BIDEN BOOST | Page 4

'Resilient' US economy defies recession fears to cap solid 2023

Friday, January 26, 2024
Rajab 14, 1445 AH
GULF TIMES
BUSINESS

LEADING FORCE: Page 2

Gulf Helium Services celebrates 10th anniversary

Global gas demand projected to grow 1.5% this year driven by Asia Pacific: Hamel

By Pratap John
Business Editor

Global gas demand is projected to grow by 1.5% this year amid the stabilisation of gas prices, as well as accelerating coal-to-gas switching, according to Gas Exporting Countries Forum (GECF) secretary-general Mohamed Hamel.

"However, this forecast could vary depending on weather conditions, particularly during the winter season. The Asia Pacific region is expected to be the primary driver of the demand surge," Hamel said delivering a keynote speech at the Trinidad and Tobago Energy Conference in Port of Spain recently.

Gas supply is forecast to increase by 1.7%, but the growth in LNG capacity is rather limited. Relatively tight market conditions will continue prevailing until 2026, when a wave of new LNG capacities will come on stream.

He noted the global gas market is experiencing profound transformations, a result of successive shocks over the past four years. Initially, the Covid-19 pandemic in 2020 significantly disrupted gas markets, leading to record low prices.

This was followed by the post-pandemic recovery in 2021, characterised by tight supplies and increasing demand and prices, as epitomised by Title Transfer Facility (TTF) spot price exceeding $60/MMbtu in the month of December.

The situation further escalated in 2022 due to a major geopolitical crisis, leading to record-high gas prices of more than $90/MMbtu in August, particularly as Europe actively reduced its gas imports from Russia.

Consequently, Europe transformed into a primary destination for LNG, a stark contrast from its previous role as a market of last resort.

Hamel said in 2023, gas prices dropped significantly. TTF price averaged $13/MMbtu amidst a combination of warmer than normal winter, lower demand growth, and high storage levels in Europe.

In the long-term, the global energy system faces a constantly evolving array of challenges.

Particularly pressing is the need to strike a balance between, on the one hand, the increasing global demand for energy, and on the second hand, the energy trilemma of ensuring energy security, affordability, and sustainability.

According to the GECF Global Gas Outlook, energy demand is forecasted to expand by 22% in the period to 2050, driven by increasing population (1.7bn additional people by 2050), socio-economic development (doubling of global GDP in the upcoming three decades), and the pursuit of improved living standards.

Mohamed Hamel, GECF secretary-general.

Available, clean, flexible, and versatile, natural gas plays a key role in this intricate balancing act. It offers a sustainable substitute for traditional cooking and heating fuels like wood and dung, reducing indoor pollution and deforestation.

In power generation, the shift from coal to natural gas enhances urban air quality and curtails greenhouse gas emissions. As a complementary partner to renewables, natural gas provides backup and stability to power grids reliant on intermittent sources like solar and wind, or hydro during droughts.

Additionally, its role as a key feedstock in fertiliser production supports food security and helps mitigate hunger.

The GECF's Global Gas Outlook, he noted, projects a 36% increase in natural gas demand over the period to 2050, and its share in the global energy mix will rise from 23% in 2022 to 26% in 2050. Specifically, natural gas consumption in the Latin America and the Caribbean region will witness a twofold increase, reaching 320bn cubic metres by 2050.

While natural gas stands as the cleanest of hydrocarbons, it could be made even cleaner, through gas flaring and methane emissions reduction, along with large-scale deployment of Carbon Capture, Utilisation, and Storage (CCUS) and the advancement of blue hydrogen utilisation in hard-to-abate sectors, Hamel added.

Al-Kuwari meets Egypt's minister of finance

HE the Minister of Finance Ali bin Ahmed al-Kuwari met with Dr Mohamed Maait, Minister of Finance, Egypt, on the sidelines of the 2024 Asian Financial Forum in Hong Kong. During the meeting, they discussed enhancing and expanding bilateral relationship with focus on politics, finance and economy as well as various topics of mutual interest. **Page 4**

QFZ chairman meets Belarusian minister

HE the Minister of State and Chairman of the board of directors of Qatar Free Zones Authority (QFZ) Dr Ahmad bin Mohamed al-Sayed held a meeting with Evgeny Shestakov, Deputy Minister of Foreign Affairs of the Republic of Belarus, at Ras Bufontas Free Zone during his visit to Qatar along with his accompanying delegation. During the meeting, the two sides discussed ways to enhance bilateral co-operation and exchange expertise between the two countries in the field of investment attraction. The meeting also highlighted the investment opportunities and outstanding benefits offered by QFZ. The meeting was also attended by senior officials from QFZ and was followed by an introductory tour of the Business Innovation Park at Ras Bufontas Free Zone.

Qatar Chamber, South Korean delegation review co-operation in food security

Qatar Chamber recently held a meeting with a delegation from South Korea representing the Hyundai Research Institute (HRI) Experts Team. The meeting was attended by Qatar Chamber board member Mohamed bin Ahmed al-Obaidli, who is also the chairman of the chamber's Food Security Committee, and Byung Haak, director of the Business Development Department at 'PlanT Farm'. Qatar Chamber board members and members of the Food Security Committee Dr Hamad al-Saad and Naser Ahmed al-Khalaf were also present at the meeting.

The meeting addressed ways to enhance co-operation and exchange expertise between Qatari and South Korean companies in the agriculture and food security sectors. It aimed to explore the Qatari market and investment opportunities in these sectors, as well as what South Korean companies could introduce to the Qatari market.

Speaking at the meeting, al-Obaidli highlighted that Qatar has made significant strides in the fields of agriculture and food security, and emphasised the chamber's support and keenness on enhancing co-operation between Qatari and South Korean companies in this regard. He noted that Qatar is a leading investment destination in this sector, indicating that it could serve as a hub for the entire region in terms of food security.

Qatar Chamber board member Mohamed bin Ahmed al-Obaidli, who is also the chairman of the chamber's Food Security Committee, and Byung Haak, director of the Business Development Department at 'PlanT Farm'.

In turn, Haak emphasised the significance of the Qatari market and reviewed the technological developments South Korea has achieved in the field of agriculture. He expressed eagerness to strengthen co-operation between South Korean and Qatari companies in developing technology related to agriculture and food security.

Red Sea turmoil sparks supply snarls in Europe's biggest economies

Bloomberg
London

Red Sea shipping disruptions are spawning supply-chain headwinds in Europe's three largest economies, from rising price pressures in the UK to longer delivery times in Germany and France, data showed on Wednesday.

S&P Global's Composite Purchasing Managers' Index for Britain indicated "widespread reports of higher freight costs" that helped push inflation in manufacturing to the highest level since March, while supplier delivery times lengthened for the first time in 12 months.

Other PMI reports showed varying degrees of fallout from the geopolitical unrest in the Middle East. In Germany, where the private sector contracted for a seventh straight month, the rate of decline in factory input costs was the weakest in nine months. Delivery times in France reached the poorest reading in a year.

Wide Europe's industrial sector, already struggling to gain momentum amid soft consumer demand, is absorbing the fallout of a supply shock began in mid-December. That's when the world's biggest cargo ships began detouring around the southern tip of Africa to avoid rocket fire by Houthi rebels aiming to disrupt trade through the Red Sea.

The longer journeys are throwing off delivery schedules and rattling inventory flows, as well as quadrupling the spot rates for shipping goods from Asia to northern Europe.

"The persistent attacks by Houthi rebels on commercial vessels navigating the Red Sea are exerting discernible impacts on supply chains," Cyrus de la Rubia, chief economist at Hamburg Commercial Bank, said in a statement accompanying the latest PMI report for the euro area.

Those figures showed private-sector activity contracted for an eighth month in January, with both Germany and France having a difficult start to the year.

For the UK, the budding supply snarls were a blot on an otherwise favourable report for January that strengthened the case for the economy to avoid a recession.

BUSINESS

Gulf Helium Services celebrates 10th anniversary

Gulf Helium Services, (GHS) recently marked its 10th anniversary with a spectacular event held at the company's facility in the Ras Laffan west side support services area. The three shareholders – Fahad M F Buzwair, chairman of Buzwair Holding; Hiroshi Majima, president of Iwatani Corporation; and Kyo Onojima, president and chief executive officer of LNG Japan Corporation – were present on the occasion in the presence of representatives from QatarEnergy. Specialising in helium-related services, from trans-filling of liquid and helium gas to the maintenance and logistics of helium Iso containers, the company has steadily grown to become a leading force in the helium industry. GHS has forged strong partnerships and made significant contributions to the steady and stable supply from Qatar.

QSE MARKET WATCH

COMPANY NAME	Lt Price	% Chg	Volume
Zad Holding Co	13.65	-0.36	13,903
Widam Food Co	2.23	0.54	274,887
Vodafone Qatar	1.89	-1.25	10,401,514
United Development Co	1.03	0.19	3,405,531
Salam International Investment	0.66	-0.30	1,134,537
Qatar & Oman Investment Co	0.90	0.00	34,686
Qatar Navigation	10.28	0.29	431,269
Qatar National Cement Co	4.35	-0.39	1,525,027
Qatar National Bank	16.05	-0.25	2,920,345
Qlm Life & Medical Insurance	2.30	0.00	7,612
Qatar Islamic Insurance Group	8.85	0.02	117,200
Qatar Industrial Manufacturing	2.97	-0.90	196,282
Qatar International Islamic	10.90	1.40	955,593
Qatari Investors Group	1.65	0.18	998,322
Qatar Islamic Bank	19.95	0.71	1,405,541
Qatar Gas Transport (Nakilat)	3.66	-1.19	4,282,041
Qatar General Insurance & Reinsurance	1.16	0.00	-
Qatar German Co For Medical	1.27	0.32	1,449,056
Qatar Fuel Qsc	15.95	0.44	578,646
Lesha Bank Llc	1.32	-3.44	8,874,255
Qatar Electricity & Water Co	17.55	-0.85	653,720
Qatar Exchange Index Etf	9.88	0.00	-
Qatar Cinema & Film Distribution	3.05	0.00	-
Al Rayan Qatar Etf	2.24	0.18	9,875
Qatar Insurance Co	2.27	0.09	4,974,521
Qatar Aluminum Manufacturing	1.29	-0.54	6,874,454
Ooredoo Qpsc	10.70	-1.11	894,708
Alijarah Holding Company Qps	0.80	0.76	5,117,847
Mazaya Real Estate Development	0.70	-0.57	1,972,264
Mesaieed Petrochemical Holding	1.71	-0.64	14,355,621
Mekdam Holding Group	4.98	0.87	514,145
Al Meera Consumer Goods Co	13.22	0.84	114,791
Medicare Group	5.02	-0.22	548,466
Mannai Corporation Qsc	3.99	0.56	248,239
Masraf Al Rayan	2.45	-1.73	22,459,389
Industries Qatar	12.20	-0.41	2,174,351
Inma Holding Company	3.86	-1.53	85,091
Estithmar Holding Qpsc	2.00	0.05	5,317,706
Gulf Warehousing Company	3.27	0.00	871,317
Gulf International Services	2.83	-0.25	3,152,405
Al Faleh Education Holding	0.84	0.00	-
Ezdan Holding Group	0.83	-0.36	6,322,077
Doha Insurance Co	2.60	0.35	226,420
Doha Bank Qpsc	1.73	2.12	11,186,217
Dlala Holding	1.25	0.65	476,756
Commercial Bank Psqc	5.57	-1.24	2,614,700
Barwa Real Estate Co	2.90	0.17	1,764,565
Baladna	1.12	-0.97	3,912,357
Damaan Islamic Insurance Co	3.98	0.00	500
Al Khaleej Takaful Group	2.89	-0.24	716,037
Aamal Co	0.87	0.35	405,291
Al Ahli Bank	4.00	2.83	42,200

Qatar Chamber reviews commercial co-operation with Republic of Mali

Qatar Chamber acting general manager Ali Saeed bu Sherbak al-Mansouri held a meeting yesterday with a trade delegation from the Republic of Mali led by Madiou Simpara, president of the Malian Chamber of Commerce and Industry.

The delegation included Ibrahim Ahamadou Toure, a representative of the Ministry of Industry and Commerce, and Cisse Ajita Diaw, vice president of the Mali Chamber of Commerce.

The meeting discussed bilateral relations between both countries and explored avenues to enhance co-operation in investment, commerce, and industry. Additionally, it focused on reviewing the investment climate and numerous opportunities in both countries, emphasising the pivotal role of the private sector in developing trade exchanges.

Speaking at the meeting, al-Mansouri praised the close relations between both nations, emphasising that their current trade volume "is still below aspirations." He underscored the need "for extra efforts" to develop trade "in line with the strength of such relations."

Al-Mansouri emphasised the chamber's eagerness to enhance co-operation with the Malian side, encouraging Qatari investors to explore opportunities in Mali. He highlighted Mali as "one of the most attractive destinations" for investment in Africa, particularly in sectors like agriculture, food security, and mining.

Simpara, on the other hand, invited Qatar Chamber members to participate in the International Exhibition of Products scheduled to be held in Mali this year.

He said the exhibition offers "an excellent opportunity" for hosting bilateral meetings and exploring investment prospects in Mali, particularly in the agriculture, mining, and industrial sectors.

He noted that Qatari companies could showcase their products and industries, promoting the available investment opportunities in Qatar during the exhibition.

Simpara also underscored the importance of the MoU signed between the chambers of Mali and Qatar in 2022 and expressed the Malian chamber's eagerness to strengthen co-operative relations with Qatar Chamber across all fields, contributing to the development of bilateral trade between the two countries.

Qatar Chamber acting general manager Ali Saeed bu Sherbak al-Mansouri receiving a token of recognition from Madiou Simpara, president of the Malian Chamber of Commerce and Industry, who led a delegation, which included Ibrahim Ahamadou Toure, a representative of the Ministry of Industry and Commerce, and Cisse Ajita Diaw, vice president of the Mali Chamber of Commerce.

Turkiye hikes rates to 45%, says done tightening policy

Reuters
Istanbul

Turkiye's central bank completed its aggressive tightening cycle with a 250 basis point interest rate hike to 45% on Thursday, as expected, and said it would maintain current levels "as long as needed" to bring about the desired disinflation.

The bank has lifted its one-week repo rate by 3,650 basis points since June, when President Recep Tayyip Erdogan appointed former US banker Hafize Gaye Erkan as its governor to conduct a sharp pivot toward more orthodox policies.

The central bank said it had "achieved" the policy setting needed to establish disinflation and will reassess its stance only if "notable and persistent risks" to the inflation outlook emerge.

"The current level of the policy rate will be maintained until there is a significant decline in the underlying trend of monthly inflation and until inflation expectations converge to the projected forecast range," it said.

The central bank expects inflation to rise from near 65% last month to 70-75% in May, before dipping to about 36% by the end of this year as tighter monetary policy cools prices.

The bank is signalling that "the bar for easing policy is higher than we'd previously thought," said Capital Economics senior emerging markets economist Liam Peach.

"Inflation and inflation expectations will need to have fallen a long way before the central bank starts to cut interest rates," he added, predicting no cuts until next year.

Earlier this week, the head of Turkiye's Banks Association, Alpaslan Cakar, said he expected an easing cycle to being in the last quarter of this year after a final hike this week.

Media attention has focused on Governor Erkan in the last week after a news story emerged, which she dismissed as "unfounded" and "unacceptable", targeting her, her family and the bank. Erdogan apparently endorsed her on Wednesday, slamming efforts to spread "rumours" and undermine economic progress.

The lira, which has hit a series of record lows in recent weeks, weakened slightly after Thursday's MPC statement to 30.2865 against the dollar.

The currency has suffered a sustained slide since 2018, weakening sharply last summer as authorities loosened their grip on it. Depreciation slowed in the autumn but has not halted.

The bank said domestic demand, stickiness in services inflation, and geopolitical risks were keeping inflation pressures alive but the decline in the underlying trend of monthly inflation has continued.

In December, the bank downshifted tightening to 250 basis points from the previous 500 basis point hikes, and said at the time it would complete the tightening cycle as soon as possible.

All 25 respondents in a Reuters poll had expected the central bank to hike rates to 45%.

Rising geopolitical tensions weigh on QSE; M-cap melts QR1.6bn

By Santhosh V Perumal
Business Reporter

The rising geopolitical tensions yesterday played spoilsport on the Qatar Stock Exchange, which closed as much as 26 points lower.

The telecom, transport and industrials counters witnessed higher than average selling pressure as the 20-stock Qatar Index shrank 0.25% to 10,347.55 points.

The foreign individual investors turned bearish and the Gulf funds were increasingly net profit takers in the main market, whose year-to-date losses widened to 4.46%.

About 49% of the traded constituents were in the red in the main bourse, whose capitalisation melted QR1.6bn or 0.27% to QR600.58bn with small cap segments leading the pack of shakers.

The local retail investors continued to be net sellers but with lesser intensity in the main market, which however touched an intraday high of 10,381 points.

The foreign funds were seen increasingly into net buying in the main bourse, which saw as many as 9,875 exchange traded funds (sponsored by Masraf Al Rayan) valued at QR0.02mn trade across two deals.

The domestic institutions were also increasingly net buyers in the main market, which saw no trading of sovereign bonds.

The Islamic index eased faster than the other indices in the main bourse, which reported no trading of treasury bills.

The Total Return Index fell 0.25%, the All Share Index by 0.24% and the All Islamic Index by 0.32% in the main market, whose trade turnover and volumes were on the decrease.

The telecom sector index tanked 1.15%, transport (0.5%), industrials (0.47%) and banks and financial services (0.13%); while consumer goods and services gained 0.23%, insurance (0.08%) and real estate (0.08%). Major losers in the main market included Lesha Bank, Masraf Al Rayan, Inma Holding, Vodafone Qatar, Commercial Bank, Baladna, Qatar Electricity and Water, Qamco, Ooredoo and Nakilat.

In the venture market, Mahhar Holding saw its shares depreciate in value.

Nevertheless, Ahlibank Qatar, Doha Bank, QIIB, Mekdam Holding and Al Meera were among the gainers in the main bourse.

The Gulf institutions' net profit booking increased noticeably to QR19.28mn compared to QR10.23mn on January 24.

The foreign individual investors turned net sellers to the tune of QR1.4mn against net buyers of QR0.68mn the previous day.

However, the foreign institutions' net buying strengthened perceptibly to QR24.46mn compared to QR21.95mn on Wednesday.

The domestic institutions' net buying expanded markedly to QR7.28mn against QR3.65mn on January 24.

The local retail investors' net profit booking shrank notably to QR9.86mn compared to QR11.48mn the previous day.

The Arab individual investors' net selling weakened considerably to QR0.88mn against QR3.75mn on Wednesday.

The Gulf individuals' net profit booking eased marginally to QR0.32mn compared to QR0.8mn on January 24.

The Arab institutions had no major net exposure against net sellers of QR0.08mn the previous day.

Trade volumes in the main market fell 21% to 146.9mn shares, value by 25% to QR438.72mn and deals by 14% to 15,716.

In the venture market, trade volume more than doubled to 0.41mn equities and value also more than doubled to QR0.57mn on almost tripled transactions to 51.

The telecom, transport and industrials counters witnessed higher than average selling pressure as the 20-stock Qatar Index shrank 0.25% to 10,347.55 points

China cuts bank reserves to defend markets, spur growth

Reuters
Beijing

China's central bank announced a deep cut to bank reserves on Wednesday, in a move that will inject about $140bn of cash into the banking system and send a strong signal of support for a fragile economy and plunging stock markets.

The central bank's announcement, coming just as stock markets were closing for the day, led to a bounce in benchmark stock indexes and the yuan, even as analysts said more policy measures were needed.

The People's Bank of China (PBoC) said it was making a 50-basis points (bps) cut, the biggest in two years, in the amount of cash banks must hold as reserves, effective from Feb. 5.

More importantly, PBoC Governor Pan Gongsheng said the bank would release policies on improving commercial property loans either on Wednesday or Thursday night, giving hope to investors who have been frustrated by China's efforts to put a floor under a real estate sector that underpins consumption and household wealth.

The first cut in banks' reserve requirement ratio (RRR) this year comes as the world's second-largest economy struggles to mount a strong post-Covid recovery amid a housing crisis, local government debt risks and weakening global demand.

An employee counting out 100 yuan notes at a bank in Shanghai (file). China's central bank announced a deep cut to bank reserves on Wednesday, in a move that will inject about $140bn of cash into the banking system and send a strong signal of support for a fragile economy and plunging stock markets.

It also comes just days after China's benchmark indexes hit 5-year lows as even the last hopeful investors waiting for clarity and an eventual economic rebound appeared to be giving up on the $9tn market.

"It's a welcome step, but it's not going to be a game-changer," said Chris Scicluna, head of economic research at Daiwa Capital Markets in London. "There are still questions about the extent to which the 'National Team', and various institutions can try to pull together to try to support the market and start up the buying of stocks and draw a line under the sell-off there."

Stock markets in Hong Kong and China had stabilised slightly on Tuesday on reports of a cabinet meeting chaired by Premier Li Qiang to stabilise markets and of state-owned investment vehicles, known as the "national team", being pressed into action, as they were during the 2015 crash.

At Wednesday's surprise press conference in Beijing, Pan said the RRR cut would free up 1tn yuan ($139.45bn) in cash for the economy, exceeding most analysts' expectations.

"The RRR cut is a sign that PBoC will stick to a loose monetary stance throughout this year, despite having missed market expectation of an medium-term lending facility (MLF) rate cut earlier," said Xu Tianchen, senior economist at the Economist Intelligence Unit.

"It's also a sign that policymakers across the government want to ensure a good start for the economy by frontloading policy support. This is needed to achieve their ambitious growth target in a challenging year." The cut in reserves follows earlier cuts of 25 bps for all banks in March and September last year. The PBoC would also cut re-lending and rediscount interest rates by 25 bps for the rural sector and small firms from January. 25, Pan said.

"At present, China's monetary policy still has enough room," Pan said. "We will strengthen counter-cyclical and cross-cyclical adjustments, and create a good monetary and financial environment for economic operations."

Hong Kong's Hang Seng Index extended gains after the RRR cut was announced, ending the session up 3.6% to clock its biggest one-day gain in two months.

China's stock market tumbled 13% in 2023 and had extended its slide in the new year amid relentless foreign selling. The blue chip CSI300 Index has risen 3.5% from five-year lows struck last week, but is still down more than 6% this year.

Lenders to India startup Byju's submit insolvency filing

Bloomberg
Mumbai

Lenders of Byju's Alpha filed an insolvency petition after the Indian education startup missed payment on a $1.2bn loan, according to people with knowledge of the matter.

The filing was made this week to a National Company Law Tribunal in India, the people said, asking not to be identified as the document isn't public yet.

"The validity of lenders' actions, including acceleration of the term loan, is pending and under challenge in several proceedings, including before the New York Supreme Court. Hence, any proceedings by lenders before NCLT are premature and baseless," Byju's said in an e-mailed response.

A representative for the lenders' group didn't immediately respond to an e-mail seeking comments. Moneycontrol reported the development earlier.

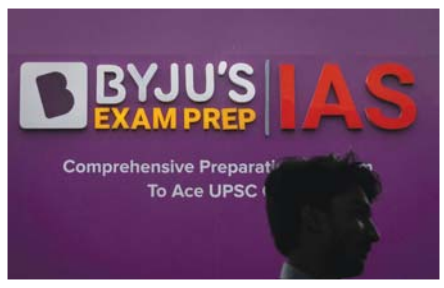
The company, founded by former teacher Byju Raveendran and once valued at $22bn, has been locked in a legal dispute with creditors over the missed payment.

Raveendran attracted capital from some of the biggest investors in the tech world, including Mark Zuckerberg's Chan Zuckerberg Initiative, Silver Lake Management and Naspers Ltd.

But the online tutoring firm lost money after a pandemic-era boom in business dried up. Raveendran, pledged his home as well as those owned by his family members to raise money for paying employees, Bloomberg reported in December citing people familiar with the matter.

Byju's Alpha is a holding company that the lenders need to control to protect their rights, a creditors' lawyer told a Delaware Court earlier this year. The creditors accused the company of hiding $533mn in an obscure hedge fund, according to court filings.

Lawyers for Byju's have said the distressed-debt lenders are "playing hardball" to create leverage in negotiations.



A man walks past an advertising hoarding of Byju's outside one of its branch in New Delhi. The company, founded by former teacher Byju Raveendran and once valued at $22bn, has been locked in a legal dispute with creditors over the missed payment.

Bloomberg QuickTake Q&A

Why activist short sellers stir up controversy

By Lisa Pham

Activist short sellers such as Daniel Yu of Gotham City Research, Nathan Anderson of Hindenburg Research and Carson Block of Muddy Waters Capital are getting more attention, as they increasingly use social media to push well-timed claims of weak fundamentals, improper accounting or outright fraud at publicly traded companies. These short sellers often present their findings as research — some even use "Research" in their names — but they're also interested parties that stand to gain if the target company's stock drops. While some accusations by short sellers have held up and prompted regulatory or legal action in recent years, others have proved unfounded and tainted by ulterior motives.

1. What is an activist short seller?

Most traditional short selling — that is, placing a bet that a stock price will decline — is done by hedge funds and institutional investors to cushion their investments against falling stock prices or to bet that shares are overvalued. Activist shorts, by contrast, research companies to find targets that they allege have dodgy business or accounting practices, spread the word (sometimes anonymously) and, if all goes as planned, send the shares lower. It's a risky strategy. A short-seller's potential profit is capped because the stock can't go lower than zero, but losses could be infinite if the stock keeps moving higher, which is what's been happening to most of the market since October 2022. Although activist shorts have been calling out companies for decades, their numbers have swelled with the rise of social media as a platform for disseminating theories and analysis.

2. Why is activist shorting controversial?

Short-sellers play an important role in price discovery by deflating bouts of euphoria and identifying flaws that analysts, auditors and investors have overlooked. But some shorts lie — the less-scrupulous practitioners profit by spreading false rumours that damage companies and cut wealth from shareholders. Besides, the whole point of shorting is to drive down stock prices, which goes against the natural optimism of stock investors and is especially unwelcome during general market panics. The practice was banned for financial stocks during the worst of the 2008 crisis, and there were unsuccessful calls for another ban during last year's regional bank meltdown.

3. How successful have these firms been?

They've had some notable victories. A classic example is Enron Corp, whose financial statements were called into question in 2000 by activist shorts including Jim Chanos of Kynikos Associates. Chanos rode Enron's decline as its accounting irregularities were exposed and its stock fell from about $79 to 60 cents. Other examples: David Einhorn of Greenlight Capital rose to prominence in 2008 after he raised doubts about Lehman Brothers' risk-management practices, just a few months before the firm collapsed. In 2020, Nathan Anderson of Hindenburg Research exposed that Nikola Corp had faked a video demonstration of one of its electric cars by rolling it down a hill. Nikola's chief executive officer was later convicted for misleading investors. More recently, with the S&P 500 Index soaring to a record high and with more target companies mounting vigorous legal responses to short attacks, short sellers including Hindenburg's Anderson and Muddy Waters' Block have turned to the US Securities and Exchange Commission as whistleblowers; they stand to collect as much as 30% of any penalty ordered by the agency. That's on top of any profit they might make with their own bets.

4. Have they been wrong?

Yes. One prominent example: Bill Ackman of Pershing Square Capital Management railed against Herbalife Ltd, which makes weight-loss shakes and vitamins, calling the company a pyramid scheme. His claims prompted an investigation by the US Federal Trade Commission, which found in 2016 that Herbalife had deceived customers but stopped short of calling it a pyramid scheme. The stock kept rising. By 2018, Ackman had dumped his Herbalife holdings and taken a loss of hundreds of millions of dollars. Burry, whose subprime-mortgage call gave him a huge following among retail investors, admitted last March that he was wrong to advise people to short the overall stock market ahead of a closely watched Federal Reserve meeting. The day before his mea culpa tweet, the Nasdaq 100 Index officially entered a bull market.

5. Why has short selling been in the news lately?

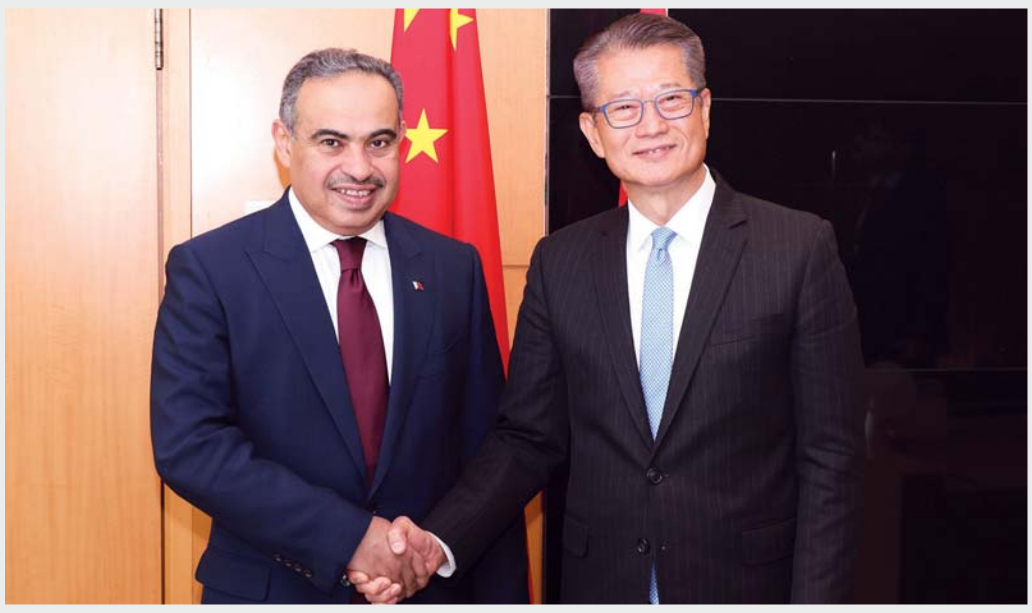
Shares of Grifols SA, a Barcelona-based blood plasma company, tumbled in early January after Gotham City Research published a report that alleged the company had overstated its profit and misstated its accounting. Grifols said all the transactions cited in the short seller's report were recorded and presented to regulatory authorities in Spain and the US. "There's no new information that can be considered hidden," Grifols said in a filing. Gotham City Research, run by Daniel Yu and Cyrus de Weck, is the publishing arm of General Industrial Partners, a hedge fund that launched after Gotham City and short selling fund Portsea Asset Management combined. Gotham shot to fame with a 2014 report alleging fraud at Spanish Wi-Fi provider Let's Gowex SA. Gowex later filed for insolvency, and its chief executive officer resigned after admitting he reported false financial results for at least four years.

6. Is there any effort to rein in these firms?

The US Justice Department collected a trove of information from dozens of investment firms and researchers engaged in short selling as part of a sweeping US hunt for potential abuses, Bloomberg News reported in 2021. For instance, it can be illegal for short sellers to coordinate their trades with one another, or mislead the public about their financing of what appears to be independent research. None of the firms queried were accused of wrongdoing. Meanwhile, companies criticised by short sellers have become increasingly bold in firing back, sometimes launching legal battles even as they face regulatory probes that ultimately support short sellers' theses.

Al-Kuwari meets top officials at Asian Financial Forum 2024 in Hong Kong

HE the Minister of Finance Ali bin Ahmed al-Kuwari met Wu Bo, chairman, China International Capital Corporation (CICC), and Eddie Yue, chief executive, Hong Kong Monetary Authority separately, during Qatar's participation in the 2024 Asian Financial Forum in Hong Kong, China. Bilateral relationship and areas of mutual interest, which include economy, investment and finance figured during these discussions.



HE the Minister of Finance Ali bin Ahmed al-Kuwari met Paul Chan Mo-po, Financial Secretary of Hong Kong on the sidelines of his participation at the Asian Financial Forum 2024. During their meeting, al-Kuwari and Chan Mo-po discussed bilateral relationship with focus on investment, finance and economy, in addition to other topics of mutual interest.

HE the Minister of Finance Ali bin Ahmed al-Kuwari met with Marko Primorac, Minister of Finance, Croatia, on the sidelines of the Asian Financial Forum 2024 in Hong Kong. The ministers discussed bilateral relationship and prospects for strengthening and developing them, especially in investment, finance and economy, in addition to a number of topics of mutual interest.

No hint of cuts as ECB keeps rates unchanged

Reuters
Frankfurt

The European Central Bank kept interest rates unchanged at a record-high 4% as expected on Thursday and reaffirmed its commitment to fighting inflation, giving no hint that policymakers are even contemplating a start to easing.

The ECB ended its fastest-ever cycle of rate hikes in September but has been adamant that it is too soon to discuss a reversal, since price pressures have not been fully extinguished and many wage negotiations have yet to conclude.

Investors are betting that the ECB is getting it wrong on both growth and inflation and will be forced to U-turn and deliver five rate cuts in rapid succession from early spring.

But ECB policymakers signalled no such pivot and made only slight changes to their statement, repeating longstanding guidance that holding interest rates at the current level for sufficiently long would bring inflation back to their 2% target.

"The consensus around the table was that it was premature to discuss rate cuts," ECB President Christine Lagarde told her regular news conference following the decision, insisting that future decisions would depend on incoming data.

"We need to be further along the disinflation process to be confident that inflation will be at target — sustainably so." The bank said in its written statement that inflation trends broadly confirmed its previous assessment, but cut a reference in previous statements to elevated domestic price pressures and strong labour cost growth.

Lagarde cautioned against over-interpreting such omissions and urged observers to focus more on what content was left in the statement. Market pricing suggested that expectations for an April rate cut had firmed slightly.

ECB pushback on early rate cuts has had some impact on markets but investors still see 125 basis points of reductions this year, or five moves, with the first in April or June.

Lagarde said growth risks were tilted to the downside and included the restrictive effect of monetary policy, wars in Ukraine and the Middle East and a global economic downturn.

Disruptions to trade from attacks by Yemen's Houthi group on shipping in the Red Sea could add to inflation by pushing up energy and freight costs, she warned.

"We are observing it very carefully," Lagarde said.

Lagarde and ECB chief economist Philip Lane have recently pointed to first-quarter wage settlements, for which figures become available in May, as a relevant gauge, which some have seen as a clue to a first move in June.

Lagarde brushed aside such speculation. She pointed to signs that demand for labour was easing and evidence that moderating wage growth was "directionally good from our perspective".

US economy defies recession concerns to cap solid 2023

AFP
Washington

US economic growth was stronger than expected in the final months of 2023, government data showed Thursday, offering a boost to President Joe Biden as he heads into reelection campaigning.

The world's biggest economy expanded at an annualised rate of 3.3% in the fourth quarter, fuelled by a resilient jobs market and consumer spending, the Commerce Department said.

Compared to the same period a year prior, fourth quarter growth was 3.1%.

Meanwhile, full-year growth accelerated to 2.5%, from 1.9% in 2022.

Biden, who is aiming to convince voters that he has done a good job reining in costs while spurring investments to support the economy, welcomed the news.

"Wages, wealth, and employment are higher now than they were before the pandemic," he said in a statement.

"That is three years in a row of growing the economy from the middle out and the bottom up on my watch," he added, conceding his work is not done in battling to lower prices.

The latest data strengthens optimism that the US is achieving a "soft landing," where inflation comes down on the back of higher interest rates, without triggering a damaging recession.

The fourth quarter GDP jump "reflected increases in consumer spending, exports, state and local government spending" and other areas, said the Commerce Department.

In early 2023, analysts expected consumer spending to lose steam as households drew down on accumulated savings during the Covid-19 pandemic and as borrowing costs stayed high.

US President Joe Biden arrives to board Air Force One at Joint Base Andrews in Maryland on Thursday. US economic growth was stronger than expected in the final months of 2023, government data showed Thursday, offering a boost to President Joe Biden as he heads into reelection campaigning.

Some warned that the country could enter a recession, but growth has been supported by surprising labour market strength, with low unemployment even as hiring starts to cool.

"Economic growth has been more resilient than we anticipated going into 2023," Nationwide chief economist Kathy Bostjancic told AFP.

"The largest surprise was the ongoing strength in the labour market, which fuelled robust job and wage gains," she added.

Bolstered personal incomes in turn helped to support consumption.

But the economy is not out of the woods yet, given that employment growth in some sectors has weakened and interest rates remain at a 22-year high.

"We still expect the economy to grow in 2024, but at a slower pace," Bernard Yaros of Oxford Economics told AFP.

"As long as the labour market holds it together and unemployment drifts only gradually higher, the consumer will continue to power this expansion," he added.

Residential investment is also likely to be a bigger factor behind growth, with the Federal Reserve expected to lower interest rates and homebuilders set to capitalise on lower mortgage rates and a frozen existing-home market, Yaros said.

The outlook for first quarter GDP now is "for a moderate slowing" from the fourth quarter, said Pantheon Macroeconomics chief economist Ian Shepherdson in a note.

"But we see few signs that the economy is about to roll over, and housing investment — the most interest-rate sensitive sector — is starting to recover," he added.

Although the Fed's longer-run GDP growth projection is 1.8%, the latest data may not stop policymakers from cutting rates as soon as in May or June.

"Inflation will be the key determinant of the timing and degree of Fed easing this year," Bostjancic said.

ESG hits historic low point after US investor exodus

Bloomberg
New York

For the first time ever, ESG funds saw net global outflows amid a major exodus by US investors from environmental, social and governance strategies.

US fund clients withdrew a net $5.1bn in the final three months of 2023, according to a fresh analysis by Morningstar Inc published on Thursday. Combined with $1.2bn in outflows in Japan, that was too severe a retreat for Europe's $3.3bn of net inflows to bolster the global market.

In all, the global sustainable fund market experienced net redemptions of $2.5bn in the fourth quarter, marking an historic low point for the industry. US scepticism toward ESG follows years of attacks by Republicans who accuse the strategy of being "woke" and anti-capitalist.

Legislators in New Hampshire have even sought to criminalize ESG. At the same time, investors have started to question the strategy's staying power, after an extended period of poor financial returns on a relative basis.

The retreat from ESG also lies in the failure of actively managed strategies to draw in clients, according to Morningstar's analysis. Even in Europe, fund flows were buoyed by $21.3bn of allocations into passive strategies, while actively managed funds lost almost $18bn.

The "disappointing reality is that active managers failed again to prevent redemptions in a corner of the market where it's easier for them to prove their worth," Hortense Bioy, global director of sustainability research at Morningstar, said in the report. "By contrast, passive funds demonstrated consistent resilience."

Flows into European ESG funds, though still positive, were way below levels seen the previous quarter, when the strategy attracted $11.8bn in net new money. In the US, meanwhile, the pace of outflows was almost double the $2.7bn registered in the third quarter.

Much of that development should be seen against the context of persistently high interest rates, fears of a recession as well as anxiety relating to the spread of war, Morningstar said.

Even so, redemptions last quarter left a bigger dent in ESG funds than in conventional portfolios, the researcher's data showed.

Net outflows represented a decline of 0.1% relative to total global sustainable fund assets. For the broader fund universe, net outflows were equivalent to 0.05% of the total, Morningstar said.

The outlook is far from hopeless, though, according to Bioy.