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Qatar Chamber participates in Oman 'Investment and Food Security Week'

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BUSINESS

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Qatar's hotel industry records higher occupancy in December 2023

QatarEnergy announces 10-year condensate supply agreement with Mitsui & Co

QatarEnergy has announced a long-term condensate supply agreement with Mitsui & Co Energy Trading Singapore, a wholly owned subsidiary of Mitsui & Co, a global conglomerate engaged in the energy sector and general trading, headquartered in Japan.

The 10-year supply agreement stipulates the supply of up to 11mn barrels of condensates per annum, starting from April 2024.

HE the Minister of State for Energy Affairs Saad bin Sherida al-Kaabi, also the President and CEO of QatarEnergy, said, "We are delighted to announce the signing of this long-term sales agreement with one of our strategic Japanese partners, solidifying our decades-long relationship with Mitsui. This agreement marks a significant step in advancing synergy between our companies and fostering mutual growth and value for both parties."

The agreement highlights QatarEnergy's strategy of establishing longer-term strategic business relationship and co-operation. The terms of the supply agreement provide options for increasing the condensate volumes, as additional condensate volume is expected to be exported from Qatar once the North Field East (NFE) and North Field South (NFS) expansion projects come online.

QatarEnergy and Mitsui have a long-standing strategic partnership through several shared investments in the energy industry in Qatar.

The agreement highlights QatarEnergy's strategy of establishing longer-term strategic business relationship and co-operation

Dukhan Bank records QR1.3bn profit in 2023

Dukhan Bank reported the highest ever net profit of QR1.3bn in 2023 with a 4% year-on-year (y-o-y) growth mainly attributed to a rise in net income from financing activities, which led to an overall increase in total income for the bank, which grew by 37%.

Further, improvement in net impairment charge owing to better recoveries also supported the bottom-line profitability on an overall basis. Net profit margins for the bank remained resilient, despite persistently higher policy rates prevailed throughout the year.

After reviewing the current year's financial performance, with an assessment of the present and anticipated liquidity position and taking into account the prevailing and future macroeconomic conditions along with the business outlook, the board of directors has recommended a 16% annual cash dividend distribution equivalent to QR0.16 per share.

Earnings per share (EPS) stood at QR0.237 per share.

The bank's total assets amounted to QR114.4bn, which mainly comprised financing assets of QR77.6bn (68% of total assets), followed by investment securities of QR20.0bn (17% of total assets).

The balance sheet is mainly funded by customer deposits, which were QR78.0bn at the end of the financial year. The bank's liquidity position remained robust with a regulatory loans-to-deposit ratio of 98.1%.

Total shareholders' equity remained above QR12.9bn. The capital adequacy ratio (CAR) is maintained at 17.2% in accordance with Basel III requirements being adequately higher than the minimum supervisory ratio as specified by the Qatar Central Bank.

Dukhan Bank chairman Sheikh Mohamed bin Hamad bin Jassim al-Thani said, "At Dukhan Bank, we are excited about the continual attainment of exceptional results throughout 2023, contributing significant value to our customers, stakeholders, and the nation. Over the past year, we have reached noteworthy milestones with our successful listing on the Qatar Stock Exchange standing as a strong testament to the trust and confidence bestowed upon our institution by our shareholders. Additionally, our robust business models have showcased resilience in navigating many challenges, fortifying the overall stability of our institution.

"At Dukhan Bank, our commitment to the future remains steadfast as we persist in investing in advanced digital capabilities to elevate our customer service and facilitate their banking requirements with greater ease. We take pride in our significant social contributions and the strides made in our sustainability journey, evident in various initiatives undertaken in both operations and corporate culture. These milestones position us to advance and emerge as leaders in the banking sector in Qatar.

He added: "Moving forward, we are committed to leveraging our core strengths to seek out new opportunities, cultivate innovation, and provide exceptional value to our shareholders. Simultaneously, we aim to expand our existing market share with a focus on sustainable growth."

Sheikh Mohamed bin Hamad bin Jassim al-Thani, Dukhan Bank chairman.

Qatar banks' total assets rise 3.4% to reach QR1.969tn in 2023: QNBFS

By Pratap John
Business Editor

Total assets of banks in Qatar increased by 3.4% to reach QR1.969tn in 2023, QNB Financial Services (QNBFS) said in its latest update.

Assets grew by an average 6.8% over the past five years (2019-2023), QNBFS noted.

Loans increased by 2.5% in 2023 to reach QR1,287.9bn, compared to a growth of 3.3% in 2022. Loans grew by an average 6.5% over the past five years (2019-2023)

Deposits declined by 1.3% in 2023 to reach QR986.0bn, compared to a growth of 2.6% in 2022. Deposits grew by an average 4.1% over the past five years (2019-2023)

Qatar banking sector total loan book went up 1.1% MoM while deposits moved up 0.5% MoM in December 2023.

The public and private sectors pushed the overall credit higher. As deposits edged up in December, the Loans to Deposits ratio (LDR) went up to 130.6% compared to 129.7% in November 2023.

The overall loan book made gains of 1.1% in December 2023. Total public sector loans increased 2.6% MoM (-1.6% in 2023). The government segment (represents 29% of public sector loans) was the main growth driver for the public sector with a surge by 7.9% MoM (-8.5% in 2023), while the government institutions' segment (represents 65% of public sector loans) moved up 0.6% MoM (-0.2% in 2023).

However, the semi-government institutions' segment declined very marginally MoM (+23.9% in 2023).

Total private sector loans moved up 0.7% MoM (+4.9% in 2023) in December 2023. The services segment was the main driver for the private sector loan rise.

Services (contributes 32% to private sector loans) went up 2.0% MoM (+12.3% in 2023), while general trade (contributes 21% to private sector loans) moved up 0.9% MoM (+8.6% in 2023), and consumption and others (contributes 21% to private sector loans) gained 0.7% MoM (+8.4% in 2023).

However, the real estate segment (contributes 20% to private sector loans) declined 0.9% MoM (-7.3% in 2023) in December last year.

Outside Qatar loans went down by 1.2% MoM (-3.9% in 2023) during December 2023.

Public sector deposits increased by 4% MoM (-1.6% in 2023) in December 2023.

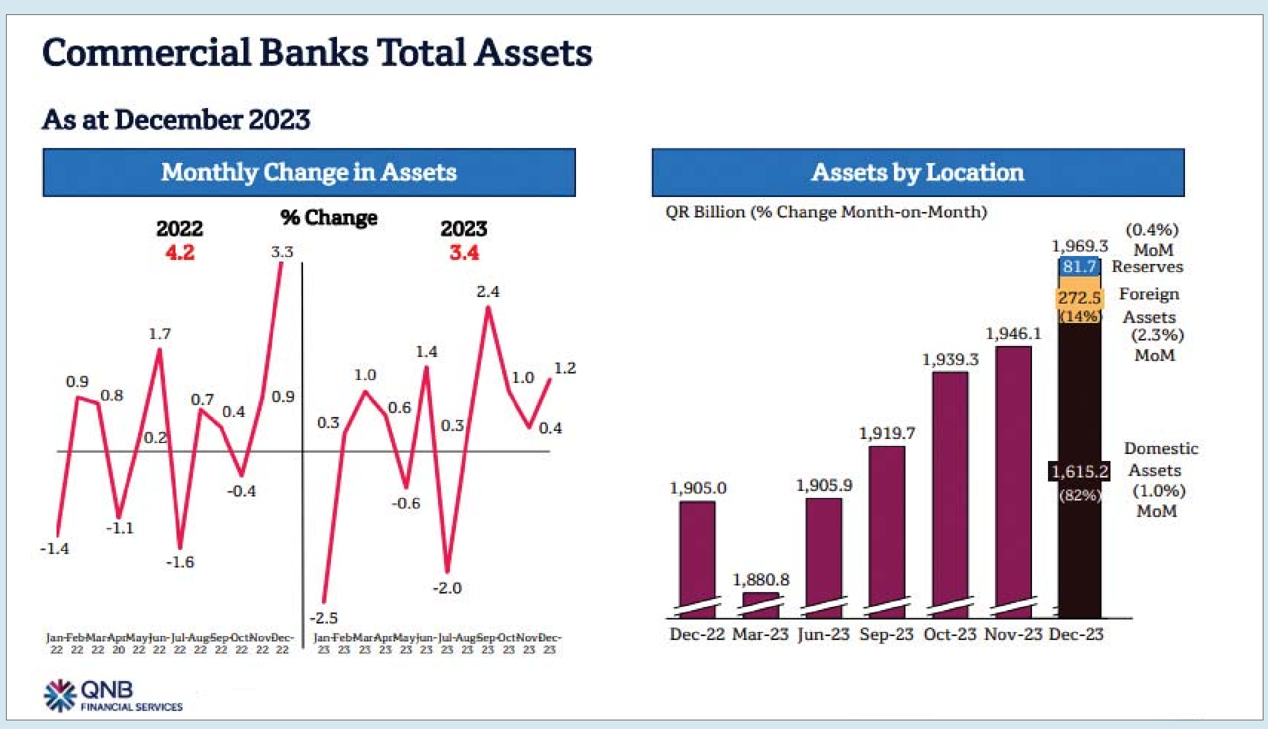
Looking at segment details, the government institutions' segment (represents 56% of public sector deposits) rose by 5.5% MoM (-1.1% in 2023), while the government segment (represents 28% of public sector deposits) increased by 2.8% MoM (-7.9% in 2023), and the semi-government institutions' segment edged up 0.7% MoM (+9.8% in 2023) in December 2023.

Private sector deposits declined by 1.1% MoM (+1.3% in 2023) in December 2023. On the private sector front, the companies and institutions' segment dropped by 3.2% MoM (-5% in 2023).

Qatar's banking sector loan provisions to gross loans was at 4% in December 2023, compared to 3.9% in November 2023. Liquidity assets to total assets was at 31.6% in December 2023, compared to 31.4% in November 2023.

An analyst told *Gulf Times*, "With the December 2023 data out, we can have a look at the performance for 2023, with overall assets showing an increase by 3.4% in 2023 as domestic assets rose due to credit facilities and interbank. The overall growth in the banks' loan book in 2023 was driven by the private sector, which gained by 4.9% in 2023, driven by a resurgent tourism sector that led to a rise in credit facilities by 12.3% to the services sector in 2023.

"General trade and private consumption was also strong in 2023, going up by 8.6% and 8.4% respectively. Overall banking sector deposits witnessed a decline by 1.3% in 2023 as non-resident deposits and the public sector deposits drop caused the overall drag".




Qatar's overall hospitality sector saw higher than average growth in occupancy in the three and four-star hotels as well as standard and deluxe hotel apartment categories in December 2023, according to the Planning and Statistics Authority data. **PICTURE:** Thajudheen

Qatar hotel industry records higher occupancy in December

By Santhosh V Perumal
Business Reporter

Qatar's hospitality sector witnessed higher occupancy year-on-year in December 2023, even as rooms yield declined, according to the official estimates.

The country's overall hospitality sector saw higher than average growth in occupancy in the three and four-star hotels as well as standard and deluxe hotel apartment categories, according to the Planning and Statistics Authority data.

In December 2022, the FIFA World Cup had seen a drastic surge in demand and therefore the average room tariffs, resulting in a spiralling rooms yield at that time.

The occupancy in December 2023 comes amidst 518,856 visitor arrivals in the said month. On a yearly basis, the total visitor arrivals declined 15.4% but grew 31.9% month-on-month in the review period.

The visitor arrivals from the Gulf Co-operation Council (GCC) constituted 171,035 or 33% of the total, Europe 144,642 (28%), other Asia (including Oceania) 114,296 (22%), other Arab countries 39,719 (8%), Americas 34,972 (7%), and other African countries 14,192 (3%) in December 2023.

On an annualised basis, the visitor arrivals from the GCC rose 30%; while those from other Arab countries declined 54.8%, Americas 48.9%, Europe 40.3%, other African countries 37.7% and other Asia (including Oceania) 14.7% in December 2023.

On a month-on-month basis, the visitor arrivals from Europe shot up 81.8% and other Arab countries by 50.4%; whereas those from other African countries plummeted 124.4%, Americas by 63.9%, other Asia (including Oceania) by 45.6% and the GCC by 5.5% in the review period.

Qatar's hospitality sector saw a 12% year-on-year increase in occupancy to 72%, even as revenue per available room plunged 75.52% to QR307 as the average room rate declined by 79.7% to QR425 in December 2023.

The five-star hotels' occupancy rose by 10% to 67% but rooms yield plummeted 76.9% to QR405 as average room rate shrank 80.43% to QR605 in the review period.

The four-star hotels saw a 13% higher occupancy to 75% but revenue per available room tanked 74.66% to QR168 as average room rate plunged 79.03% to QR224 in December 2023.

The three-star hotels' occupancy shot up 16% to 91% even as rooms yield declined 71.43% to QR168 as average room rate fell 76.12% to QR186 in the review period.

The two-star and one-star hotels' occupancy was up 2% to 90% but rooms yield contracted by 61.02% to QR145 as average room rate decreased by 61.79% to QR162 in the last month of 2023.

The deluxe hotel apartments registered a 16% surge in occupancy to 76%, whereas revenue per available room fell 72.38% to QR279 on 78% shrinkage in average room rate to QR368 in the review period.

In the case of standard hotel apartments, occupancy was higher by 21% to 73% but rooms yield dropped 74.11 to QR167 as average room rate plummeted 81.72% to QR228 in December 2023.

Qamco posts QR446mn net profit in 2023; suggests 7% cash dividend

Qamco, a 50% joint venture (JV) partner in Qatar Aluminum Company (Qatalum), has reported net profit of QR446mn for the year 2023 with earnings per share (EPS) of QR0.080.

A dividend of QR0.07 per share represents 7% of par value, resulting in a dividend yield of 5% on the closing share price December 31, 2023.

The proposed total annual dividend of QR391mn for 2023 represents a payout ratio of 88% of current year's net earnings.

The share of JV's revenue decreased by 21% year-on-year to QR31.5bn. Earnings before interest, taxes, depreciation and amortisation (Ebitda) fell by 33% to QR974mn.

Qamco's financial performance in 2023 has been mainly impacted by a significant 20% decline in average realised selling prices to $2,621 per metric tonne, amidst macroeconomic challenges. There has also been a slight year-on-year reduction in sales volumes amid waning demand.

The combined effect has adversely impacted the net profit by QR836mn for the year ended 2023.

"Throughout a year marked by challenging macroeconomic conditions, our JV's dedicated focus on operational excellence, production flexibility, prudent cost management, safety, and sustainability has yielded commendable financial and operational results," said Abdulrahman Ahmad al-Shaibi, chairman of Qamco.

Production remained stable, with a marginal increase of 2% on an annualised basis, reflecting the initiatives implemented by Qamco JV to enhance efficiencies and increase production.

On the other hand, sales volumes fell by a marginal 1%, mainly on reduced demand for extrusion ingot caused by the building and construction sector, heavily impacted by weak macroeconomic sentiment, global inflation, continued interest rate rises, and a property crisis in China.

The decrease was partly offset by higher demand for foundry alloys, driven by the recovering automotive sector and the increasing importance of aluminium in vehicle electrification.

The company's financial position continued to remain robust with the liquidity position at the end of December 31, 2023 reaching QR2.16bn in form of cash and bank balances (including proportionate share of cash and bank balances of the joint venture).

Qamco's JV generated share of operating cash flows of QR1.16bn, with a share of free cash flows of QR958mn in 2023.

The JV has almost concluded relining its third generation of pots, and replaced fluewalls to ensure sustainable operations, while minimising the risk of disruption in production.

It incurred QR210mn (Qamco's share) on account of capital expenditure, which included among others, pot relining, turbine major inspection and capital spare, chemical warehouse erection and fluewall replacement.

Egypt faces dollar crunch as debt explodes

AFP
Cairo

Egypt's economic crisis is squeezing high-street brands such as Starbucks and The Body Shop as experts ask how the Arab world's most populous nation will repay its soaring debt.
Amid a severe foreign currency crunch, the US dollar has become hard to come by as the Egyptian pound is plunging and inflation is surging at 35%.
Egypt's highly import-reliant economy, dominated by military-linked enterprises and with a fondness for infrastructure mega-projects, has been hit hard by a series of recent shocks.
The pandemic impacted its key tourism sector. The Ukraine war raised the cost of wheat and other imports. And recent attacks by Yemen's Houthi rebels on Red Sea shipping have slashed vital Suez Canal fees.
Remittances from overseas Egyptian workers — the main source of foreign currency — slumped by as much as 30% in July-September 2023 alone, according to Central Bank of Egypt data.
The Egyptian state, highly indebted after years of heavy borrowing, including for a new capital city in the desert east of Cairo, has struggled to service its ballooning debt.
The International Monetary Fund has stepped in with a $3bn loan facility but demanded painful austerity measures in the country of 106mn people, two-thirds of whom live on or below the poverty line.
President Abdel Fattah al-Sisi recently explained that the state spends $3bn a month on commodities such as food and energy. "We provide services to the Egyptian people in Egyptian pounds and have to pay for them in dollars," he said in a speech.
Amid the crisis, everybody wants greenbacks, and no one wants to give them away.
On the black market, the dollar is trading at 70 Egyptian pounds, more than double the official exchange rate of 31.
Most of the time, banks simply refuse to give dollars to their customers.
Bank clients travelling abroad are only allowed to withdraw or transfer a maximum of $100 from their Egyptian accounts.
People with only a debit card, rather than a credit card, cannot pay online at all to an overseas account.
This applies even to a Netflix subscription, currently offered at a discount of three dollars per month in Egypt.
Imported big-ticket purchases, such as a new car, are simply beyond the means of most middle-class families.
Investors "who depend on dollars, as well as imported goods, will not be able to continue", said economist Mohamed Fouad.
Kuwaiti retailer Alshaya, which owns the Egypt franchise rights to a range of well-known brands, said it was having to close retail outlets of Starbucks, The Body Shop and Debenhams as a consequence.
Egypt's external debt has exploded to $164.7bn. The cost of servicing that debt this year will be $42bn.
JP Morgan recently announced that, from January 31, it will exclude Egypt from its index of government bonds of emerging economies "due to issues related to reported difficulties in essential foreign currency convertibility by concerned investors".
Ratings agency Moody's this month lowered the outlook on Egyptian government bonds to "negative" from "stable" in the face of foreign currency shortages, weak consumer confidence and borrowers increasingly unable to repay their loans.
James Swanston, emerging markets economist at Capital Economics, said that Egypt was "heading towards a fork in the road".
One path could be a shift toward economic orthodoxy "which includes adopting a fully flexible exchange rate and keeping a tight grip on fiscal policy", he said.
However, he warned, "if policymakers dither and crucially if they don't let the pound float, it could get messier".
Swanston said he expected a two-step solution — "an initial devaluation of the pound to 40 per dollar, and then the adoption of a flexible exchange rate regime", which Cairo has promised the IMF for years but so far failed to implement.
Economist Fouad said that "in the immediate term, the government has an interest in stability, because it is the biggest debtor in dollars and would therefore be hit hardest by a rise" in the value of the greenback.
"In the short term, I'm sure that Egypt will repay its debts," he said. "But if the current situation persists, with debt growing while economic growth is unable to compensate, then we'd need to be worried."
Capital Economics' Swanston said that "the solution in the short term is reaching an agreement with the IMF for its enhanced Extended Fund Facility, which seems increasingly likely".
"This will provide crucial financing and also assure investors that Egypt is safer, which would lead to investments into Egypt's bond market and also help to reduce interest rates on Egypt's debt."

Turkiye's central bank plans tight policy until inflation curbed

Reuters
Ankara

Turkiye's newly-appointed central bank governor Fatih Karahan on Sunday said that his team is determined to maintain tight monetary policy until inflation falls to levels consistent with their target.
Karahan replaced Hafize Gaye Erkan on Saturday, hours after she resigned citing a need to protect her family amid a "reputation assassination".
In his first remarks after the appointment, Karahan said the priority was price stability, and that they would continue efforts to ensure disinflation, relying on their strong team.
"We will be watchful of inflation expectations and pricing behaviour. We stand ready to act in case of any deterioration in the inflation outlook," Karahan said in a written statement.
Karahan, 42, has a University of Pennsylvania economics PhD and worked as an economist at the Federal Reserve Bank of New York for almost a decade, according to his biography.
He also taught as an adjunct professor at Columbia University and New York University and worked for Amazon as a principal economist in 2022.

The logo of Turkiye's central bank (TCMB) is pictured at the entrance to its headquarters in Ankara (file). Turkiye's newly-appointed central bank governor Fatih Karahan on Sunday said that his team is determined to maintain tight monetary policy until inflation falls to levels consistent with their target.

Finance Minister Mehmet Simsek said on Sunday that he was looking forward to working with the new governor and his team in implementing his government's economic programme.
"Governor Karahan is an excellent fit. With extensive experience, most of which was with the Federal Reserve Bank of New York, I have no doubt he will excel in this new role," Simsek said in a post on social media platform X.
"We are committed to supporting the disinflation process through restoring fiscal discipline, while also implementing structural reforms," he added.
Before being appointed to his new position on Saturday, Karahan was a deputy governor and a member of the bank's monetary policy committee since July last year.
The new governor's first public appearance will be in Ankara on Thursday when he will hold a briefing on the first inflation report of the year, the central bank said in a statement.

UAE sees growing interest from UK fintechs for dual listings

Bloomberg
Dubai

The United Arab Emirates has seen a pick-up in interest from a number of UK financial technology firms hoping to pursue a dual listing in the Gulf country, according to Economy Minister Abdulla bin Touq al-Marri.
The talks have accelerated after the two countries signed a memorandum of understanding in October to encourage cooperation in financial services, al-Marri has said. They come as hundreds of financial services firms have set up operations in both Dubai and Abu Dhabi as they seek to take advantage of the country's booming capital markets.
"I'm glad to see that the Gulf is a great opportunity for these," al-Marri said in an interview with Bloomberg News. "The MoU is on track, we have a dedicated team to really look at the plumbing aspects, what we can do on aspects of dual listings."
Al-Marri was speaking at an event hosted by Investopia, a UAE-based platform launched by the minister and Sheikh Mohamed bin Rashid al-Maktoum, the country's vice president and the ruler of Dubai. Representatives from Abu Dhabi's Mubadala Investment Co as well as HSBC Holdings Plc and Citigroup Inc were among those in attendance.
A potential pick up in dual listings would follow a booming year for initial public offerings in the Gulf. Listings in the Middle East raised more than $10bn last year and Gulf countries accounted for about 45% of total IPO volumes in Europe, the Middle East and Africa.
UK companies aren't alone in their interest in dual listings. Abu Dhabi Securities Exchange in November signed a deal with the New York Stock Exchange that allows companies listed on the NYSE to expand their business and tap capital in the emirate.

Morocco trade deficit shrinks 7% on tourism and lower imports

Reuters
Rabat

Morocco's annual trade deficit contracted by 7.3% to 286bn dirhams ($28.6bn) in 2023, helped by a drop in energy imports and higher tourism revenue, the foreign exchange regulator said in a monthly report.
Imports fell 2.5% from a year earlier to 715bn dirhams, while exports increased by 0.2% to 429bn dirhams, the regulator said, adding that remittances from Moroccans abroad and automotive industry exports also helped to improve the trade deficit.
Morocco's energy imports dropped 20.4% to 122bn dirhams after a drop both in demand and prices in the international market.
Wheat imports stood at 19.3bn dirhams, down 25.3%, while ammoniac imports — key for fertiliser production — fell by 58% to 8.8bn dirhams.
Morocco, which has the world's largest phosphate reserves, reported a 34% decrease in exports of the mineral and its derivatives, including fertilisers, to 76bn dirhams.
Home to Stellantis and Renault production plants, Morocco reported a more than 27% gain in automotive sector exports to a record 141bn dirhams.
Tourism revenue also scaled new peaks, jumping 11.7% to 104bn dirhams from a record 14.5mn visitors to the country last year.
Key to Morocco's inflow of hard currency, remittances from Moroccans abroad reached a record 115bn dirhams, up 4% from 2022.

Bloomberg QuickTake Q&A

Commercial real estate's slow-motion crisis explained

By Jack Sidders

Back when money in the bank was yielding almost nothing, commercial real estate became a haven for investors in need of reliable returns. Then central banks jacked up interest rates and a lot of properties suddenly looked like poor investments. The troubles were compounded by the rise of home working and online shopping, which sapped demand for big, centralised workplaces and retail spaces. Valuations tanked, making it harder for landlords to refinance maturing loans secured against their properties without breaching the terms. One alternative was to sell out, but the prices on offer often failed to cover the outstanding debt. By early 2024, banks caught up in the property slump were setting aside billions of dollars to cover soured loans.

1. How big is the hit?

The crisis has been a slow-motion slide over many months, as most properties are privately held and valuations can take years to adjust to shifts in demand. The MSCI World Real Estate Index fell by 18% between the start of 2022 and the end of 2023, signalling where equity investors believed property values were headed. About $1.2tn of US commercial real estate debt was "potentially troubled" because of the slump in prices, advisory firm Newmark Group Inc said in August. Vacancy rates for office buildings in major US cities hit records and landlords walked away from some properties now worth less than their debt, handing them to their lenders. US regional lenders were particularly exposed, and stood to be hurt harder than their larger peers, because they lacked the large credit card portfolios or investment banking businesses that could insulate them. In Europe cracks began begun to show as the web of companies in Rene Benko's Signa Group imploded, threatening credit losses for dozens of lenders. Some Asian banks were also feeling the pain, with Japan's Aozora Bank Ltd warning investors it would report its first loss in 15 years because of bad loans tied to US property.

2. Why did prices fall so far?

The rise in interest rates on risk-free government bonds from early 2022 led investors to demand higher yields when buying property. As yields on commercial real estate are the rental income as a proportion of a building's value, and rents tend to be fixed for several years, property prices need to fall for yields to rise. It was a particular problem in places like Germany, where rental yields had reached record lows before the rate-hiking cycle began and many property owners entered the crisis carrying higher debt burdens than their peers elsewhere.

3. Why are falling prices a problem?

Falling prices hamper a property firm's ability to borrow. As the value of a landlord's assets drops, its relative indebtedness — the all-important loan-to-value ratio — increases. To avoid breaching the terms of its debt, the company may need to inject more cash into a property deal or take on more borrowing, albeit at higher rates and only if there's enough rent to service it. If there isn't, it may have to sell assets in an uncertain and falling market in which buyers will demand deep discounts. Those depressed prices make it harder for the industry to refinance the $2.2tn of US and European commercial property loans due to mature by the end of 2025.

4. Which types of property were affected?

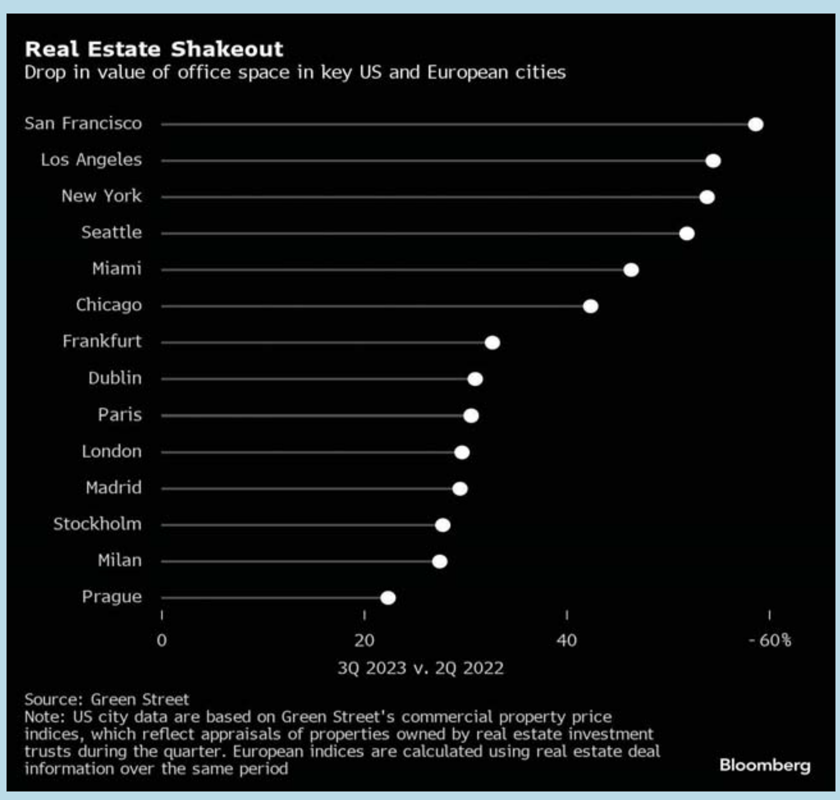
Office buildings were the biggest casualties as post-Covid changes in working patterns and poor energy efficiency combined with rising interest rates to crush values. Shopping malls were partly cushioned as their valuations had already taken a hit from the rise of e-commerce, so they were starting from a lower base when interest rates began to tick higher.

5. Are there regional differences?

Rising interest rates had a bigger impact on Europe's property prices as yields there were lower than in the US when central banks began their hiking cycle. However, valuations in the US fell further as it had a larger stock of new and empty buildings, and more Americans were still working from home. At the end of the third quarter of 2023, more than a fifth of office space lay empty in several major US cities.

6. What can you do with an empty office?

One option is to convert it for residential use, if local planning authorities allow it. Another is to adapt the building to reflect today's flexible working practices. But older buildings are expensive to upgrade and energy efficiency improvements now demanded by governments and tenants add to the cost. The economics of these investments often don't stack up at current prices. The alternative for landlords is foreclosure — handing unviable buildings back to their lenders.



7. How is it likely to shake out?

There is a growing divide between the best office buildings and the rest. Those with top green credentials and modern, exciting space can still command top rents. Others require billions in spending to bring them up to standard — money that banks saddled with growing backlogs of impaired loans are unwilling to lend. You can knock buildings down and build better ones. But that route is becoming more challenging as policymakers focus on the embodied carbon in buildings from energy-intensive materials such as concrete, steel and glass. That means in many places they are determined to see properties refurbished, rather than redeveloped.

US dollar hits near pre-pivot level as job data roils rate-cut bets

Bloomberg
New York

The US dollar jumped the most in two weeks after the blowout jobs report, pushing the currency back near levels last seen before the Federal Reserve's December pivot and wrong-footing traders betting on imminent interest-rate cuts.

The Bloomberg Dollar Spot Index rose as much as 0.8% after Friday's employment data showed a January surge in payrolls alongside a boost in hourly wages, pushing bond yields up sharply. Against the yen, the greenback rose 1.5% to a session high of 148.58, the largest advance since December 19.

The dollar gained against all the Group-of-10 currencies on Friday, with the Norwegian krone, yen and New Zealand dollar leading the losses. On an intraday basis, the euro dropped the most in a month, the Swiss franc had its worst move since May and the pound, its steepest pullback since October.

"The signal from payrolls seems pretty clear — the dollar will continue to at least hold its ground so long as US jobs demand remains strong and wages stay firm — in essence refreshing the US exceptionalism narrative," said Patrick Locke, a foreign-exchange strategist at JPMorgan Chase & Co.

The jobs report Friday showed US employers added 353,000 workers to their payrolls last month while hourly wages jumped 0.6% on a monthly basis, the most since March 2022.

The data sent Treasury yields surging across the curve, pushing the dollar back near where it was before Fed Chair Jerome Powell in December signalled the bank was likely to start easing policy this year. Swaps traders further pared bets on a March interest-rate cut to around 20%, though they are still placing high odds that the Fed will kick off a series of cuts in May.

Locke said the expected pace of cuts still "looks aggressive" compared with other central banks, which "should help put a floor under the dollar as well." Data released on Friday by the Commodity Futures Trading Commission for the week ended January 30 shows non-commercial traders — a group that includes hedge funds, asset managers and other speculative market players — are bearish on the dollar but have pared the net short position in recent weeks.

Heading into 2024, forecasters expected the yen to gain the most from divergent central bank monetary policy as the Fed nears its easing point just as the Bank of Japan reconsiders its long-running negative-interest-rate policy.

But the timing of such a shift remains in doubt. Resilient US economic data have called into question the extent of rate cuts to come from the Fed, while the Bank of Japan (BoJ) has given few clear signals of exactly when it will look to tighten policy.

The dollar closed out its fifth-straight week of gains on Friday, the longest such streak since September. The Japanese currency has lost nearly 5% this year, the worst performance among the G10, and continues to face pressure as bets on Fed easing are pushed back.

"A later start to Fed easing is suggestive of a more resilient USD and thus implies less scope for sharp JPY gains vs the USD assuming the BoJ hikes rates in next couple of months," said Jane Foley, head of FX strategy at Rabobank.

US dollar banknotes are arranged for a photograph in Hong Kong. The dollar jumped the most in two weeks after the blowout jobs report, pushing the currency back near levels last seen before the Federal Reserve's December pivot and wrong-footing traders betting on imminent interest-rate cuts.

QSE MARKET WATCH

COMPANY NAME	Lt Price	% Chg	Volume
Zad Holding Co	13.69	-0.87	98,522
Widam Food Co	2.02	-2.70	378,116
Vodafone Qatar	1.86	-0.80	2,000,175
United Development Co	1.04	0.00	4,915,597
Salam International Investme	0.63	-1.09	677,487
Qatar & Oman Investment Co	0.88	-1.13	911,344
Qatar Navigation	10.10	-1.66	542,591
Qatar National Cement Co	4.21	-1.29	589,425
Qatar National Bank	15.48	-0.06	1,287,213
Qlm Life & Medical Insurance	2.25	-1.32	56,447
Qatar Islamic Insurance Grou	8.86	-0.44	80,353
Qatar Industrial Manufactur	2.93	-0.10	470,272
Qatar International Islamic	10.53	0.29	359,059
Qatari Investors Group	1.82	-0.33	1,910,372
Qatar Islamic Bank	19.49	0.98	685,379
Qatar Gas Transport(Nakilat)	3.43	0.09	2,174,806
Qatar General Insurance & Re	1.11	0.00	33,631
Qatar German Co For Medical	1.22	1.83	8,019,384
Qatar Fuel Qsc	15.68	-1.26	205,574
Lesha Bank Llc	1.22	-2.56	2,287,678
Qatar Electricity & Water Co	17.36	-0.23	72,001
Qatar Exchange Index Etf	9.87	0.00	80
Qatar Cinema & Film Distrib	3.05	0.00	-
Al Rayan Qatar Etf	2.19	-0.32	6,475
Qatar Insurance Co	2.29	-0.35	61,722
Qatar Aluminum Manufacturing	1.28	-0.55	4,074,149
Ooredoo Qpsc	10.63	1.14	836,671
Alijarah Holding Company Qps	0.75	-2.47	2,903,226
Mazaya Real Estate Developme	0.67	-0.45	4,267,182
Mesaieed Petrochemical Holdi	1.66	0.00	3,176,261
Mekdam Holding Group	4.63	-1.89	524,464
Al Meera Consumer Goods Co	12.66	-1.25	161,529
Medicare Group	4.60	-2.38	1,125,698
Mannai Corporation Qsc	3.90	-0.36	225,502
Masraf Al Rayan	2.29	-0.52	19,854,135
Industries Qatar	12.07	0.00	1,363,395
Inma Holding Company	3.81	0.18	16,453
Estithmar Holding Qpsc	1.99	-0.20	2,198,678
Gulf Warehousing Company	3.24	-1.10	473,560
Gulf International Services	2.77	-1.18	3,898,358
Al Faleh Education Holding	0.81	-1.23	34,570
Ezdan Holding Group	0.81	0.12	5,656,544
Doha Insurance Co	2.59	-0.23	74,779
Doha Bank Qpsc	1.72	-0.12	1,961,137
Dlala Holding	1.24	0.00	204,611
Commercial Bank Psqc	5.20	-0.44	2,091,038
Barwa Real Estate Co	2.82	-1.57	1,746,076
Baladna	1.09	-1.62	4,135,556
Damaan Islamic Insurance Co	3.94	0.00	100
Al Khaleej Takaful Group	2.81	0.18	308,065
Aamal Co	0.84	-2.21	2,006,682
Al Ahli Bank	4.00	0.00	-

It's still too soon to consider lowering rates, says Fed official

Bloomberg
Hawaii

Federal Reserve Governor Michelle Bowman said she expects inflation to fall further with interest rates held at their current level, but said it's too soon for Fed officials to consider cutting rates.

"In my view, we are not yet at that point," Bowman said on Friday in prepared remarks to the Southwestern Graduate School of Banking in Maui, Hawaii. She also cautioned against lowering borrowing costs too soon.

"I will remain cautious in my approach to considering future changes in the stance of policy," she said. "Reducing our policy rate too soon could result in requiring further future policy rate increases to return inflation to 2% in the longer run."

The Fed governor called recent reports of slowing inflation "encouraging," and said if price increases move sustainably toward the 2% target "it will eventually become appropriate to gradually lower our policy rate to prevent monetary policy from becoming overly restrictive."

But the economy isn't there yet, she said, and "a number of important upside inflation risks remain." She cited geopolitical conditions that could tie up supply chains, continued easing in financial conditions that could boost demand and tight labour markets that could keep prices for services moving higher.

Bowman repeated that she remains willing to raise rates if inflation progress stalls.

The Fed held rates steady for a fourth straight meeting Wednesday and signalled that more monetary restraint was probably not needed.

Fed Chair Jerome Powell doused expectations for a cut as soon as March, saying policymakers may not have "a level of confidence" that price stability would be in hand at that time.

Inflation ended 2023 at 2.6%, as measured by the Fed's preferred gauge, still above policymakers' 2% target but well below the 7.1% peak seen in mid-2022. The deceleration occurred amid resilient growth with little disruption to employment. The Bureau of Labor Statistics said Friday that non-farm payrolls rose in January by 353,000.

Bowman in November said more policy restriction was likely necessary to bring inflation back to the 2% target.

But in January she changed her view and said she was considering the possibility that "inflation could decline further with the policy rate held at the current level for some time."

Airlines learn patience in Airbus-Boeing duopoly

AFP
New York

With the latest Boeing crisis, airlines are staring down more delays, a familiar problem in a market in which both the US giant and rival Airbus face supply chain constraints.

Over the past year Boeing has struggled with difficulties on its star plane, the 737 Max, culminating with a major in-flight safety incident on Alaska Airlines in early January.

Boeing had been eyeing a ramp-up of Max production through 2025, but that plan has now been frozen by the Federal Aviation Administration. The FAA's move likely will further slow Boeing's delivery timetable, which was already behind schedule. While the manufacturer's European rival Airbus has avoided comparable safety troubles, it also faces a major headache due to a problem with engines built by Pratt & Whitney, a unit of RTX.

Hundreds of Airbus 320neo jets must be inspected between 2023 and 2026 to check for microscopic "contamination" of metals used to make the engines.

The inspections and any necessary engine fixes require 250-300 days per aircraft, another hurdle for airlines eager to take advantage of strong travel demand.

Some of Boeing's customers have seemed to open the door to potentially moving orders elsewhere.

Alaska Airlines, which until now has been exclusively supplied by Boeing, had been considering orders of the Boeing 737 Max 10 prior to the January 5 incident.

But Alaska Chief Executive Officer Ben Minicucci suggested a possible shift given its pending acquisition of Hawaiian Airlines, which is supplied by Airbus.

"Everything is open at this point," Minicucci said in a recent broadcast interview. "We are going to do what is best for Alaska." American Airlines CEO Robert Isom last month said Boeing "needs to get their act together," while noting the carrier has large fleets of Airbus and Boeing planes.

Asked if he would consider Boeing for an upcoming order, Isom said, "we're going to make sure that whatever is purchased, whether it be from Airbus, Boeing, Embraer... is incredibly reliable, safe right from the get-go off the factory floor."

Long wait: But changing plane suppliers is not so straightforward.

Airlines must secure a spot in the order book of a manufacturer, which must ready supply chains to execute a multi-plane order over months and years; that is not so easy right now.

The Airbus production infrastructure is completely booked through 2030 for single-aisle planes — the A320 line — and through 2028 for long-distance jets, the A350.

"We must deliver 8,600 planes on time and ready to fly," Christian Scherer, chief executive of Airbus's commercial aircraft business, said last month. The plan is for Airbus to boost A320 production to 75 per month in 2026 compared with 48 monthly in 2023. Even under that schedule, airlines are signing contracts for jets that won't be delivered for years.

Despite the yawning timeframe, "we are still getting more orders," Scherer said.

Airbus in 2023 received net new orders of 2,094, smashing the previous record of 1,503 a decade earlier.

The European giant has won myriad orders from airlines renewing their fleets to meet emission targets in 2050, a period when overall air travel is expected to have doubled.

Regulatory scrutiny: Meanwhile across the Atlantic, Airbus's big US rival faces persistent scrutiny.

Besides questions about quality control following the Alaska Airlines incident on the 737 Max 9, Boeing has yet to receive certification on the 737 Max 7 and the 737 Max 10 — the smallest and largest versions of the single-aisle model.

Boeing has received 391 orders for the Max 7 and 1,180 for the Max 10. The latter was supposed to have commenced deliveries in 2023.

Given the uncertain timeframe, airlines are retooling their schedules. Like Airbus, Boeing's order book is robust, with more than 4,000 orders across the Max programme out of a total of 5,626 plane orders.

Europe's leaders can't count on 2024 vote boost from economy

Bloomberg
Frankfurt

Eurozone leaders looking to keep populist parties at bay are unlikely to get much help from the economy this year — even if the European Central Bank (ECB) cuts interest rates.

With European Parliament elections due in June, 2024 stands out for much of the continent's established political class as fraught with the danger that movements from France's National Rally to Germany's AfD will gain ground. German state elections in September are another cause for concern.

That timetable coincides with a projected pickup in global and euro-zone growth, subsiding inflation and a let-up in constriction with the prospect of cuts in high borrowing costs. But any such potential ingredients for a feel-good factor aren't likely to amount to much for now.

"In the longer term we'll have full employment, stronger wage growth — probably lower inequality," said Holger Schmieding, an economist at Berenberg in London. "But I think we won't see any effect in time for the European elections or the German state elections in the fall. That's too short-term."

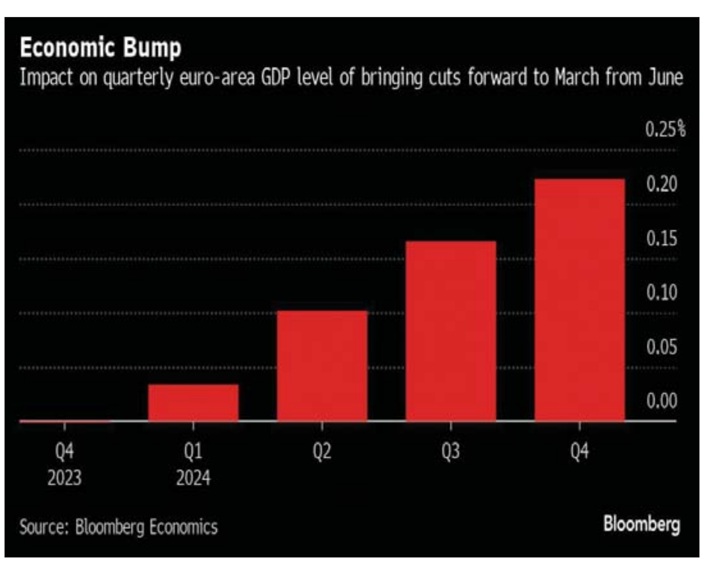
Germany is a particular hotspot this year, with Chancellor Olaf Scholz's coalition beset by budget wrangling and support for the AfD surging.

Elections will take place in three eastern states where that party is currently well ahead in polls — and where the government is throwing money at subsidies to stoke job creation.

Further darkening the political backdrop have been several strikes — first by train drivers, then at airports and in local transportation.

Farmers have also protested in Germany and elsewhere including France, where President Emmanuel Macron's party has been trailing Marine Le Pen's National Rally for almost a year.

The good news is that there's little sign of labour-market weakening, and the region's economies are set to improve from last year. Even so, prospects are limited — as ECB President Christine Lagarde acknowledged last month.



"Incoming data continue to signal weakness in the near term" even if surveys "point to a pickup in growth further ahead," she said on January 25.

That chimes with last week's International Monetary Fund outlook showing euro-area expansion quickening moderately to 0.9% this year, from 0.5% in 2023.

Of the biggest four economies, its officials see an improved performance in only France and Germany, though that country's budget impasse continues to pose a question mark over its prospects.

And if the ECB cuts rates, that might not make much of an immediate difference to growth either.

Using the SHOK model created by Bloomberg Economics, we consider two scenarios: one where policymakers start cutting borrowing costs by a quarter point in March and at every decision after that and one starting rate cuts in June — the later timetable that policymakers have tended to signal.

The former would lift gross domestic product by about 0.22% by the end of the year relative to the latter — adding just over 0.1 percentage point to growth in 2024. This implies only a marginal impact for when voters go to the polls. Moreover, officials have reason for caution as they focus on keeping prices under control.

"If the ECB wanted to boost the economy in time for the EU elections, it would have had to cut rates already," said Guntram Wolff, head of the German Council on Foreign Relations in Berlin. "The ECB is rightly more concerned about reputational risk, because inflation was above the 2% goal for a long time, and that's what people remember."

One thing that might cheer voters is an easing in the cost-of-living crisis. While growth in real incomes — pay that's adjusted for inflation — has been negative for years, it's now likely to pick up.

Improving living standards through rising wages and more stable prices can change perceptions, said Schmieding at Berenberg. But he cautioned that consumers are likely to be more focused on recent experience.

"People are still angry about high prices," he said. "I expect the political climate to calm down in the longer term, because the economic situation of lower-income households, who've suffered strongly from higher energy prices, will improve."

The delay in any cheer there chimes with the European Commission's Eurobarometer surveys from December. In 22 countries, a majority of respondents said their standard of living has been reduced, with no improvement in sight over the next year.

Germany meanwhile has the ongoing challenge that consumer-price growth there will take more time to reach the ECB's 2% goal than in other major eurozone peers, according to Bundesbank forecasts.

Scarcity drives EM corporate bonds to beat their US peers

Bloomberg
New York

The first five weeks of 2024 have produced an early winner for emerging-market traders: Corporate bonds denominated in US dollars.
That type of debt is yielding higher returns than most other asset classes within the EM universe, translating into annualised gains of 12% in US currency terms, according to data compiled by Bloomberg. The bonds are outperforming US corporate notes, narrowing the yield spread to the lowest since June 2021.
Prices are jumping due to a dearth of EM corporate bonds in secondary trading. There's been fewer issuances than expected, unlike sales of sovereign bonds that saw the most active January in three years. Companies are under little pressure to raise dollar debt as refinancing needs have moderated and other fundraising avenues, such as local-currency debt, open up. Some companies are returning capital to bondholders by buying back their debt.
"Much better starting valuations when compared to US corporates, lower supply than expected, a series of buybacks and tenders and a supportive macro backdrop have combined to push emerging-market corporate bonds to the top of the leader board," said Simon Cooke, a money manager at Insight Investment in London.
The Bloomberg EM USD Aggregate Corporate Index extended its rally to a third month, cutting its average yield by 14 basis points in January. The gains came at a volatile time for emerging markets, with stocks erasing $1.6tn of shareholder wealth.
The yield spread between emerging-market corporate bonds and the Bloomberg US Corporate Total Return Index has tumbled to 174 basis points, the lowest since mid-2021. Still, that gap remains attractive for yield hunters, investors say, offering a yield pickup of 270 basis points over Treasuries.
And, bonds dumped by investors in the past two years are making a comeback. Securities of First Quantum Minerals Ltd, which mines in Zambia and Panama, are posting some of the best performances in their peer group, with the 2031 note returning more than 11% this year.
Ukrainian companies are leading the Bloomberg corporate bond index, with poultry giant MHP SE and steelmaker Metinvest BV extending rallies.
"There are some interesting pockets of value," said Sergey Dergachev, head of emerging-market corporate debt at Union Investment Privatfonds GmbH in Frankfurt. The bonds "offer great diversification in terms of country and sector exposure, but country and company-specific analysis matters."
Governments in developing nations rushed to sell bonds in early 2024 amid uncertainty around interest rate cuts and a packed election calendar.
Corporate sales however were relatively muted: Companies sold $39bn in new debt in January, up from $29bn in the prior-year period, but significantly less than the $73bn raised in January 2020, data compiled by Bloomberg show.
"EM corporate supply is slowly picking up, but it still lags EM sovereigns," Dergachev said. "In many EM countries, it is much cheaper to issue locally or get a loan rather than going to Eurobond markets."
Several countries are working to develop local-currency bond markets so that companies don't have to borrow in a currency that isn't their own. Investors are warming up to the asset class as rate cuts and bets on a weaker US dollar boost their appeal.
Companies have to repay $378bn of dollar bonds during the remainder of 2024, data compiled by Bloomberg show. That's the smallest maturity wall since 2017 compared with repayments in previous years.
"Maturities are relatively evenly spread over the next few years," Insight's Cooke said. "This means companies can choose when to come to market rather than being forced to exploit every window of potential issuance."
Companies' cash balances also have risen. Members of the MSCI Emerging Markets Index posted a 4.2% increase in free cash flow in 2023 and are expected to generate a 4.6% increase this year.
Consensus estimates compiled by Bloomberg project firms will grow operating-profit margins to 14.2% in 2024, from to 11.7% in 2023.
Economists forecast growth to accelerate too, to an average 4.1% increase in gross domestic product and 4.2% in 2025. That's translating into optimism for corporate earnings: Analyst estimates for MSCI index companies have jumped 5% in the past five months.

Skittish investors pull the rug out from under pricey US IPOs

Bloomberg
New York

Wall Street has been talking up a much-needed revival of firms tapping markets for the first time after a two-year dearth of initial public offerings. But when it came to two of the three biggest debuts so far this year, investors didn't want to hear it.

Amer Sports Inc, the maker of Wilson tennis rackets and Salomon ski boots, raised $1.37bn in its IPO — the biggest US listing since October, but priced at $13 per share, below the range it had proposed. The underwhelming IPO came less than a week after KKR & Co-backed BrightSpring Health Services Inc raised $693mn from selling shares while also pricing them under a marketed range — and worse, slumped 15% in its first trading day.

The lacklustre debuts reflect the distance between what issuers and their bankers were offering, and what investors were willing to support. That's not the way IPOs are supposed to work, especially when the US's key stock benchmarks are at record highs. After balking at both companies' leverage and growth prospects, will investors warm up to the next batch of new listings?

"There's no doubt that you get some knock on effects — good or bad — from the last deal that can impact the next deal and how you place expectations related to pricing," said Gareth McCartney, UBS Group AG's global co-head of equity capital markets. "It can be a tactical and sentiment-driven market, so each deal does have an impact into the next one."

The class of 2023's mixed performance after a choppy period for IPO buyers may still be lingering, too. Yet with $8.3bn raised across 64 share sales by existing companies in the year to date, data compiled by Bloomberg show, it's not as though activity as a whole has shut down.

Jie "James" Zheng, chief executive officer of Amer Sports (centre), and Andrew Page, chief financial officer of Amer Sports (right), during the company's initial public offering on the floor of the New York Stock Exchange on February 1. Amer Sports raised $1.37bn in its IPO — the biggest US listing since October, but priced at $13 per share, below the range it had proposed.

"Investors have the ability to be selective across every variable, but the good news is that they are communicating early and often on what is working for them," said Seth Rubin, head of equity capital markets at Stifel Financial Corp. "We are continuing to rebuild - this recovery is going to take some time and people are looking at everything on a deal-by-deal basis."

Ideally, IPO bankers set modest expectations to draw investors for meetings to get a piece of the action. Strong day-one rallies leave investors feeling like they got a good deal, and while the company and insiders left some money on the table, they can capitalise on higher share prices in the years ahead. A key point of disagreement between these IPO candidates and investors appears to have been the companies' use of leverage. Along with the proceeds from selling shares, BrightSpring raised a further $400mn via tangible equity units sold concurrently with the share sale. The move was set to lower its $3.4bn worth of debt from 5.9 times its capital to closer to 4 times, according to a sellside analyst report seen by Bloomberg.

Amer Sports' net debt of $6.2bn in the year to Sept 2023 gave it a leverage ratio of 10 times, whereas excluding the related party loans and leases, the debt was $1.9bn and a leverage ratio of 3.1 times, according to Arun George, an analyst for Global Equity Research Ltd writing on the SmartKarma platform. The marketed IPO price range of $16-18 per share, meanwhile, translated to an "implied valuation of over $8bn for a mature but unprofitable firm in a competitive industry," said Jay R Ritter, a finance professor at the University of Florida.

The demand was so lacklustre that three members of a consortium of Amer's existing backers, led by majority owner Anta Sports Products Ltd, bought about 60% of the issue, Bloomberg News reported .

"That's a high percentage and a sign of weak demand, especially because this is an exit," said Matthew Kennedy, senior IPO market strategist at Renaissance Capital. Despite the sturm und drang around the deals that disappointed, the 20 IPOs that listed so far in 2024 returned an average of 13.8%, according to data compiled by Bloomberg.

More modestly-sized deals have performed better than their jumbo brethren. Seventeen of the 27 companies to raise between $100mn and $500mn in the past year are trading above their offer price. Biotechnology has been a particular bright spot with CG Oncology Inc, whose shares have nearly doubled, and Alto Neuroscience Inc, which jumped 29% in its Friday debut after pricing its expanded offering at the top of a marketed range.

Recent concern could also fade as February is likely to see a lull in IPO activity, with potential issuers rushing to get their full-year financial statements audited before submitting their applications to the US Securities and Exchange Commission. Some companies may want to present preliminary first-quarter numbers as further proof of their IPO-readiness to investors, at a time when many firms are in cost cutting mode, and layoffs are being mentioned on earnings calls at the highest rate since the pandemic.

The next test of Wall Street's ability to whip up excitement for the revival could come from more biotech firms, or sectors like tech, which often are a leading indicator of IPO enthusiasm about to break out.

The market for technology deals is still taking a "wait-and-see" approach, according to Barrett Daniels, US IPO services co-leader at Deloitte.

"Listings that we've seen here recently give us some broader view about how the investment community is thinking about IPOs, but it is sort of apples-to-oranges," Daniels said. The small and mid-cap sector of the US market has significantly underperformed large cap stocks, but interest in these companies will increase when the Federal Reserve starts to cut interest rates, according to Brad Miller, global head of equity capital markets syndicate at UBS.

Economists pilloried for getting forecasts wrong

AFP
Paris

Economists are taking flak after missing the mark on inflation, failing to anticipate disruptions in global supply chains and forecasting a recession that has not materialised.

The Covid-19 pandemic, Russia's war in Ukraine and more recently the Middle East conflict have made it tougher for experts to see clearly into their economic crystal balls.

European Central Bank president Christine Lagarde joined the chorus of criticism at the World Economic Forum in Davos, Switzerland, last month.

"Many economists are actually a tribal clique," she said, referring to a lack of openness to other scientific disciplines.

"They quote each other — men more than women but that's another story," the former IMF chief and French finance minister said. "But they don't go beyond that world because they feel comfortable in that world." Economists need to get out of their comfort zone of Excel spreadsheets and rigid models, some economists say about their own kind.

The world "has changed a little bit", Peter Vanden Houte, chief eurozone economist at ING bank, said sarcastically.

After years of low inflation, the post-Covid reopening of economies sent prices rising and they soared further after Russia's invasion of Ukraine, belying assurances from Lagarde and US Federal Reserve chairman Jerome Powell that the increases would only be "transitory".

The central banks had to launch into a series of interest rate hikes to combat inflation. While price rises have cooled in recent months, policymakers have kept the rates elevated as they wait to see whether they can be cut later this year.

Lagarde has admitted that the forecasts used as a basis for ECB policy decisions were not always right and that factors linked to the crises were not taken into account in its models.

"The models we currently use are less reliable because there are many factors that are difficult to integrate," Vanden Houte said.

He cited the supply chain bottlenecks following the pandemic, labour shortages and geopolitical tensions.

Economists dropped the ball by looking through the prism of the past.

"It's not economic models that failed. It's the lack of imagination of economists," said Maxime Darmet, economist at Allianz Trade.

"They rested on their laurels" after 30 years of globalisation during which "everything went well", Darmet said.

With central banks using rate hikes to stop economies from overheating, economists warned that growth in the developed world would fall sharply or even contract in 2023.

Instead, US economic growth accelerated last year while the eurozone — Germany excepted — stayed in the green.

Earlier this week, the IMF raised its 2024 global growth forecast to 3.1%, citing unexpected resilience in major advanced and emerging market economies, including the US and China.

"There is a puzzle in all that immaculate disinflation," Princeton University economics professor Alan Blinder told AFP.

All the signs were there: interest rates signalled a US recession and indicators were pessimistic. In the 1970s, recession was the only way out of hyperinflation. Once again economists were accused of having been too narrow-minded.

Vanden Houte said the weak quality of data and a falling rate of responses to surveys were partly to blame. New phenomena also threw a curveball: Savings have helped to fuel consumption while companies have "much better managed" high rates than in the past, said Christophe Barraud, director general at Market Securities Monaco SAM.

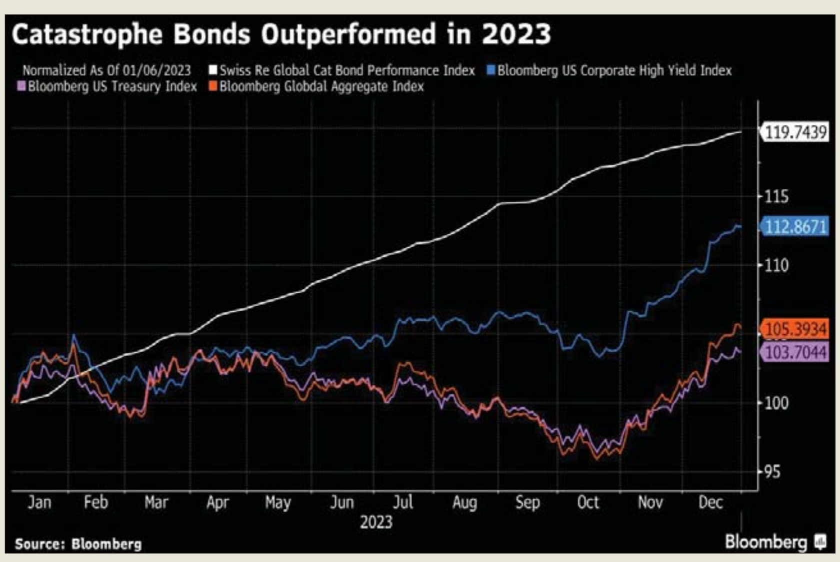
Nobel economics prize winner Esther Duflo told AFP in a recent interview that economists have fallen to "last place" on the list of most trusted professions, less popular than weather forecasters. Some are trying to change. In July, the Bank of England hired former US Federal Reserve chairman Ben Bernanke to lead a review of its forecasting process after it was criticised for failing to anticipate soaring inflation.

The Bank of Canada has decided to replace its old models with more forward-looking methodologies.

Hedge funds' returns set off demand spiral for catastrophe bonds

Bloomberg
New York

As hedge funds rake in record profits in one of the riskiest corners of the debt market, the products behind those returns are now drawing in more mainstream investors. Catastrophe bonds, which last year formed the basis for the best-performing hedge fund strategy, have been delivering gains that trounce those of other high-risk fixed-income products. In 2023, the securities soared 20%, compared with 13% for high-yield US corporate bonds. US Treasuries rose roughly 4%.
Niklaus Hilti, head of insurance-linked strategies at the investment arm of Credit Suisse, which is now part of UBS Group AG, says those eye-popping returns are feeding appetite for so-called cat bonds in circles beyond the domain of hedge funds.
"The interest has recently increased amongst institutional investors," Hilti said. "Even if we believe that these returns won't be reproduced in 2024, we think that small allocations to the asset class can make sense for investors in order to diversify investment portfolios."
Catastrophe bonds are used by the insurance industry to shield itself from losses too big to cover. That risk is instead transferred to investors willing to accept the chance that they may lose part or even all of their capital if disaster hits. In exchange, they can garner outsize profits if a contractually pre-defined catastrophe doesn't occur.
The cat bond market has existed for decades but has recently had a resurgence due to weather events fuelled by climate change. Combined with decades-high inflation, which has added to the cost of rebuilding after natural disasters, cat bonds have attracted record levels of issuer and investor activity.
At the same time, some cat bonds have been written with tighter trigger clauses, an outcome that favours investors and cat bond funds because it reduces the likelihood of a payout. Hedge funds that enjoyed bumper returns on cat bonds and other insurance-linked securities last year include Fermat Capital Management, Tenax Capital and Tangency Capital.
While niche hedge fund investors continue to dominate the market for cat bonds, more mainstream institutional investors are building up their presence, according to data compiled by Bloomberg. These include Schroders Plc, GAM Holding AG and Credit Agricole SA. That's coincided with growth in the supply of such securities, with insurers increasing issuance by 50% last year. Daniel Ineichen, Schroders' head of portfolio management overseeing about $5bn of insurance-linked securities, says high returns as well as the appeal of cat bonds as a portfolio diversifier have driven business for the asset manager.



He notes that a quarter of the investors seeking exposure to cat bonds at Schroders over the past six months are new to the firm's catastrophe bond team. A lot of the new interest is coming from institutional investors and wealth-management platforms, Ineichen said.
A Schroders cat bond fund targeting US investors that was launched in the middle of last year has already attracted $100mn, he said. "We have clearly seen that the flavour of the year was cat bonds" and "we see very attractive return patterns for 2024." Swiss Re, which has long been involved in the proprietary trading of cat bonds, has been broadening its strategy. In July 2022, it set up an investment manager called Swiss Re Insurance-Linked Investment Advisors Corp, which oversees third-party capital and currently has about $1.5bn of assets under management.
Given the current market trajectory, those assets may exceed $2bn by 2025, said MariaGiovanna Guatteri, the group's chief investment officer. Returns have been in the double digits and that's attracting interest from a growing roster of non-ILS specialist investors, she said.
To be sure, investors moving into cat bonds are taking on highly complex and highly risky instruments that don't move in tandem with the rest of the market.
And when payment clauses are activated, losses can be considerable.
Globally, the market for insurance-linked securities reached about $100bn at the end of the third quarter of 2023, insurance broker Aon Plc estimates.
Cat bond issuance alone hit an all-time high of more than $16bn in 2023, including non-property and private transactions, bringing the total market for the securities to $45bn, according to Artemis, which tracks the ILS market.

Hope for calm amid geopolitical tension

By Fahad Badar

There are many geopolitical risks at the start of 2024, discussed at the World Economic Forum's summit in Davos. The impact of each one can be impossible to anticipate, so it helps to stay open-minded and responsive

The beginning of the year is as good a time as any to take an overview of the challenges facing the world. January is the month in which many of the world's leaders gather in the Swiss town of Davos for the annual summit of the World Economic Forum to engage in such an exercise.

It is never possible to anticipate the scale or nature of emerging risks with precision. In January 2020, for example, there was only a little concern regarding the spread of a new coronavirus, yet the Covid-19 pandemic and associated lockdowns ended up having more social and economic impact that year than anything else.

Four years on, conflict in the Middle East is probably the biggest source of concern while Covid-19 is becoming a memory. Israel shows no sign of backing down in its military campaign to annihilate Hamas, with huge cost of civilian life, while Hamas resists fiercely and still holds hostages. The attacks by Houthi forces on shipping in the Red Sea, and retaliatory attacks by Western powers on Houthi bases in Yemen, are a direct consequence. While Qatar mediated to arrange a ceasefire in Gaza and return of some of the hostages in November, that truce turned out to be short-lived. Meanwhile, tension has erupted between Iran and Pakistan, with armed forces from both sides firing at alleged terrorist groups in the other's territory.

Containing or preventing regional conflicts was a major concern at Davos, and it took its place in the agenda alongside commercial and other economic issues, such as the rise of artificial intelligence, other technologies, the prospects for interest rates and economic growth. At least the world has escaped the recession that was feared a year earlier, and the cost-of-living crisis is lessening.

Most of the world is not at war, and the many elections due to be held in 2024 will almost certainly see a peaceful transition of power if the defending government is defeated, and much trade will carry on as normal. Around half the world's population will head to the polls in 2024. National elections will be held in the US, India, Mexico, and South Africa, along with elections for the European Union's Parliament. A general election in the United Kingdom has not yet been confirmed, but is due to take place towards the end of the year.

Many commentators, both at Davos and elsewhere, are concerned about Donald Trump becoming US president, which looks increasingly likely. Given that he has already served for four years, the fear would seem over-stated, at least superficially. But his second term, assuming he is elected, could be very different. Internally, he has signalled an intention to seek retribution on his enemies in politics, and his regime is likely to be hostile to immigrants. On foreign affairs, Trump has announced that he will appease Putin in Russia and seek a swift end to the conflict in Ukraine, but President Zelensky and the European Union are aware of this and are planning contingency.

The impact on global trade and business both of a Trump presidency may turn out to be limited – he is pro-business and pro-oil, for example. He has proposed import tariffs but these are unlikely to be significantly disruptive to trade. Trump is, however, an unpredictable character.

The CEO of the Qatar Investment Authority Mansoor Ebrahim al-Mahmoud, interviewed by Bloomberg TV at the Davos summit, reiterated the pragmatism of the sovereign wealth fund by reaffirming its commitment to a long-term investment policy, and will not be influenced by headlines and short-term trends. The QIA has identified Europe and Japan as regions with investment potential, while the US remains the most significant destination for investment. The fund has a global perspective. In terms of sectors, he highlighted the importance of AI and healthcare, enterprise software and digitalisation.

The Davos meeting is often described negatively, as a talking shop for the ultra-elite. Yet the elite will always be with us, and it is better that they talk to each other than fail to engage.

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

Qatar Chamber first vice-chairman Mohamed bin Towar al-Kuwari and board member Mohamed bin Ahmed al-Obaidli during the event.

Qatar Chamber participates in Oman's 'Investment and Food Security Week' held at Expo 2023 Doha

Qatar Chamber recently participated in the inauguration of the 'Investment and Food Security Week in the Sultanate of Oman' held at Oman's pavilion in the International Horticultural Expo 2023 (Expo 2023 Doha).

The ceremony was attended by Qatar Chamber first vice-chairman Mohamed bin Towar al-Kuwari and board member Mohamed bin Ahmed al-Obaidli. During the event, a meeting was held to review ways to bolster economic co-operation between both countries.

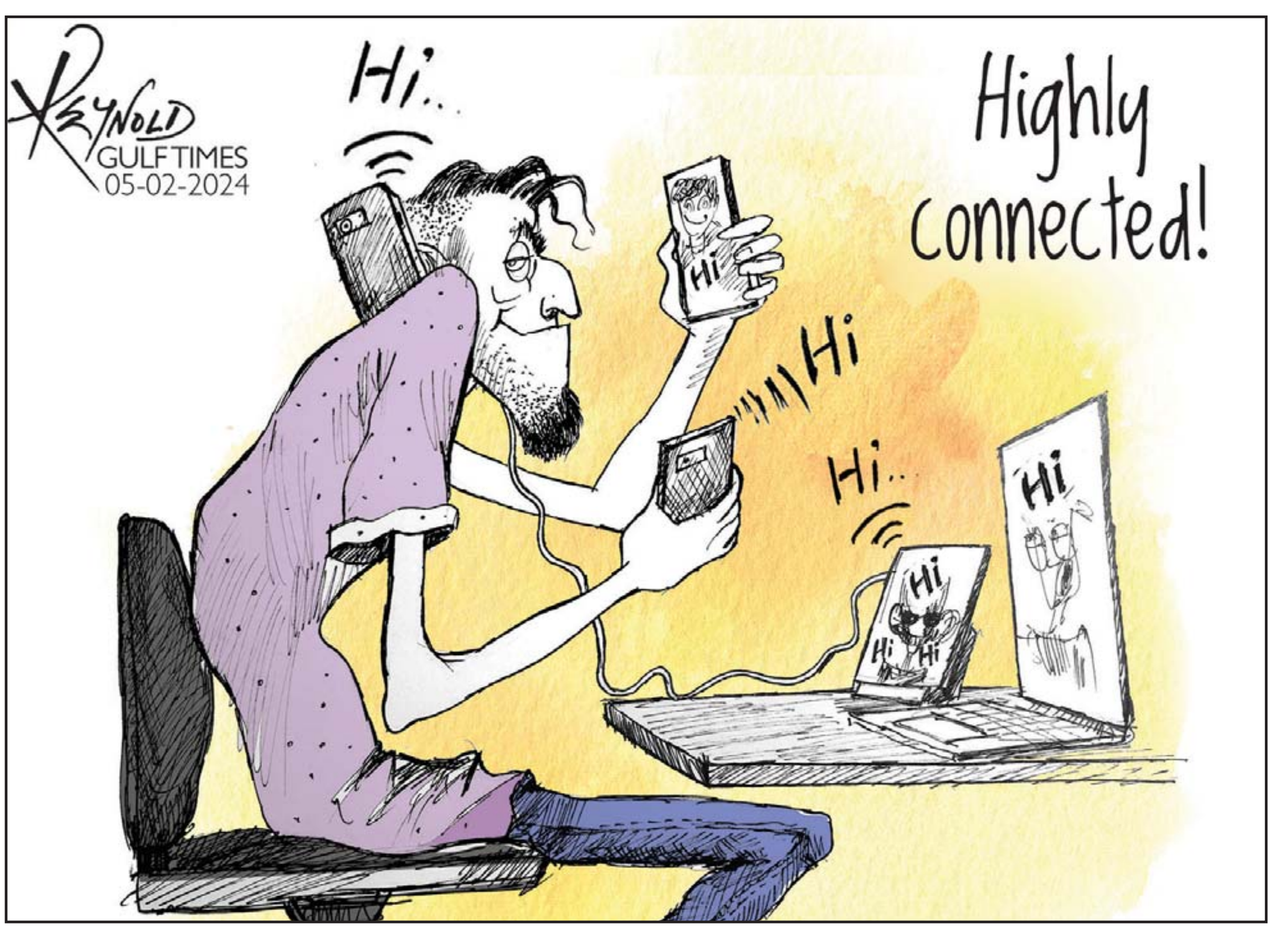
In a statement, al-Kuwari said Oman is one of Qatar's "most important trade partners," emphasising significant developments in trade within the private sector. He said Qatari private sector exports stood at QR4.6bn by the end of Q3-2023, adding that Qatari businessmen are eager to explore investment opportunities in Oman through the ongoing event.

Al-Kuwari further noted that there are numerous fields for cooperation between the Qatari and Omani private sectors, especially in agriculture, food security, food processing, and fisheries. For his part, Khalid bin Salim al-Zuhaimi, commissioner-general of Oman's pavilion at the expo, said 300 Omani companies are operating in Qatar with full ownership.

Additionally, numerous companies are collaborating with Qatari counterparts across various sectors, such as trade, contracting, services, hospitality, energy, and maintenance.

Faisal bin Abdullah al-Rawas, the chairman of the Oman Chamber of Commerce and Industry (OCCI), emphasised that Oman's participation in Expo 2023 Doha aims to educate Qatari and foreign investors about the abundant opportunities in Oman's agricultural and food security sectors.

He added that the visual presentations showcased during the week will have a positive impact on the private sector.



Stable rents limit rise in Qatar's inflation that may slow to 2.6% this year: Oxford Economics

By Pratap John
Business Editor

Stable rents limit the rise in Qatar's inflation, Oxford Economics said as the researcher estimates it will slow to average 2.6% this year.

"We now forecast average inflation at 2.6% in 2024, up from 2.2% in our previous projection, after it averaged 3% last year. Inflation was higher than we expected in December at 1.7%, pushed up by food, recreation and culture, and communication prices.

"We see no implications of this modestly higher inflation forecast for Qatar's monetary policy. Our revised baseline assumes the central bank will follow the US Federal Reserve in lowering rates once per quarter, starting in May," Oxford Economics said.

Headline inflation rose to 1.7% in December 2023, defying Oxford Economics' expectations of a slowdown, from 1.3% in November.

Prices rose 0.9% month-on-month, the third highest monthly increase last year, noted Oxford Economics in its Qatar economic forecast prepared by Maya Senussi, lead economist.

The key drivers behind the monthly rise were the food category and prices of recreation and culture, but clothing prices also surged. Housing, which has the largest share in the CPI basket were stable, leaving prices 2.9% lower than in the same month the year before.

"This supportive base effect will continue in the coming months. Overall, inflation averaged 3% in 2023, slightly higher than the 2.9% we projected, but will slow to average 2.6% this year," Oxford Economics said.

According to the researcher, high interest rates will continue to weigh on growth. Its updated baseline assumes interest rates will stay at 6% until May, when the Qatar Central Bank starts to gradually loosen policy.

High borrowing costs will continue to undermine non-energy growth, notwithstanding supportive energy and fiscal trends.

On local lenders, Oxford Economics noted they are heavily relying on external funding. Qatari banks have been resilient and are well-capitalised and profitable, with low levels of non-performing loans. Due to improved domestic liquidity, local banks' reliance on foreign funding has relaxed but is still high.

Neighbouring countries in the GCC could reform and diversify faster, the researcher said.

"Qatar has passed various reforms to attract foreign capital, but diversification efforts across the region suggest a competitive threat, with all GCC countries trying to tap into a similar pool of resources and demand," Oxford Economics said.

Local retail investors' net selling weakens QSE sentiments

By Santhosh V Perumal
Business Reporter

The Qatar Stock Exchange (QSE) yesterday opened the week weak with the local retail investors increasingly resorting to profit booking. About 72% of the traded constituents were in the red as the 20-stock Qatar Index declined 0.09% to 10,040.9 points.

The consumer goods, realty, transport, insurance and industrials counters witnessed higher than average selling pressure in the main market, whose year-to-date losses widened further to 7.3%.

The domestic institutions were seen increasingly bearish in the main bourse, whose capitalisation melted QR0.72bn or 0.12% to QR584.87bn with microcap cap segments leading the pack of shakers.

The Gulf institutions continued to be net sellers but with lesser intensity in the main market, which saw as many as 6,555 exchange traded funds (sponsored by Masraf Al Rayan and Doha Bank) valued at QR0.02mn trade across six deals. The foreign funds were seen increasingly net buyers in the main bourse, which saw no trading of sovereign bonds.

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

The Total Return Index was down 0.09%, the All Share Index by 0.16% and the All Islamic Index by 0.26% in the main bourse, whose trade turnover and volumes were on the decline. The consumer goods and services sector index tanked 1.28%, real estate (0.83%), transport (0.75%), insurance (0.34%) and industrials (0.25%); while telecom gained 0.65% and banks and financial services 0.08%.

Major shakers in the main market included Widam Food, Lesha Bank, Alijarah Holding, Medicare Group, Aamal Company, Woqod, Baladna, Qatar National Cement, Gulf International Services, QLM, Barwa, Milaha and Gulf Warehousing. In the venture market, Mahhar Holding saw its shares depreciate in value.

Nevertheless, Qatari German Medical Devices, Ooredoo, QIIB, Qatar Islamic Bank and Inma Holding were among the gainers in the main market.

The local individuals' net profit booking grew substantially to QR12.56mn compared to QR1.13mn on February 1.

The domestic institutions' net selling strengthened considerably to QR9.22mn against QR0.31mn the previous trading day.

However, the foreign institutions' net buying expanded significantly to QR18.21mn compared to QR5.9mn last Thursday.

The Arab individual investors' net buying increased marginally to QR4.31mn against QR4.12mn on February 1. The foreign individuals' net buying also rose marginally to QR1.89mn compared to QR1.5mn the previous trading day.

The Gulf retail investors turned net buyers to the tune of QR0.42mn against net sellers of QR0.11mn last Thursday. The Gulf institutions' net profit booking decreased markedly to QR3.05mn compared to QR9.97mn on February 1. The Arab institutions had no major net exposure for the seventh straight session.

Trade volumes in the main market shrank 27% to 103.69mn shares, value by 34% to QR281.16mn and deals by 28% to 10,291. The venture market saw 27% contraction in trade volumes to 0.11mn equities, 33% in value to QR0.14mn and 13% in transactions to 13.

About 72% of the traded constituents were in the red as the 20-stock Qatar Index declined 0.09% to 10,040.9 points yesterday