecom sector, Ooredoo Group ranked fourth place, firmly establishing itself among the top five companies making substantial strides.

Aziz Aluthman Fakhroo, managing director and Group CEO at Ooredoo, said: "We are committed to the UN SDGs and the highest environmental protection standards. Sustainability is not just a corporate responsibility; it is a guiding principle in everything we do. We are dedicated to pioneering innovation, fostering environmental consciousness, and actively contributing to a more sustainable world. This recognition by *Forbes Middle East* reinforces our firm commitment and fuels our determination to set new industry standards for sustainability."

Across operating companies, Ooredoo Group has been heavily investing in renewable energy sources to reduce



Aziz Aluthman Fakhroo, managing director and Group CEO at Ooredoo.

its carbon footprint, seeking to rely more on clean energy and ensuring sustainable operations.

As part of its efforts, the company is proactively transitioning from diesel generators to more eco-friendly solutions, such as grid electricity, while

promoting responsible consumption and production through smart waste management solutions.

Ooredoo is currently an active participant in the GCC ESG Telecommunications Alliance, a pivotal collaboration among seven leading

telecommunications companies in the Gulf region. The Alliance – considered as a new precedence for the industry – is dedicated to advancing sustainability, with a special focus on climate action. It strives to promote knowledge exchange and innovative solutions to address environmental challenges and drive sustainability.

Most recently, Ooredoo Qatar has entered into a 10-year agreement with the Qatar General Electricity & Water Corporation (Kahramaa) to provide advanced smart metres, enhancing water service operations. Ooredoo's cutting-edge technology aims to boost water network monitoring, management, and distribution efficiency for Kahramaa.

Furthermore, the company announced the great strides it has achieved in its Socially Responsible Investing, a key facet of ESG. Within the 'social' element, the company has particularly focused on the areas of empowering women, promoting gender equality and reducing the gender gap, promoting equal opportunities and pay; and developing talent across the company.

Aziz added: "Ooredoo Group's steadfast dedication to environmental sustainability, combined with its innovative approach to delivering excellence in customer experience, has secured its position in *Forbes Middle East's* Sustainable 100. The company will continue to move forward in its journey to further advance its sustainable initiatives, driven by a clear vision to create a better, greener future for the communities it serves."

Saudi non-oil economy boosted by fastest job growth in 9 years

Bloomberg
Riyadh

Saudi Arabia's non-oil economy saw its fastest job growth in nine years in October, signalling another improvement in business conditions as the world's biggest crude exporter seeks to diversify.

The Riyadh Bank purchasing managers index for Saudi Arabia rose to 58.4 in last month from 57.2 in September. The gauge was well above the 50-mark separating growth from contraction and "indicative of a substantial upturn in the health of the Saudi Arabian non-oil private sector," the report said.

The sharpest rise in employment growth since October 2014 came as companies sought to add to their staffing capacity after strong demand for new orders.

"The employment expansion is a promising sign for the Saudi economy, as it suggests a growing demand for labour and a potential improvement in the job market," said Naif al-Ghaith, chief economist at Riyad Bank. The strong PMI numbers for October follow official figures for the third quarter of the year indicating that private sector growth was losing steam. Non-oil economic output growth slowed to 3.6%, according to data released last week. On a quarterly basis, it rose 0.1%, the softest pace of acceleration since the end of 2020.

The \$1.1tn economy suffered its biggest contraction since 2020 during the third quarter, after the kingdom cut oil production in July in a bid to push up prices.

Backlog order volumes decreased at the sharpest rate since August 2022, according to the PMI data. That was driven by increased hiring, as well as "supportive government policies and subsequent improvements in the ease of doing business," according to the report.

Saudi and Russia to continue additional voluntary oil cuts

Reuters
Dubai

Top oil exporters Saudi Arabia and Russia confirmed yesterday they would continue with their additional voluntary oil output cuts until the end of the year as concerns over demand and economic growth continue to weigh on crude markets.

Both countries said their cuts would be reviewed next month to consider extending, deepening or increasing it.

Saudi Arabia confirmed it would continue with its additional voluntary cut of 1mn barrels per day (bpd) translating into a production of around 9mn bpd for December, a source at the ministry of energy said in a statement.

"This additional voluntary cut comes to reinforce the precautionary efforts made by Opec+ countries with the aim of supporting the stability and balance of oil markets," the source was quoted as saying in the statement.

Following the Saudi statement, Moscow also announced it would continue its additional voluntary supply cut of 300,000 bpd from its crude oil and petroleum product exports until the end of December.

Opec+, which comprises the countries of the Organisation of the Petroleum Exporting Countries (Opec) and leading allies including Russia, has been cutting output since last year in what it says is preemptive action to maintain market stability.

Oil hit a 2023 high in September at near \$98 a barrel for Brent crude, although it has since weakened to trade around \$85 a barrel on Friday, despite support from the conflict in the Middle East.

Saudi Arabia first made the voluntary cut for July as an addition to a broad supply-limiting deal first agreed by some members of Opec+ in April.

The kingdom said in September it would extend its additional voluntary cut until the end of the year, and review the decision monthly.

Analysts had widely expected the kingdom to confirm it would extend its cut in December. A June decision by Opec+ already limits supply into 2024.

Saudi budget deficit blows out to \$9.5bn as revenues slip

Bloomberg
Riyadh

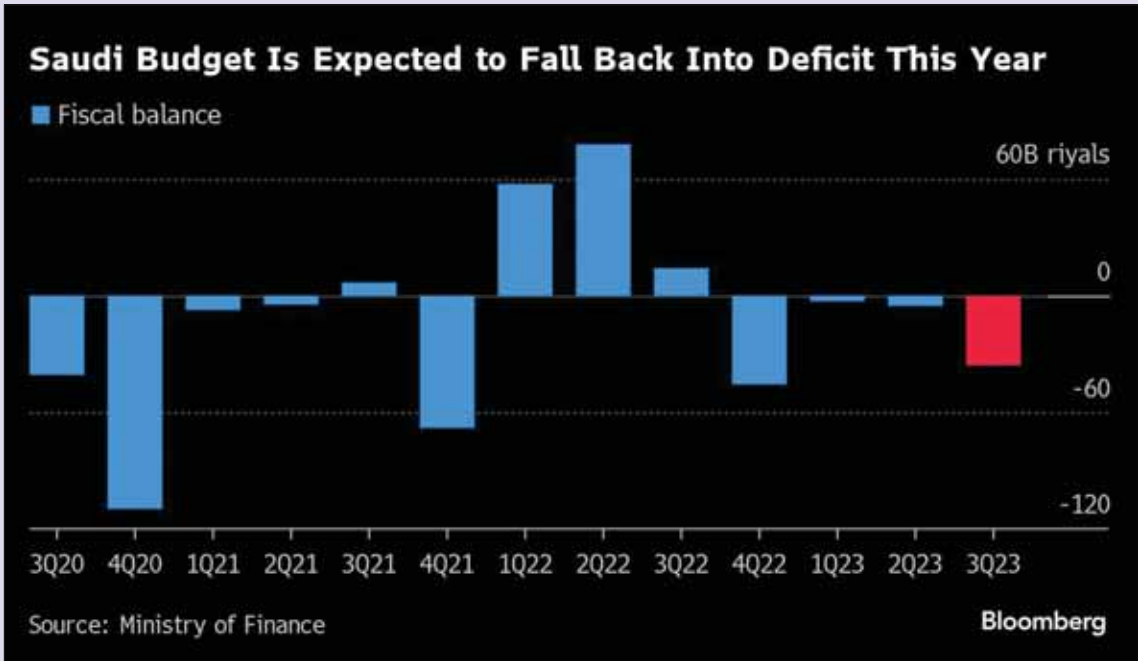
Saudi Arabia posted a budget deficit in the third quarter that was almost seven times larger than in the previous three months, as the world's biggest crude exporter endured a decline in both energy and non-oil income.

The government's shortfall came in at 35.8bn riyals (\$9.5bn) in the three months ended in September, according to a budget report from the Ministry of Finance published late on Wednesday.

An 8% decline in expenditure to about \$78bn was outpaced by an almost 18% decrease in revenues that were \$69bn, largely due to lower receipts from oil and taxes. The quarterly deficit was more than twice as large as in the same period of 2022.

Saudi Arabia's \$1.1tn economy suffered its biggest contraction since 2020 during the third quarter, after the kingdom cut oil production in July in a bid to push up prices. Output is now around 9mn barrels a day, about 1mn below the average over the past decade, and expected to remain at similar levels until at least the end of this year.

Oil revenues declined 18% to 147bn riyals during July-September, according to the budget report. Income from non-oil decreased 17% to 112 billion riyals.



"The price Saudi Arabia needs to balance its budget was clearly above \$86 in the third quarter. We estimate that Saudi Arabia needs oil at \$91 per barrel to avoid a budget deficit in the second half of the year. And an even higher price if we account for spending by the sovereign wealth fund," says Ziad Daoud, chief emerging-markets economist, Bloomberg Economics.

The International Monetary Fund said last month Saudi Arabia would need crude close to \$86 per barrel to balance its budget, about \$5 more than the Washington-based lender had estimated in May. If outlays by the Saudi sovereign wealth fund are included, the breakeven will likely rise to \$110 in the second half of this year, according to Bloomberg Economics. Global benchmark Brent rose past

\$85 a barrel on Thursday, after falling about 5% over the previous three sessions. In October's pre-budget statement, the Saudi Finance Ministry outlined plans to boost spending as part of Crown Prince Mohammed bin Salman's programme to transform the economy. The latest blueprint now assumes fiscal shortfalls through at least 2026.

ICAI Doha Chapter hosts conference on 'Embracing AI-Future Finance Catalyst'

The Doha Chapter of ICAI has organised its ninth annual conference titled 'Embracing AI-Future Finance Catalyst' held recently in Doha.

The conference included the following panel of experts who shared insights on the influential role of generative AI in the field of finance: Suresh Prabhu, founding chancellor of Rishihood University and former union cabinet minister; Aniket Sunil Talati, president of ICAI, and Ranjeet Kumar Agarwal, vice-president of ICAI.

In his opening remarks, Prabhu shed light on the role of artificial intelligence as a catalyst for finance professionals and its future significance, while Talati emphasised how ICAI has embraced technology, including AI, to streamline processes, citing how the results for chartered accountants are now being declared within two weeks instead of two months.

Talati also stressed ICAI's focus on transforming its global presence by customising courses based on the rules and regulations of different countries, thereby creating a community of global chartered accountants. For his part, Agarwal discussed the socio-economic and technological impact on the accounting profession. He envisioned India's economy reaching \$40tn by 2047, which is ICAI's centenary celebration and emphasised



The panel of experts during ICAI Doha Chapter's ninth annual conference titled 'Embracing AI-Future Finance Catalyst'.

the need to produce 4mn chartered accountants in India to support this growth. Chapter chairperson Vignesh Kalyanaraman emphasised the pivotal role AI will play in the accounting profession, highlighting the potential of AI in automation, analytics, and process optimisation, and underscoring its ability to bring value to professionals in the field.

The event was also highlighted by the launch

of the 'CA Dilip Thakkar Professional Achiever Award', which aims to inspire chartered accountants to achieve excellence in their profession, organisation, and society. The award was presented to Abdul Nasser, an international author and motivational speaker, in recognition of his significant contributions to the chartered accountant fraternity and his efforts to elevate the profession globally.

Turkiye stiffens rules for banks to encourage more saving in lira

Bloomberg
Istanbul

Turkiye's central bank stepped up its efforts to boost the proportion of lira deposits in the financial system by introducing a new set of measures last Thursday.

The latest changes make it more expensive for commercial lenders to offer accounts denominated in hard currency or linked to foreign exchange rates, according to regulations published in the Official Gazette.

Banks are now required to hold a higher amount of reserves at the monetary authority for so-called FX-linked lira deposits they offer to consumers. That increase in costs is likely to discourage commercial lenders from promoting the accounts known by their Turkish acronym KKM.

Separately, the central bank said lenders must also set aside additional lira reserves for FX accounts, in a move that aims to encourage a transition to local currency savings. It adds to a se-

ries of regulatory changes intended to prompt more Turks to shift away from savings in foreign exchange.

The hike in reserve requirements could absorb about 350bn liras (\$8.8bn) in liquidity, supporting the lira.

Details of new central bank rules:

n The reserve requirement ratio for KKM accounts maturing in over half a year has been raised to 30% from 25%.

* The ratio for a year or longer has been lifted to 10% from 5%.

* Reserve requirement ratios for FX deposits were increased by 1 percentage point for all maturities.

* The bank implemented additional 4% reserve requirement ratio in liras for all FX deposits KKM accounts stand at about \$110bn, making up just under a quarter of total deposits in the banking system. Turkey's recently appointed economic officials have been trying to unwind the programme.

The central bank's Monetary Policy Committee has said it would take "additional steps" to increase the share of lira savings following last week's interest rate hike.

Bond market has fighting chance to avoid historic losing streak

Bloomberg
Washington

A prospect that might have seemed unthinkable just a couple short weeks ago is coming into view for bond traders: The potential for US Treasuries to post an annual gain for the first time since 2020.

It's well short of turning into 'The Year of the Bond' that many money managers expected entering 2023. But with this week's remarkable about-face in the world's biggest bond market, traders now have a sliver of hope that they can avoid an unprecedented three straight years of losses in Treasuries.

US government debt is coming off a weekly rally reminiscent of the market chaos of March 2020. Ten-year yields, a benchmark for global borrowing, fell about 25 basis points amid growing confidence that the Federal Reserve is done hiking interest rates, with the latest spark coming Friday on signs US job growth is cooling.

"The economic trajectory is lower," said Gregory Faranello, head of US rates trading and strategy for AmeriVet Securities. "We've been looking for rates to correct lower."

Faranello says he's targeting a decline to 4.35% on the 10-year, from 4.57% now. It's not even two weeks since the rate eclipsed 5% for the first time since 2007.

Even a flat year might be a welcome respite for bond investors, after Treasuries lost a record 12.5% in 2022, following a 2.3% hit the year before. A strategy of merely holding Treasury bills has earned about 4.2% this year.

The Bloomberg US Treasury index is still down 1.5% for this year through Thursday. But for



The US Treasury Department building in Washington. A prospect that might have seemed unthinkable just a couple short weeks ago is coming into view for bond traders: The potential for US Treasuries to post an annual gain for the first time since 2020.

bond bulls, that's a move in the right direction after the gauge was down 3.3% for 2023 as of October 19. Holders of 10-year notes would break even for this year if the yield finishes December at about 4.4%, according to data compiled by Bloomberg.

The outlook for bonds also brightened this week after the Treasury announced that it would lift debt issuance in the November-to-January period by less than many on Wall Street expected. Entering this year, the thinking among bond bulls was that the economy would soon wilt in the face of the Fed's rate increases, forcing the central bank to pivot to easing. That has hardly panned out, with growth proving resilient and inflation remaining stubbornly elevated.

But traders are growing con-

fident that the tightening campaign is over, and they're betting on cuts by mid-2024.

"The Fed is done," Rick Rieder, BlackRock Inc.'s chief investment officer for global fixed income, said on Bloomberg Television on Friday. "That's it. Inflation is coming down. Payroll, labour, has finally started to come off a bit. It's a big deal."

Even with the slide in rates this week, "these yield levels, particularly the front to the belly of the yield curve" provide solid fixed payments, Rieder said.

"Traders are stampeding into the world's largest Treasury ETF, the iShares 20+ Year Treasury Bond fund, as they rediscover long-forgotten bond math," says Brian Meehan, market analyst at Bloomberg.

The global backdrop is also

supporting the bond bulls. Recession looms for the euro area, and China's housing market is struggling. The caveat is that Treasuries have been whipsawed before in 2023, seeing yields swoon and then reverse course, and there's a camp that doubts the Fed will lower rates as soon as traders expect. Derivative traders have proven wrong-footed time and again over the last few years in pricing in that the Fed would pivot and cut.

"It's not as if the Fed's going to cut rates anytime soon," said Kevin Flanagan, head of fixed-income strategy at WisdomTree. "What we've been doing is shortening our underweight to duration," but he says there are limits to how much the Treasury market can rally further, given the extent of this week's move.

QSE MARKET WATCH			
COMPANY NAME	Lt Price	% Chg	Volume
Zad Holding Co	13.85	1.09	15,423
Widam Food Co	2.23	2.10	3,452,009
Vodafone Qatar	1.84	3.95	3,385,558
United Development Co	1.00	1.21	9,254,631
Salam International Investment	0.74	7.30	74,835,610
Qatar & Oman Investment Co	0.93	-0.43	4,620,435
Qatar Navigation	9.78	2.50	914,328
Qatar National Cement Co	3.63	2.20	707,164
Qatar National Bank	15.43	2.19	2,515,870
Qim Life & Medical Insurance	2.62	-1.13	746,358
Qatar Islamic Insurance Group	9.10	2.49	66,534
Qatar Industrial Manufacturing	3.03	2.02	84,000
Qatar International Islamic	9.73	0.31	812,094
Qatari Investors Group	1.56	0.97	3,289,114
Qatar Islamic Bank	18.30	2.23	1,189,954
Qatar Gas Transport (Nakilat)	3.52	-0.28	11,888,448
Qatar General Insurance & Reinsurance	1.19	0.00	123
Qatar German Co For Medical	1.55	0.78	8,444,390
Qatar Fuel Qsc	16.23	9.15	2,058,073
Lesha Bank Lic	1.41	2.09	4,078,737
Qatar Electricity & Water Co	17.10	3.32	1,327,647
Qatar Exchange Index Etf	9.22	0.80	21,479
Qatar Cinema & Film Distrib	3.01	0.00	-
Al Rayan Qatar Etf	2.23	5.95	20,537
Qatar Insurance Co	2.48	1.39	2,111,467
Qatar Aluminum Manufacturing	1.30	4.33	28,125,257
Ooredoo Qpsc	10.22	1.69	655,911
Aljarah Holding Company Qps	0.76	1.34	10,992,120
Mazaya Real Estate Development	0.68	2.56	41,193,754
Mesaleed Petrochemical Holding	1.62	1.25	10,403,317
Mekdam Holding Group	5.09	0.73	58,114
Al Meera Consumer Goods Co	13.31	1.29	186,551
Medicare Group	5.39	0.45	394,378
Mammal Corporation Qsc	3.91	1.59	612,332
Masraf Al Rayan	2.17	2.55	25,656,304
Industries Qatar	13.19	5.52	2,436,166
Inma Holding Company	3.99	3.20	1,263,581
Estithmar Holding Qpsc	2.05	0.74	12,123,304
Gulf Warehousing Company	3.17	-0.69	3,171,916
Gulf International Services	2.85	0.88	13,574,026
Al Fateh Education Holding	0.78	0.65	493,870
Ezdan Holding Group	0.91	1.80	21,385,528
Doha Insurance Co	2.30	0.00	71,688
Doha Bank Qpsc	1.67	4.45	5,145,807
Diala Holding	1.42	0.50	2,043,796
Commercial Bank Pscq	5.36	2.31	1,861,209
Barwa Real Estate Co	2.60	2.04	3,518,115
Baladna	1.23	2.07	25,740,092
Damaan Islamic Insurance Co	3.65	0.00	94
Al Khaleej Takaful Group	3.00	-1.06	1,547,267
Aamal Co	0.84	0.72	2,223,480
Al Ahli Bank	3.80	-7.89	1,198

ECB will get inflation down to 2% target in 2025, says Lagarde

Bloomberg
Frankfurt

European Central Bank (ECB) president Christine Lagarde said that slowing inflation is "certainly our forecast" and that the institution is determined to return prices to its target.

"We are determined to bring inflation down to 2%," Lagarde told the Greek newspaper Kathimerini in remarks posted on Saturday on the ECB's website. "According to our projections we will get there in 2025."

Lagarde said she isn't worried about the political implications of the central bank's efforts, which have been criticised by some European governments worried that higher interest rates will choke off growth.

"Our mandate is to ensure price stability, and this is the best contribution we can make to social peace and to society, to the most vulnerable of its members in particular," she said.

The ECB has hit pause on an unprecedented campaign of interest-rate hikes as it seeks to to wrest back control of inflation. Officials have signalled borrowing costs will remain elevated, to ensure consumer-price gains return to 2%, though the weak-



Christine Lagarde, European Central Bank president.

ening eurozone economy is raising questions about when cuts will become necessary.

Lagarde said key performance indicators for Greece's economic and financial situation have shown "improvements across the board."

Greece's credit rating was raised to investment grade by S&P Global Ratings in October — the first such move by one of the big three assessors since the country was shaken by a debt crisis more than a decade ago.

"I understand that there are more reforms in the pipeline but, overall, the results of the country's efforts are impressive," Lagarde said.

Italy eyes progress on Telecom Italia's €23bn grid sale

Bloomberg
Rome

Italy expects the €23bn sale of Telecom Italia SpA's landline network to KKR & Co to go ahead after a marathon board meeting that started Friday, according to people familiar with the matter.

The deal is opposed by Telecom Italia's largest shareholder, Vivendi SE, which is calling the board to evaluate a surprise alternative plan presented last week by a minority investor. The last-minute plan, presented by London-based investment firm Merlyn Advisors Ltd, seeks to halt the sale of the landline network and to replace the company's chief executive officer. But the plan is unlikely to gain traction as it lacks the government's support and a sufficient share ownership as of now to pressure the board.

Merlyn and its associates hold just about 0.006% of Telecom Italia shares, according to a letter seen by Bloomberg News. The company said in a statement it holds additional shares for a stake below 3%. Telecom Italia, Italy's former telecom monopoly, has for months sought to sell

its grid to cut the heavy debt load. While the company is privately owned, it falls under government oversight due to its employee headcount level and because the telecommunication network is of strategic interest.

After different options failed, the government backed the plan by KKR and readied funds to invest directly in the company to retain control.

The board is tasked with assessing the binding offer presented for its grid by US private equity giant KKR, a plan engineered with the government over several months. The first meeting ended late Friday without reaching a conclusion, Corriere della Sera reported, citing people aware of the talks.

Despite the clashes over the fate of Telecom Italia, senior officials in Giorgia Meloni's government who are closely monitoring the decision expect the board to progress on the sale, the people, who asked not to be named, added.

Representatives for Italy, Telecom Italia and Vivendi declined to comment.

The negotiated deal meets the needs of both Telecom Italia, which must urgently dismiss assets to slash its debt pile, and of the

government, which wants to retain control over an asset deemed strategic. The plan under discussion during the board meeting would see Italy's finance ministry taking up to a 20% stake in the grid unit for as much as €2.5bn.

The board meeting this weekend could end with several outcomes, including approving the offer but also calling for a consultative meeting by shareholders that wouldn't have any real veto power over the network sale. Vivendi, which owns about 24% stake of Telecom Italia, is instead asking for the grid disposal to be reviewed by an extraordinary meeting of shareholders rather than by the company's board of directors.

Even before the surprise alternative plan presented by Merlyn, Vivendi has opposed the KKR deal saying it wouldn't accept any network offer of less than €30bn, setting the stage for a boardroom clash.

Vivendi's battle against Telecom Italia Chief Executive Officer Pietro Labriola, the main architect of the network sale plan, started last January, when the French company's Chief Arnaud De Puyfontaine resigned as a director at the carrier seeking a reshuffle of Telecom Italia's board.

Bond traders on collision course with higher-for-longer mantra

Bloomberg
New York

Bond investors and rates traders are increasingly betting interest-rate cuts will start by the summer, challenging policy-makers' mantra of high borrowing costs for the foreseeable future.

Markets are now wagering that the Federal Reserve will cut rates for the first time in June, and will have enacted almost 100 basis points of reductions by the end of 2024. A similar amount of cuts is priced from the European Central Bank (ECB), potentially starting as soon as April.

And in the UK, the Bank of England (BoE) is seen reducing the benchmark rate by close to 70 basis points.

That could prove a problem for central bankers, who've acknowledged the degree to which expectations for policy to remain tight have boosted bond yields, helping cool the economy.

"Officials will want to push back against this for as long as possible to avoid easing financial conditions," said Henry Cook, senior economist

at MUFG. If data continue to sour over the coming months — as Cook expects — the stance of central bankers "will become increasingly hard to maintain," he said.

The pricing highlights market scepticism that's set in after 2021 as central banks insisted inflation would prove transitory.

For rate setters, the drop in bond yields threatens to ease financial conditions whether officials cut or not, undermining the impact of the hikes they've already delivered.

ECB Executive Board member Christine Lagarde has pushed back, warning that any discussion of when to cut interest rates is "totally premature."

"The challenge is how to prevent the market from getting a bit too excited," said Sebastian Vismara, senior economist at BNY Mellon Investment Management. "As long as there isn't any credible risk of a rate hike, I think the market will continue to have this tendency to price in rate cuts."

On Friday, traders scrambled to bring forward expectations for the first US cut to June from July after data showed weaker-than-expected payroll numbers and rising



unemployment. There's a danger the aggressive positioning could be their undoing. It wouldn't be the first time they've been on the wrong side of the trade. Time and again this cycle, the market has either jumped the gun and called an end to the rate hikes too soon — or

priced in tightening that rapidly looked excessive. The US 10-year yield has dropped from 5% to 4.50% in less than two weeks on expectations that rate hikes are over. Just as Fed Chair Jerome Powell acknowledged last week that rising bond yields had helped policymakers, so

central bankers are alert to signs that financial conditions may be easing too quickly. Such an outcome "might be self-defeating and central banks might have to come out again strongly and try to reverse that," said Vismara.

In the UK, where inflation is running at three times the 2% target, Bank of England Governor Andrew Bailey has tried to slap down market wagers directly.

On Thursday, at the BoE's post-rate decision press conference, he repeated that it's much too soon to be thinking about easing.

"Markets don't believe the BoE would resist cutting rates if activity contracts or employment deteriorates, whatever the inflation backdrop," said Axel Botte, head of markets strategy at Ostrum Asset Management in Paris.

To be sure, some strategists say the market pricing has it wrong and investors have been too hasty switching their focus to cuts.

Mark Dowding, chief investment officer at BlueBay Asset Management, doubts any of the major central banks will deliver cuts for at least another nine months.

Inflation is still above target and

there are scant signs of a serious weakening in the US economy so far, he said.

Those positioning for 100 basis points of cuts from the ECB next year will be disappointed, according to Adam Kurpiel and colleagues at Societe Generale SA.

"The last FOMC meeting provided an excuse for markets to factor in a rate-cutting cycle again and for risky assets to rally," they wrote. "This may prove more complex than markets would like it to be." At the same time, the view policy is already overly restrictive is taking hold, suggesting market pressure will remain potent.

In Canada, the central bank's decision to keep the possibility of another hike open was decryied by Pimco's former head of Canadian portfolio management, who argued policymakers should already be talking about cuts.

David Zahn, head of European fixed income at Franklin Templeton, meanwhile, says bets on cuts in Europe from April may be premature, but further into the future the ECB will have to loosen by more than what's currently priced in order to shore up the economy.



China's fight against deflation may be far from over

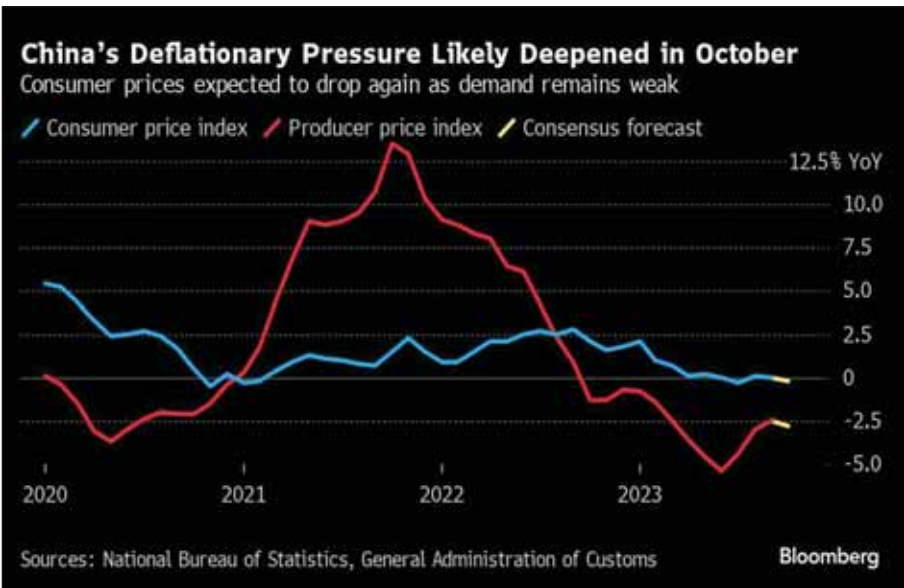
Bloomberg
Hong Kong

China's deflationary pressures just aren't going away, underscoring the fragility of the economic recovery as 2023 enters the home stretch.

Data due Thursday will likely show Chinese consumer prices slid back into deflation in October, according to economists surveyed by Bloomberg. Producer prices also probably declined for a 13th consecutive month.

Consumer costs have been stubbornly weak this year. The consumer price index slipped into deflation in July and has since been teetering on and off the edge of negative year-on-year growth. While the People's Bank of China said in August that prices would rebound from the summer rough patch, another drop may prove that assessment was too optimistic.

Morgan Stanley sees China potentially facing a prolonged fight against falling prices in the next few years, writing recently that Beijing is "at the initial stage of the



deflation battle" as it transitions away from an "over-extended, credit-fuelled growth model."

Weak inflation figures would add more uncertainty to the nation's growth outlook following an unexpected contraction in factory activity and slowing growth in the services sector in October.

"China's consumption demand is still weak," said

Larry Hu, head of China economics at Macquarie Group Ltd. He said the nation's widest measure of prices, the GDP deflator, will likely be negative in the final three months of the year. It's already declined for two consecutive quarters for the first time since 2015, according to Bloomberg estimates based on official data.

Other reports due in the coming days may provide

additional clues about the trajectory of the economic recovery. Export figures on Tuesday will likely show the drop narrowing in October on a yearly basis, though that's partly because of a lower base of comparison with a month in 2022 when China was still grappling with pandemic-related lockdowns.

Credit data for last month may also be released, and

will probably show overall financing picking up from a year ago as a deluge of government bonds hit the market.

Expectations are growing for the central bank to provide more liquidity support via a cut in the reserve requirement ratio — the amount of cash banks must keep in reserve. Some analysts predict the central bank may do so ahead of its monthly policy loan operations in the middle of November as a surge in government bond issuance pressures interbank liquidity.

"We expect mixed signals. Credit growth will probably show recent incentives are working to encourage borrowing. Trade looks set to shrink less than in the prior month, but this would be due to statistical base effects — not a sign of demand perking up at home or abroad. Consumer price inflation will probably stay close to zero," according to Bloomberg Economics.

China's premier on Sunday pledged that his nation would expand access to markets and also boost imports, which have fallen this year.

China pledges to expand market access at annual trade fair amid foreign criticism

China will further expand market access and increase imports, its premier told a trade fair in Shanghai on Sunday, amid criticism from European firms who said they wanted to see more tangible improvement in the country's business environment, reports Reuters.

Li Qiang told the opening ceremony of the annual China International Import Expo that the country was committed to opening up its economy, and that imports of goods and services were set to reach a cumulative \$17tn within the next five years.

"No matter how the world changes, China's pace of opening up will never stall, and its determination to share development opportunities with the world will never change," Li said.

China will promote co-ordinated development of trade in goods and services, protect an international business environment, and relax market access including lifting restrictions on foreign investment in manufacturing, he said.

The import expo was launched by President Xi Jinping in 2018 to promote China's free trade credentials and counter criticism of its trade surplus with many countries. However, participation in the past three years was curtailed by the Covid-19 pandemic.

This year's event drew criticism from the European Chamber of Commerce in China on Friday, and urged authorities to enact more tangible measures to restore confidence in the country among European businesses.

China's imports have slumped this year amid a slowdown in the world's second largest economy, although data released last month indicated that the downtrend could be starting to ease.

Li in his speech cited examples of businesses that had benefited from the show — including an Afghan carpet maker and Japanese pharmaceutical firm, though without identifying them — and said out of the roughly 3,400 companies participating this year, over 200 had been repeat attendees for the past six years.

Countries including Australia and the US have sent large delegations to the event, which runs over November 5-10. Participants include Micron Technology, Nestle, Burberry and L'Oreal, state media reported.

On Sunday, Australian Prime Minister Anthony Albanese, at the start of the first visit to China by a leader of his country in seven years, told the opening ceremony that dialogue and co-operation was "in all our interests".

Bloomberg QuickTake Q&A

Bankman-Fried is guilty: What does that mean for him and crypto?

By Emily Nicolle, Allyson Versprille and Michael P Regan

When Sam Bankman-Fried was arrested after the implosion of his FTX crypto empire, he insisted he was an honest man who had made a series of calamitous mistakes. A federal jury in New York didn't buy it and on November 2 found him guilty on all seven counts of fraud and conspiracy. The crypto industry is eager to move on and rehabilitate a reputation tarnished by a succession of business failures. But there are plenty of other crypto entrepreneurs facing accusations of wrongdoing, and the US government appears determined to bring this freewheeling industry to heel.

1. What did Bankman-Fried do wrong?

The onetime crypto king was convicted of improperly diverting billions of dollars in assets that customers had deposited with his FTX cryptocurrency exchange to an affiliated hedge fund, Alameda Research, to support its trading positions and venture investments. The house of cards collapsed as the broader crypto market declined in value through 2022 and lenders began to seek repayment from Alameda. US Attorney Damian Williams and his team persuaded the jury that Bankman-Fried, whose enterprise was valued at \$32bn as recently as last year, had directed the transfer



FTX founder Sam Bankman-Fried arrives at the US federal courthouse in New York on March 30, 2023. The onetime crypto king was convicted of improperly diverting billions of dollars in assets that customers had deposited with his FTX cryptocurrency exchange to an affiliated hedge fund, Alameda Research, to support its trading positions and venture investments.

of FTX customers' money into Alameda for risky investments, political donations and expensive real estate without the clients' authorisation or knowledge.

2. What will happen to Bankman-Fried?

Unless his convictions are overturned on appeal,

Bankman-Fried will almost certainly serve a long prison term. He's scheduled to be sentenced in March and faces as much as 20 years behind bars for each of the most serious charges, including wire fraud and conspiracy to commit money laundering. US District Judge Lewis Kaplan may show some leniency to give the 31-year-old felon "an opportunity when he gets out of prison to have a meaningful life and career," said Kevin O'Brien, a former federal prosecutor who now specialises in white collar criminal defence. But O'Brien said Bankman-Fried's decision to testify, which already has failed him, could hurt him at sentencing, too, if the judge concludes he repeatedly lied on the witness stand.

3. What will happen to associates of Bankman-Fried?

The big three are Caroline Ellison, who was Alameda's chief executive officer; Nishad Singh, who was FTX's engineering chief; and FTX co-founder Gary Wang. The trio pleaded guilty over their involvement in FTX and Alameda and agreed to co-operate in the Bankman-Fried case. They testified at trial that Bankman-Fried directed them to commit fraud by helping to transfer billions of dollars in FTX customer funds to Alameda. Co-operating witnesses usually get leniency, especially if they help deliver a big fish like SBF for the government. The three will probably get no prison time or very little, several

criminal defence lawyers who have followed the case said.

4. Which other crypto personalities face charges?

Williams, the top federal prosecutor in Manhattan, is far from finished with crypto. His Southern District of New York is prosecuting cases against Terraform Labs Pte co-founder Do Kwon and former Celsius Network Ltd CEO Alex Mashinsky for alleged fraud. SDNY has already secured a guilty plea from one of Mashinsky's co-defendants.

5. What's next for crypto?

The case against Bankman-Fried was seen by many crypto doubters as further proof of the industry's susceptibility to illegal activity. Its fans say Bankman-Fried's conviction marks the end of the market's immature, chaotic era of booms and busts, hacks and scams. Some even welcome the heightened regulatory scrutiny spurred by FTX, since it may help the industry gain investor confidence and become more mainstream — even if the asset class never gets back to its earlier spectacular growth. Tension between regulators and the sector may bring greater clarity, "enabling more robust, compliant businesses to emerge and lead," said Brian Mosoff, CEO of Ether Capital Corp, which invests in digital assets. "It means we're finally having the debate."

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Updated on 1st & 16th of Every Month

US manufacturers stumble in setback for diesel demand

By John Kemp
London

US manufacturers reported an unexpectedly widespread fall in business activity in October, postponing the sector's exit from the prolonged downturn that began in late 2022. Industrial energy consumption appeared to be steadying over the summer but the anticipated rebound will now be pushed back into 2024. The Institute for Supply Management's manufacturing purchasing managers index slipped to 46.7 (14th percentile for all months since 1980) in October down from 49.0 (24th percentile) in September. In points terms, the decline was the largest since June 2022, and came after the index had risen in each of the three previous months, encouraging expectations that the sector's downturn was nearing an end. But the fall has left the index below the

50-point threshold dividing expanding activity from a contraction for 12 months running since November 2022. The forward-looking new orders component of the index implies the downturn is likely to last for several more months. The new orders sub-index slumped to 45.5 (9th percentile) in October down from 49.2 (20th percentile) in September. In duration, the current downturn already has more in common with a cycle-ending recession than with a mid-cycle slowdown. Since 1948, recessions have lasted for 11 months or more, while mid-cycle slowdowns have tended to last for eight months or fewer. If the current downturn proves to be a mid-cycle slowdown, it has already lasted longer than any other since the Second World War. But the downturn has also been unusually shallow and accompanied by the barest slowdown (if any) in the much larger

services sector. Some of the decline in manufacturing is probably attributable to industrial action at the three largest automakers in October. Strikes at car and truck plants are likely to have a widespread impact on manufacturing activity given their large supply chains. Even so, they probably cannot explain the scale and breadth of the sudden slowdown in October. Thirteen different industrial sectors reported contraction last month, including: printing, textiles, electrical equipment, machinery, fabricated metals, wood products, computers, furniture, paper, primary metals, chemicals and miscellaneous products, as well as transport equipment. Only two sectors reported growth: food and drink, and plastics and rubber. The sudden weakness in manufacturing came after activity had appeared to be nearing a cyclical trough in the third quarter, after sustained weakness in the first and second quarters. Energy

consumption by industrial users steadied over the third quarter, which was consistent with the worst of the manufacturing downturn being over. The volume of diesel and other distillate fuel oils supplied to the domestic market rose marginally in three months from June to August compared with the same period a year earlier. More than three-quarters of all distillates supplied are used in freight transport and manufacturing so distillate use is closely correlated with changes in the industrial cycle. The volume of distillate supplied increased in the three months between June and August 2023 for the first time since the three months from September to November 2022. Sales of electricity to industrial customers continued to decline in the most recent three-month period from May-July, but also at some of the slowest rates since the three months from September to November 2022.

The stabilisation of both diesel and industrial electricity sales in the summer was consistent with manufacturing activity steadying ahead of a renewed expansion. Because the industrial downturn has been long but shallow, distillate inventories remain well below the long-term seasonal average. Return to expansion would likely cause diesel stocks to deplete rapidly and put upward pressure on industrial prices quickly. Tight energy supplies have been a major source of inflation risk and one reason interest rate traders have expected the Federal Reserve and other major central banks will have to keep overnight rates higher for longer. But the renewed softness in manufacturing evident in October is likely to push back both the expected recovery and re-emergence of inflation.

■ John Kemp is a Reuters market analyst. The views expressed are his own.

EU aims to give key push to debt-adjustment rules as deadline looms

Bloomberg
Brussels

The European Union (EU) is finalising a blueprint to overcome longstanding splits and revise its debt-adjustment rules as countries are under pressure to rein in spending while also investing in defence and clean tech.

Spain, which is currently holding the EU's rotating presidency, is expected to propose a new "landing zone" document to the bloc's finance ministers on Thursday. It would include the progress made over the past weeks as the basis to prepare the legal proposal for approval at their next formal meeting in December, an EU diplomat said.

The bloc has been discussing for years a reform of the Stability and Growth Pact, the rules setting debt and deficit thresholds of 60% of gross domestic product and 3% of GDP respectively for member states, suspended since the Covid crisis to address the extra costs of the pandemic and the economic fallout of the war against Ukraine and the energy crisis.

The review aims to balance sound public finances with enough margin to invest in green, digital or defence.

The European Commission, the EU's executive arm, proposed last April giving more flexibility to member states to decide their debt-adjustment paths while reinforcing the control of the agreed fiscal targets.

But progress has proven difficult as a group of countries led by Germany is wary of giving too much discretion to some governments that have struggled to control their public spending in the past. Berlin's desire for strict debt-reducing benchmarks for all has been criticised for not making economic sense by a large group of countries and EU officials as they could aggravate economic contractions.

Efforts to bridge the differences between Germany and countries calling for more space for investments, including France and Italy, have failed to make any breakthrough to date. That postponed the draft legal text until December, while some senior EU officials feared that the agreement could not come by the end of the year target.

Failure to conclude the review on time would lead to reinstating the existing fiscal rules early next year, forcing countries to implement severe adjustments and sending a worrying signal to markets about the bloc's failure to reach a consensus on its economic and fiscal plans.

Negotiators are however hopeful about locking in the progress made this week, the EU diplomat said, who is not authorised to speak on the record because the discussions are private.

Member states are converging on how to balance fiscal consolidation and investments, including options to ensure that public debt is sustainable and can absorb economic shocks, as Berlin demands. Member states could be requested to make additional adjustments to create fiscal buffers during good times, the EU diplomat said.

A discussion on common debt quantitative benchmarks or whether to exclude loans provided by EU's Covid recovery from debt calculus still remains open, the diplomat said.

In addition, negotiators are progressing on clarifying how the reforms and investments included in their Covid recovery plans could help expand the deadline to adjust the public finances from four to seven years.

Capitals would not need to submit new plans and the commission could take into account the commitments already made under their recovery plans, the EU diplomat said.

US stock investors see green light in falling Treasury yields

Reuters
New York

Hopes that a rout in Treasuries has run its course are tempting some investors back into the US stock market after a months-long selloff.

The relationship between stocks and bonds has been a tight one in recent months, with equities falling as Treasury yields climbed to 16-year highs. Higher yields offer investment competition to stocks while also raising the cost of capital for companies and households.

Over much of the last week, however, that dynamic has reversed, following news of smaller than expected US government borrowing and signs that the Federal Reserve is nearing the end of its rate hiking cycle.

Yields on the benchmark 10-year US Treasury, which move inversely to bond prices, are down about 35 basis points from 16-year highs hit in October. Meanwhile, the S&P 500 surged 5.9% in the past week, its biggest gain since November 2022.

The index is off around 5% from its July peak, though up nearly 14% year-to-date.

"The stability in rates is helping other asset classes find a footing," said Jason Draho, head of asset allocation Americas at UBS Global Wealth Management. "If equities move higher you may find investors starting to feel as if they need to chase performance through the end of the year." Draho expects the S&P 500 to trade between 4,200 and 4,600 until investors determine whether the economy will be able to avoid a recession. The index was recently around 4,365.

Other factors may also be working in stocks' favour. Exposure to equities among active money



Traders work on the floor of the New York Stock Exchange (file). Hopes that a rout in Treasuries has run its course are tempting some investors back into the US stock market after a months-long selloff.

managers stands near its lowest level since October 2022, according to an index compiled by the National Association of Active Investment Managers – a compelling sign for contrarian investors who seek to buy when pessimism rises.

Aggregate equity positioning tracked by Deutsche Bank fell to a five-month low earlier in the week, the firm's strategists said in a Friday note, helping fuel a powerful bounce when investors rushed back into the market.

At the same time, the last two months of the year have tended to be a strong stretch for stocks, with the S&P 500 rising an average of 3%, according to data from CFRA Research.

The best two weeks of the year for the index, during which it has risen an average of 2.2% – kicked off on October 22, according to data from Carson Investment Research.

"We had an extremely oversold market in the midst of a strong economy, and the Fed coming out a little more dovish was the kindling we needed for a rally," said Ryan Detrick, chief market strategist at Carson Investment Research, who believes the current rebound in stocks will take them past their July high.

Bullish sentiment received another boost on Friday from US employment data, which showed a slight gain in the unemployment rate and smallest wage increase in 2-1/2 years, suggesting that the labour market is cooling, bolstering the case for the Fed to stay its hand. The S&P 500 closed up 0.9% on the day.

Of course, plenty of investors remain hesitant to return to stocks just yet. Technology bellwether Apple Inc on Thursday was the latest of the market's massive technology and growth stocks to

offer an underwhelming outlook. The iPhone maker gave a holiday sales forecast that was below Wall Street estimates. At least 14 analysts cut their price targets for the stock, according to LSEG data.

Still, analysts expect earnings growth of 5.7% for S&P 500 companies in the third quarter, with over 81% of the 403 companies in the benchmark index that have reported profits so far having beaten estimates, per LSEG data.

At the same time, betting on reversals in Treasuries has been a losing proposition for most of the year, during which rebounds in the US government bond market have been followed by deeper selloffs. The 10-year Treasury yield is up around 125 basis points from its low for the year.

Some investors also worry that the so-called Goldilocks economy suggested by Friday's jobs report may not last.

Bankers seek legal cover after backing \$1.5tn of ESG debt

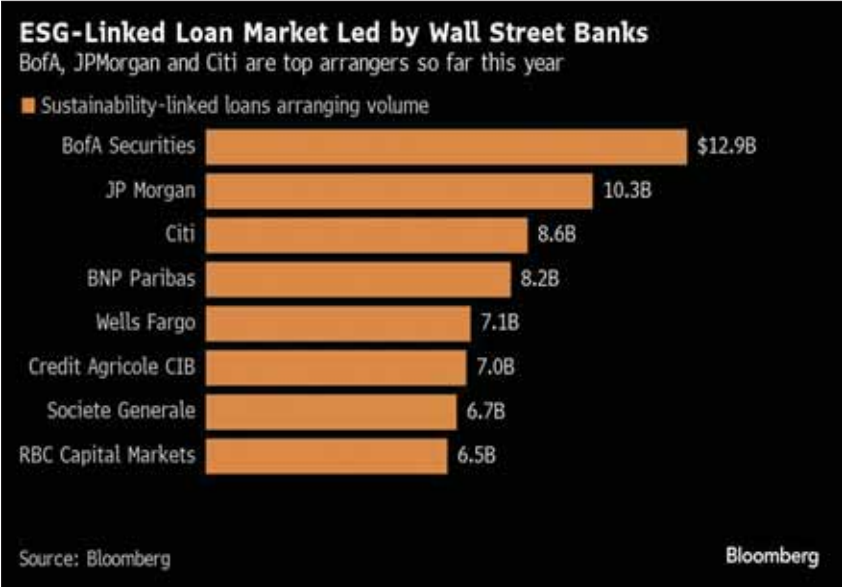
Bloomberg
London

Bankers servicing one of the world's biggest ESG debt markets are now actively seeking legal protections to guard against the potential greenwashing allegations that may be ahead.

In the handful of years they've existed, sustainability-linked loans have mushroomed into a \$1.5tn market. SLLs let borrowers and lenders say that a loan is tied to some environmental or social metric. But the documentation to back those claims generally isn't available to the public, nor is the market regulated. Lawyers advising SLL bankers say the reputational risks associated with mislabelling such products are now too big to ignore.

Greg Brown, a London-based partner in Allen & Overy's banking practice, says he's seen a surge in clients asking for new legal clauses in SLL documentation. Such add-ons are designed to let lenders strip the "sustainability" claim from a loan. So-called declassification provisions mean bankers can just book what had been an SLL as a normal loan, should they subsequently realize the product doesn't actually merit an environmental, social or governance label.

Rachel Richardson, head of ESG at London-based law firm Macfarlanes, says



her firm's clients are now asking for "more and more" declassification clauses. "I would describe it as protection for lenders for greenwashing risk," she said in an interview. The newness of such clauses means it's not yet clear how often clients will end up triggering them. But their introduction is an important signal.

Jamie Macpherson, senior counsel at

Macfarlanes, pointed to a letter by the UK's Financial Conduct Authority in June addressed to heads of sustainable finance. The FCA, which noted that it does "not directly regulate this part of the market," said then that concerns around the "integrity" of some SLLs had been "corroborated by market intelligence." As a result, "accusations of greenwashing" may fol-

low, the FCA said. For SLL bankers, that means "publicizing anything that you can't back up with good robust processes is a danger from a regulatory perspective," Macpherson said.

The SLL market is far from transparent, and not all deals can be seen in public filings. Based on data compiled by BloombergNEF, sustainability-linked loans arranged in the first three quarters of 2023 amounted to only 40% of the level seen at the same time last year, or roughly \$136bn.

Next year, meanwhile, a large number of SLL borrowers will need to get existing loans rolled over. An estimated \$187bn worth of SLLs will come due in 2024, according to data compiled by Bloomberg. More than 90% of that will be in the form of revolving credit facilities.

The most active SLL lenders are Bank of America Corp and JPMorgan Chase & Co, according to league data compiled by Bloomberg. Representatives from both banks declined to comment.

"The real downside risk for lenders is, if you take your SLL book and you publicise to the world – or to your regulator – that you are now financing X-trillion-dollars of sustainable finance, what happens if someone then takes a ruler to that and actually delves down into what that means?" Brown said in an interview.

Lenders may not be as supportive of the sustainability-linked loan market in

2024 as they were during its peak during the 2021-2022 period, according to at least three senior bankers who have worked on SLLs and who asked not to be named discussing non-public information.

Aside from an overall retreat from debt markets due to higher interest rates, one banker pointed to an additional level of souring toward the SLL market that's being driven by the arrival of regulatory scrutiny. Voluntary standard setters in the industry also are trying to catch up, which means there'll probably be stricter guidelines in future, the banker said.

Allen & Overy's Brown said banks were increasingly seeking additional legal protections for SLLs at the end of last year. By this year, such clauses were "starting to appear almost as standard in a lot of deals," he said.

Regulatory scrutiny "feeds into lenders taking a closer look at their ESG-related products," he said. "Anything that has an ESG label, we need to be a bit more careful."

After a timid start in 2017, the SLL market took off as banks increasingly attached sustainability claims to loans, often without having to provide public documentation to back the label.

Between 2018 and 2021, the SLL market soared more than 960% to \$516bn of annual deals, according to data provided by BloombergNEF.

Higher interest rates should stay

By Fahad Badar

Indications are clear that interest rates will not fall rapidly, or soon. The current level is mid-range rather than high, and has many benefits. There are greater risks in geopolitics than interest rate levels

The phrase ‘higher for longer’ has become a common phrase in relation to interest rates. From near-zero at the start of 2022, there have been progressive rises in the Federal rate to 5.25-5.5%. Other central banks have followed suit, and there is little chance of a significant cut in the near term. The rises have had a major impact, especially for governments and corporations with high levels of debt. Yet current levels of around 5% are properly categorised as mid-range, rather than high, by historic standards. There are many reasons to be thankful that the regime known as ZIRP (zero

interest rate policy) that has held for the past decade, has come to an end. The logic of cheap money was to stimulate the economy by making it easier to borrow and invest, and to boost consumer spending through lower mortgage repayments. Some economists point out that there is little evidence to support the approach. Economic growth in the US, for example, was stronger in the periods 1982-1990 and 1991-2001, when interest rates were higher. Ultra-low interest rates resulted in too much money chasing higher returns in speculative investments. When the return on safer assets is lower than inflation, investors seek higher returns elsewhere. There have been speculative bubbles in assets such as cryptocurrencies. Zombie companies have been kept going. Lower rates can weaken competition, by making it easy for large companies to make acquisitions and increase market dominance. Emerging market

governments can be tempted to borrow to encourage short-term consumer demand or prestigious projects, rather than for long-term development. House prices have risen considerably, helping asset owners but making matters difficult for first-time buyers. In Europe, house prices have fallen as interest rates have risen, although only slightly. In the US, structural issues have prevented prices from falling. There is a shortage of supply, and the long terms on which mortgages with fixed interest rates are offered in the US system acts as a disincentive to sell. A return to higher interest rates is costly for those with high debts, but it has many benefits. It forces greater discipline, ensuring better allocation of capital, helping economic efficiency and development. The increase in interest rates in the past 18 months has been caused by sharply rising inflation, as central banks seek to reduce inflation to the target, typically 2%.

An even more significant factor in macroeconomic calculations has been heightened geopolitical tension. The two are linked, for example the conflict in Ukraine affected international grain prices and supply chains. This year has seen an escalation of the conflict between Israel and Gaza. Because of the inherently unpredictable nature of geopolitical shocks it is not possible to price them in. Economic models are based on historic data, and recent inflationary pressures have been caused more by unexpected supply chain disruptions than cyclical factors, so they are less susceptible to monetary policies. In such circumstances the effective control over an economy that a central bank wields is weakened. This calls into question whether 2% remains a realistic inflation target. There are structural challenges also: An ageing demographic in many economies, the scale of investment necessary for the

energy transition to curb global warming, and high public sector debts. At higher interest rate levels, government debt becomes more expensive. A looming threat is the sheer scale of the US debt and deficit, at around 120%, and 3% respectively of GDP. This is compounded by dysfunctions in US politics. It is possible that a 2% inflation target can only be met through a deep recession, which even interest rate hawks acknowledge is too high a price to pay. In October, the yield on a 10-year US government bond rose above 5% for the first time, and bond prices and yields have been unusually volatile for what is seen as the safest asset in the global economy. Given that the dollar is the reserve currency, there is no feasible risk of default, but without any prospects of tax rises or spending cuts, something would seemingly have to give, eventually. A crisis could occur if a major holder of US bonds, such as China or Japan, were to begin selling.



For smaller states in a fiscally strong position, there is an opportunity to develop local bond markets. This applies to Qatar which has started to develop a bond market for corporations as well as public sector. For a bond market to be effective, there needs to be both depth and liquidity, so that there are buyers available when a party wants to sell. It takes time to build maturity in such a market, but conditions are favourable.

■ The author is a Qatari banker, with many years of experience in the banking sector in senior positions.

‘Qatar benefits from fixed exchange regime; interest rates to remain high’

By Santhosh V Perumal
Business Reporter

Qatar, which is heavily integrated into world energy markets, benefits from a fixed exchange regime; and interest rates are expected to remain high as the US inflation remains far from being resolved, according to Argentina’s former central bank president.

“For economies like Qatar, which is so heavily integrated into world energy markets, it benefits from having fixed exchange parity,” Dr Federico Sturzenegger told *Gulf Times* in an interview.

Stressing that a half of the countries in the world have fixed exchange rate system, he said typically, the countries that have very large trade share, they value a lot for the stability.

Fixed exchange has the great benefit that it eases trade, he said, adding the local prices are stabilised with the international prices.

“The benefits are clearly established and Qatar’s economy has been diversifying its economic base so as to not get hit by shocks in commodity prices,” according to him.

On interest rates, he said the US inflation is far from being resolved. In support



Dr Federico Sturzenegger, Argentina’s former central bank president. **PICTURE:** Thajudheen

of this, he said the US has increased its money supply (M2) by 40% since the crisis and prices by 15%.

“What I conclude from that is more inflation (is) coming in the US, which is going to force the Federal Reserve to keep interest rates high for some time.”

Finding that the monetary policy of the US feeds

into the monetary policy of Qatar; Sturzenegger said: “If someone expects quick reduction in the interest rates in the US, which would imply a quick reduction in Qatar, I think that is not going to happen.”

“I wouldn’t be even surprised if they (US) need to increase interest rates,” he said, adding “with fixed ex-

change, there is not much Qatar can do, it has to live with high interest rates.”

Qatar has so far seen a cumulative 5% or 500 basis points hike in interest rates since January 2022, even as the Qatar Central Bank outlined four major priority sectors that would not bear the brunt of rate hike on their outstanding loans.

Argentina is eyeing Qatar’s expertise in gas industry

By Santhosh V Perumal
Business Reporter

Argentina, which holds the world’s second largest shale gas reserve, is eyeing Qatar’s expertise for its hydrocarbon development, according to its former central bank president.

Doha can also seek Buenos Aires’ expertise in precision farming, said Dr Federico Sturzenegger, the former president of Central Bank of Argentina, told *Gulf Times* in an interview.

“We have a big field Vaca Muerta. Qatar is a leading producer of liquefied natural gas (LNG) and there are tremendous synergies,” he said.

Highlighting that the main synergy is not Qatar’s gas but the knowledge of Qatar in the gas industry and how to leverage that knowledge, Sturzenegger, who is also Honoris Causa Professor in HEC Paris, said: “I see QatarEnergy has a natural partner.”

Reports suggest that Argentina’s state-backed energy entity YPF and Malaysia’s Petronas are eyeing partners to help build a \$10bn liquefaction terminal and related infrastructure, a key for boosting output from the Vaca Muerta.

“Hopefully, there will be a new political environment next year and those things can be explored,” he said in a reply to a query whether any talks have been initiated.

The Mercosur country has been focusing on shale oil and gas development in Vaca Muerta, as part of efforts to reduce reliance on costly energy imports amidst plunging foreign currency reserve levels, high inflation and pressure on the local

currency peso. The Argentinian government has set a target of boosting gas production to 163mn cubic metres per day by 2026, to meet the growing demand for gas in order to achieve net-zero carbon emissions by 2050.

Most of the production growth is expected to come from Vaca Muerta.

Qatargas had in 2011 signed a first long-term gas deal with a Latin American country to provide LNG.

Sturzenegger said in a more challenging environment for agriculture like Qatar, the precision farming has lot of opportunities.

Highlighting a lot of complementarity between the resources that Qatar can put into innovation and technology; he said “If Qatar wants to develop agriculture, there is lot to learn from Argentina and profit from precision agriculture.”

On the future of growth globally, he is of the view that the technology is the answer. “Technology is subject to scale effects, implying when the world becomes larger, there are more resources and more incentives to innovate,” he said.

Innovation is growing in a faster pace and that accelerates the growth of the world, he said, adding artificial intelligence is going to boost the productivity and its contribution will be similar to that of the industrial revolution.

“Technology is growing rapidly and there is a need to factor in the possibility that the oil and gas may be phased out over the next few decades and the economies are thinking on these terms and that is the reason for their (hydrocarbon economies) sovereign wealth funds diversification drive,” he added.

Across the board buying lifts QSE sentiments as index surges 283 points; M-cap adds QR14bn

By Santhosh V Perumal
Business Reporter

An across the board buying, particularly in the consumer goods and industrials sectors, led the Qatar Stock Exchange (QSE) gain 283 points and its key index inched towards 10,000 levels, and capitalisation add more than QR14bn. Reflecting last week’s sentiments after the US Fed maintained status quo on the benchmark rate and the softened US job data, the 20-stock Qatar Index sustained its bullish momentum for the sixth straight session as it soared 2.91% to 9,995.11 points. The foreign institutions turned net buyers in the main market, whose year-to-date losses truncated further to 6.42%. As much as 80% of the traded constituents extended gains to investors in the main bourse, whose capitalisation added QR14.25bn or 2.49% to QR586.03bn with large and midcap segments gaining the most. The Gulf institutions were increasingly bearish in the main market, whose index regained from an intraday low of 9,751 points. The Islamic index was seen outperforming the other indices in the main bourse, which saw as many as 0.04mn exchange traded funds (sponsored by Masraf Al Rayan and Doha Bank) valued at QR0.25mn trade across 30 deals. The Arab individuals turned net buyers in the main market, which saw no trading of sovereign bonds. However, the local retail investors were increasingly net sellers in the main bourse, which saw no trading of treasury bills. The Total Return Index gained 2.91%, All Share Index by 2.68% and Al Rayan Islamic Index (Price) by 3.33% in the main bourse, whose trade turnover and volumes were on the increase. The consumer goods and services sector index shot up 5.89%, industrials (3.95%),

telecom (2.26%), banks and financial services (2.22%), real estate (1.77%), insurance (0.97%) and transport (0.89%). Major movers in the main market included Woqod, Salam International Investment, Industries Qatar, Doha Bank, Qamco, Masraf Al Rayan, QNB, Dukhan Bank, Qatar Electricity and Water, Mesaieed Petrochemical Holding, Mazaya Qatar, Barwa and Vodafone Qatar. In the venture market, both Al Faleh Educational Holding and Mahhar Holding saw their equities appreciate in value. Nevertheless, Ahlibank Qatar, Meeza, QLM, Al Khaleej Takaful, Gulf Warehousing and Nakilat were among the shakers in the main market. The foreign institutions turned net buyers to the tune of QR23.54mn against net sellers of QR5.42mn on November 2. The Gulf institutions’ net buying increased marginally to QR21.59mn compared to QR21.23mn the previous trading day. The Arab individuals were net buyers to the extent of QR9.11mn against net profit takers of QR6mn last Thursday. However, the local individuals’ net selling strengthened substantially to QR37.78mn compared to QR7.8mn on November 2. The domestic institutions’ net selling expanded considerably to QR14.16mn against QR1.64mn the previous trading day. The foreign retail investors’ net profit booking grew marginally to QR1.84mn compared to QR1.79mn last Thursday. The Gulf individuals turned net sellers to the tune of QR1.84mn against net buyers of QR1.4mn on November 2. The Arab institutions had no major net exposure for the second straight session. Trade volumes in the main market soared 30% to 362.95mn shares, value by 21% to QR691.85mn and deals by 4% to 20,736. The venture market witnessed 25% contraction in trade volumes to 1mn equities, 31% in value to QR1.23mn and 32% in transactions to 84.

