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## Qatari-Turkish Joint Committee for Economic and Commercial Co-operation explores potential areas

Capitalising on the robust bilateral trade between Qatar and Türkiye, Doha seeks to strengthen co-operation mechanisms as part of strategies to seize the opportunities in various sectors such as trade and investment, manufacturing, logistics, information technology, digital and financial services, food, agriculture, health, and education.

This was highlighted by HE Sheikh Mohamed bin Hamad bin Qassim al-Thani, Minister of Commerce and Industry, at the inaugural session of the Qatari-Turkish Joint Committee for Economic and Commercial Co-operation in Istanbul. The session was co-chaired by Dr Ömer Bolat, Minister of Trade of Türkiye.

“The Qatari-Turkish strategic partnership sets an example in the map of bilateral and regional alliances,” he said, adding this partnership gathers its strength from the long standing historical ties.

The global challenges and economic shifts serve as incentives to develop joint efforts aimed at increasing the volume of trade to levels, reflecting the potential available in both countries’ markets, he said, highlighting that the volume trade between the countries rose by 16.7% year-on-year to more than \$2.2bn in 2022.

During the proceedings of the meeting, collaboration aspects across multiple sectors were discussed and both the sides agreed to take necessary steps to move forward for consolidating trade and investment co-operation in order



HE Sheikh Mohamed bin Hamad bin Qassim al-Thani, Minister of Commerce and Industry, and Dr Ömer Bolat, Minister of Trade of Türkiye at the inaugural session of the Qatari-Turkish Joint Committee for Economic and Commercial Co-operation in Istanbul.

to increase the volume of trade exchange and facilitate the flow of goods, services, and investments.

The growth of the trade volume between the two countries proves the upgraded bilateral relations between the two countries, especially with the existence of direct navigation lines, along with an array of agreements signed between them with abundant shared investments.

Earlier Qatar Chamber chairman Sheikh Khalifa bin Jassim al-Thani had said Türkiye is an important destination for Qatari investments

as he stressed on the importance of further developing trade between the two countries.

The two countries late last year celebrated the 50th anniversary of the establishment of diplomatic relations between them. The Qatari-Turkish relations have witnessed a qualitative evolution since its establishment in 1973 until culminated in the strategic partnership stage.

There are about 200 companies with Qatari capital in Türkiye with a value of \$33.2bn. More than 720 Turkish companies operate in

Qatar, with a joint Qatari-Turkish capital, or Turkish 100% capital, in addition to 15 Turkish companies operating in the free zone in Qatar. The Qatar Investment Authority currently has three mega projects in Türkiye.

Qatar is considered one of the largest foreign investors in Türkiye and, in recent years, the Qatari private sector has recorded a remarkable presence in several Turkish investment fields such as real estate, contracting, tourism, manufacturing, media, finance, and health.

## Money markets price in less than 50% chance of ECB interest rate cut in April

Reuters  
London

Euro area bond yields hit fresh multi-week highs yesterday while money markets trimmed bets on future European Central Bank (ECB) rate cuts, pricing in a less than 50% chance of a first move in April and around 115 basis points of easing in 2024.

The repricing has been under way since late last Friday amid strong US economic data and rate-setters saying central banks must be cautious before reducing rates.

The ECB still needs more evidence that inflation is heading back to its 2% target before it can cut interest rates, even if there is growing confidence that price pressures are easing, two key policymakers said on Thursday.

Thursday’s US figures confirmed underlying labour market strength despite a recent layoff spike, triggering expectations that the Federal Reserve will bide its time before easing. Fed chair Jerome Powell said on Sunday it must be prudent.

ECB euro-short-term rate (ESTR) forwards priced in 118 bps of rate cuts by year-end, from around 140 bps last week, before US jobs data. They discounted 114 bps earlier in the session.

The ESTR has been 10 bps below the deposit facility rate, which the ECB set at 4%.

Analysts mentioned Thursday’s comments by ECB hawk Robert Holzmann that “there is a certain chance there will be no rate cut at all this year, or only at the very end of the year”.

Market participants label as hawks central bank officials who advocate a tight monetary policy to control inflation, while doves focus more on economic growth and the labour market.

“The hawkish reassessment

of ECB cut pricing for the first half is US-led, but the positive turn in the euro area Citi Economic Surprise Index (CESI) and the cut-off for the March staff projections suggest it may have further to run,” Citi said in a note to clients.

Citi suggested the cut-off for the ECB economic projections may have been Wednesday, and that wage figures, which are crucial for a possible central bank decision on rates, will be missing.

CESI measures the sum of the differences between official economic data and market forecasts. Markets discounted a 48% chance of a first 25 bps ECB rate cut in April, after pricing it in fully at the end of January.

“However, this should not detract from buying the dips in duration (long-dated bonds), in our view,” Citi argued, adding that it had cut its forecast for the year-end 10-year German government bond yield to 1.85% from 2.15%.

Germany’s 10-year government bond yield, the benchmark for the euro area, rose 0.5 bps to 2.36% after hitting 2.389%, its highest level since early December.

Investors will focus on a revision to US consumer price index figures covering the last five years, later in the session, recalling that the revisions significantly altered the picture this time last year, taking Fed officials by surprise.

“These (inflation) rates will be affected by the annual revision and therefore it could increase or decrease the confidence that the FOMC has in a sustainable return to 2% inflation and it may affect the timing of the first rate cut,” said Philip Marey senior US strategist at Rabobank.

Italy’s 10-year government bond yield was flat at 3.94%, with the gap between Italian and German 10-year yields at 156 bps.

## Foreign funds’ increased net selling drags QSE; M-cap melts QR9bn

By Santhosh V Perumal  
Business Reporter

The regional geopolitical uncertainties and Israel’s rejection of ceasefire had their lingering effect on the Qatar Stock Exchange (QSE) with its key index dropping as much as 89 points and capitalisation melting about QR9bn this week.

The foreign institutions were increasingly net profit takers as the 20-stock Qatar Index shed 0.88% this week which saw Industries Qatar (IQ) report net profit of QR4.7bn in 2023. The domestic funds were seen net sellers this week which saw the Qatar Financial Centre’s purchasing managers’ index find that Doha’s non-energy private sector began 2024 on a strong note with improving business conditions.

The Arab institutions were bearish, albeit at lower levels in main market this week which saw Dukhan Bank register net profit of QR1.3bn in 2023.

More than 80% of the traded constituents were in the red in the main bourse this week which saw QIB’s 2023 net profit at QR1.16bn. The local retail investors’ weakened net buying interests had its influence in the main

### WEEKLY REVIEW

market this week which saw Milaha record net profit of QR1.03bn in 2023.

The transport, consumer goods and industrials counters witnessed higher than average selling pressure in the main bourse this week which saw Qamco report net profit of QR446.01mn in 2023.

However, the foreign funds were seen increasingly net buyers in the main market this week which saw a total of 0.05mn Masraf Al Rayan-sponsored exchange-traded fund QATR worth QR0.11mn trade across 19 deals.

The Arab individuals were increasingly bullish in the main bourse this week which saw as many as 0.01mn Doha Bank-sponsored exchange-traded fund QETF valued at QR0.05mn change hands across six transactions. The Islamic index was seen declining slower than the other indices in the main market this week which saw the banks and industrials together constitute about 64% of the total trade volumes.

Market capitalisation eroded QR8.62bn or 1.47% to QR576.97bn on the back of large and midcap segments this week, which saw no



The foreign institutions were increasingly net profit takers as the 20-stock Qatar Index shed 0.88% this week

trading of sovereign bonds and treasury bills. Trade volumes and turnover were on the decline in both the main bourse and junior market this week, which saw Ezdan seek withdrawal of its credit rating from Standard and Poor’s.

The Total Return Index shed 0.88%, the All Share Index by 1.18% and the All Islamic Index by 0.1% this week, which saw United Development Company register net profit of QR402mn in 2023. The transport sector index plummeted 4.08%, industrials (2.18%), consumer goods and services (1.35%), insur-

ance (0.67%), telecom (0.64%), real estate (0.51%) and banks and financial services (0.46%) this week which saw Milaha and the Qatar Research, Development and Innovation (Council) enter into a strategic tie-up to offer grant \$1mn each to five companies that address sustainability challenges in the maritime industry.

Major losers in the main market included Ahlibank Qatar, Widam Food, Milaha, Gulf Warehousing, Doha Bank, Commercial Bank, QNB, Leshia Bank, Alijarah Holding, Medicare Group, IQ, Qatar National Cement, Qatar Industrial Manufacturing, Aamal Company, Gulf International Services, Mazaya Qatar, Vodafone Qatar and Nakilat this week which saw Meeza report net profit of QR60.22mn in 2023.

Nevertheless, Qatar Islamic Insurance, Qatar Islamic Bank, Inma Holding, Masraf Al Rayan, QIIB, Mesaieed Petrochemical Holding and Ezdan were among the gainers in the main bourse. In the venture market, Mahhar Holding saw its shares appreciate in value this week which saw a top official of QSE say the Qatar Derivatives Market is expected to be launched this year.

The Gulf institutions’ net selling increased drastically to QR143.25mn compared to

QR44.18mn the week ended January February 1. The domestic institutions turned net sellers to the tune of QR31.58mn against net buyers of QR30.02mn the previous week.

The Arab institutions were net profit takers to the extent of QR0.26mn compared with no major net exposure a week ago. The Qatari individuals’ net buying declined substantially to QR5.59mn against QR26.97mn the week ended February 1.

However, the foreign funds’ net buying strengthened significantly to QR115.88mn compared to QR36.04mn the previous week.

The Arab individual investors’ net buying expanded considerably to QR25.91mn against QR12.62mn a week ago.

The foreign individuals’ net buying grew noticeably to QR23.74mn compared to QR10.31mn the week ended February 1. The Gulf individual investors’ net buying rose perceptibly to QR3.98mn against QR0.3mn the previous week.

The main market witnessed a 9% contraction in trade volumes to 616.76mn shares and 11% in value to QR1.95bn but on almost flat deals at 76,340 this week.

In the venture market, trade volumes tanked 14% to 0.93mn equities, value by 15% to QR1.29mn and transactions by 13% to 118.



## Barclays to adopt fresh curbs on oil and gas financing

Reuters  
London

Barclays, Britain's biggest lender to the oil and gas industry, told Reuters it will stop direct financing of new oil and gas fields and restrict lending more broadly to energy companies expanding fossil fuel production. The project finance curbs are not expected to have a major impact on its business given its limited market share. The bank is not in the top 15 of major project finance banks globally, and most have yet to adopt similar restrictions.

From 2025, the bank will curb broader financing to non-diversified companies such as pure-play exploration companies if more than 10% of their expenditure goes toward expanding production over the longer term.

Barclays group head of sustainability Laura Barlow said the new policy was part of its commitment to reduce emissions linked to the bank's lending and bolster finance to greener alternatives. "It's about strengthening our focus on the energy transition," Barlow said.

Barlow said existing upstream energy clients that breach the 10% threshold would go through an enhanced oversight process that also looked at the client's investment in decarbonisation. "It wouldn't be a red line but... would inform our risk appetite," Barlow said.

Barclays joins banks such as HSBC and BNP Paribas that are tightening oil and gas lending while pledging to increase funding to areas such as renewable energy that can help cap global warming, targeting \$1tn in such lending by 2030.

Non-profit ShareAction, that had pressured Barclays to do more to help tackle climate change, said that in response to the new curbs it had withdrawn a proposed shareholder resolution calling for the bank to stop funding new expansion projects.

Jeanne Martin, its head of banking standards, said the move to limit finance to expansion projects and set climate tests for all clients was good to see, although it still had concerns, including around the bank's funding of fracking.

"We have outstanding concerns...so have made clear to the bank that we will be scrutinising the way it implements its fossil fuel policy and will not hesitate to escalate our engagement again should we be dissatisfied with...progress," she said.

The bank was the biggest funder of fossil fuels in Europe between 2016 and 2022 and the second-biggest in 2022, a report by the non-profit Rainforest Action Network showed, though most of it came from corporate lending rather than project finance.

Barlow said the bank's oil and gas on-balance sheet financing as a percentage of its total lending activities was less than 2%, with capital markets financing for the sector less than 3% of total activity. Emissions linked to Barclays' lending to the energy sector dropped 32% between 2020 and 2022, beating a target reduction of 15%, the bank said in its 2022 annual report.

Additional restrictions introduced by Barclays include no financing for exploration and production in the Amazon, and, from June 2024, no financing to firms that get more than 20% of their production from unconventional sources such as oil sands.

All Barclays corporate clients in the energy sector will be expected to present transition plans or decarbonisation strategies by January 2025, alongside 2030 methane reduction targets, and a commitment to end all non-essential venting and flaring by 2030.

The clients would also need to have near-term net-zero aligned targets for Scope 1 and 2 emissions — those linked to their own operations and energy usage — by January 2026.

Barclays' head of sustainable finance, corporate and investment bank Daniel Hanna said the bank looked at over 80 variables when assessing clients' decarbonisation plans and had committed to review 750 client entities at the last AGM.

## US real estate contagion now moving to Europe

Bloomberg  
Berlin

The troubles in the US commercial property market, which have already hit banks in New York and Japan, moved to Europe this week, elevating fears about broader contagion.

The latest victim was Germany's Deutsche Pfandbriefbank, which saw its bonds slump on concern about its exposure to the sector. It responded by issuing an unscheduled statement Wednesday that it had increased provisions because of the "persistent weakness of the real estate markets." It described the current turmoil as the "greatest real estate crisis since the financial crisis."

Lenders are taking increasing provisions on debt extended to property owners and developers as loans begin to sour after rising interest rates eroded the value of buildings around the world. On Tuesday, Treasury Secretary Janet Yellen said that losses in commercial real estate are a worry that will put stress on owners, but added that she thinks the problem is manageable. For offices in the US, where the return to work following the pandemic has been slower and less substantial, the value destruction has been particularly bad. And some predict the full impact might not even be fully priced in yet. Analysts

at Green Street said that a further writedown of as much as 15% may be needed this year.

"Appraisal values remain much too high," they wrote in a note. "Lenders that base their decisions on these appraisals have greater odds of taking impairments" and some could face "strain" as a result. The plunge in German lenders' bonds was the latest in a series of warning signals. New York Community Bancorp was cut to junk by Moody's Investors Service after flagging real estate problems, while Japan's Aozora Bank recorded its first loss in 15 years due to provisions on loans extended to US commercial properties.

"There are serious concerns in the US CRE market," said Rabobank credit strategist Paul van der Westhuizen. "It's a not an issue for larger US and European banks but the smaller property-focused German banks are feeling a bit of pain. Right now it's more a profitability issue than a solvency issue for them though. They have sufficient capital and are less exposed to the threat of deposit runs than pure retail banks are."

In its results last week, Deutsche Bank AG recorded provisions for losses in US commercial real estate that were more than four times bigger than a year earlier. It warned that refinancing poses the greatest risk to the struggling sector as asset values suffer. Elsewhere in Europe, Switzerland's

Julius Baer Group Ltd said it would write down huge loans to bankrupt property company Signa. While it was a specific issue, it's added to the broader worries about how far things could spread. On Tuesday, Morgan Stanley held a call with clients recommending they sell Deutsche PBB's senior bonds. The notes due in 2027 tanked over 5 cents after that to 97, according to CBBT data compiled by Bloomberg.

Meanwhile, the bank's AT1 notes slumped as much as 15 cents to 26 between Tuesday and Wednesday. Both sets of notes recouped some of their losses after Deutsche PBB said Wednesday that while it has increased loan-loss provisions to €210-215mn for the full year, it "remains profitable thanks to its financial strength."

Sonja Forster, vice president of European Financial Institution Ratings at Morningstar DBRS, said PBB's "focus on prime locations and relatively conservative LTVs provide some downside protection."

"However, given that the refinancing risk is still high and fresh equity available to borrowers is limited we are monitoring the situation very closely," she said. Concerns over PBB have spread to other banks with CRE exposure. Aareal Bank AG bonds have lost about 10 points in the last two days and are now quoted at 76 cents on the euro. In November, it reported that the value of US non-

performing loans had risen more than fourfold over the previous year. Bafin, the country's banking regulator, said it's monitoring the situation, declining to comment on specific lenders.

Germany's central bank warned last year about the risks surrounding commercial real estate, saying there could be "significant adjustments" that lead to higher defaults and credit losses. "The outstanding volume of loans granted by the German banking system to the US commercial real estate market is comparatively small, but relatively concentrated at individual banks," the Bundesbank said.

Germany's Landesbanks have also felt the pain of their exposure to commercial real estate; in the first half of 2023, the major state banks - Helaba, BayernLB, LBBW and NordLB - posted provisions of about €400mn in total. If the CRE losses spread to Europe through smaller German banks, that would have an echo of the 2008 global financial crisis. Back then, it was the Landesbanks that got into trouble, when their exposure to subprime mortgages in the US led to billions of euros of writedowns.

"You have to be mindful as you don't know exactly where the bottom is," said Raphael Thuin, head of capital markets strategies at Tikehau Capital. "We are aware that there could be more pain to come in commercial real estate."

## Faster US stock trading puts FX-market anchor on edge

Bloomberg  
New York

CLS, the world's largest foreign-exchange settlement firm, is racing to figure out a way to get the \$7.5tn-a-day currency market ready for a huge change to trading in US stocks.

The US is less than four months from introducing what's known as T+1, when it will halve the time it takes to complete equity transactions to just one day. The move will leave the world of foreign exchange — where trades typically take two days to complete — out of step.

Overseas investors buying US assets will need to secure dollars faster to complete deals, creating a desperate scramble and the increased risk of failed trades. CLS, which settles more than \$6.5tn daily through its systems, says about one third of asset managers aren't ready. It estimates around \$65bn of the trades it processes could miss the cut-off time for next day settlement.

One option is for CLS to extend its deadline to 6 pm in New York. Liquidity is often lower in the late US afternoon — the so-called witching hour — and the extra time would give investors a bit more leeway to secure the cash they need.

CLS is surveying members and is set to announce if it will push back its deadline by 30, 60 or 90 minutes, or leave it unchanged, at the end of this quarter. Right now, it looks like



Traders work on the floor of the New York Stock Exchange. CLS, the world's largest foreign-exchange settlement firm, is racing to figure out a way to get the \$7.5tn-a-day currency market ready for a huge change to trading in US stocks.

one of those is off the table. "Looking at the responses so far, a 90-minute extension is out of the question," said Lisa Danino-Lewis, chief growth officer at CLS, who's been jetting around the world in a dash to assess the readiness of the industry. "We can't introduce risk into the system."

Given its scale, CLS is a vital part of finding a way to deal with the upcoming shift, which Bank of New York Mellon Corp

has called the most transformative change since the onset of electronic trading in the early 2000s.

"The market is waiting for a golden ticket solution and there isn't one," Danino-Lewis said. "It would be helpful if CLS could be that solution but even if we do move the deadline, there are multiple factors that need to be in place for it to work."

Asset managers access CLS

via its 74 members, which include banks such as Goldman Sachs Group Inc, JPMorgan Chase & Co and Citigroup Inc. But all of them need to be able to accommodate the later deadline and some banks have said it will take them a year to be ready, according to Danino-Lewis.

This means even if CLS does decide to push back its deadline, implementation wouldn't happen in 2024 and asset man-

agers would have to seek alternative means of settlement.

"From an operational risk point of view, there's issues around the fact these trades could fall out of CLS," said Gordon Noonan head of foreign exchange trading at Schroders. "It's a bit of a retrograde step for the market — in an ideal world we would still be able to settle those trades in CLS."

As the clock ticks down, CLS settlement members are busy readying their systems in a bid to ease its asset manager clients through the transition.

"We have been working to assess and minimise any potential impacts for a while — making structure and procedural changes were needed," said Graham Sorrell, head of equity, currency and derivatives trading for EMEA and APAC at State Street Global Advisors.

The changes include measures to speed up trades and alert staff of key settlement cut-off times.

Still, part of the issue complicating CLS' deadline move is that some settlement members have their own earlier cut-off time for asset management clients, meaning they may not benefit from the deadline extension.

"The discussion around extending our deadline is irrelevant if we can't get the custodian banks to be more liberal with their own cut-off times," Danino-Lewis said. "The buy-side is definitely starting to be more vocal on the need for visibility and it's how custodians attract business."

## US consumers to forge ahead through credit strains and layoff threats

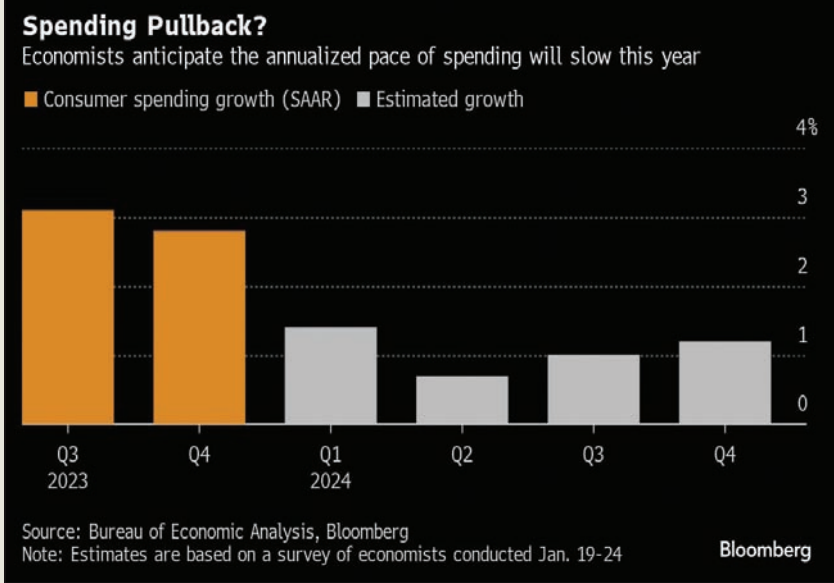
Bloomberg  
Washington

American shoppers won't be deterred by mounting credit-card bills or the recent ripple of layoffs, according to the latest Bloomberg Markets Live Pulse survey. More than half of 463 respondents said spending will stay strong or get even stronger in 2024, with consumers set to keep shelling out for airline tickets, restaurant meals and concerts. The year's first jobs report, which showed hiring and wages on the rise, offered a boost to that view.

There's been some less rosy news from the labour market too, after a spate of layoff announcements at consumer companies like Lowe's Cos, Macy's Inc and Whirlpool Corp — and more are expected to follow as bosses seek to shore up profits. Even so, with American paychecks now outpacing prices, many investors are betting on a re-run of 2023 when household spending upset forecasts for a pullback.

"We really haven't seen any signs of the consumer slowing down," said Brittany Quatrochi, an analyst at broker Edward Jones. "Inflation pressures have impacted a lot of consumers, but ultimately you still have a strong jobs market. They're still going to feel comfortable and continue to spend."

That's the majority view in the MLIV Pulse



poll — but only just. Some 45% of those surveyed expect consumer spending to decelerate in the coming months. Economists are inclined to agree. Along with potential job cuts, respondents in that camp also cited changing shopping patterns — and indications that more people are having trouble repaying their debts. Kevin Hochman is seeing "mixed

messages." The chief executive officer of Brinker International Inc — parent company of restaurants Chili's Grill & Bar and Maggiano's Little Italy — said some consumers are set to turn more conservative, while others plough ahead. "We don't see a pullback in any of our consumer income demographics," Hochman said on a recent earnings call. "But on the flip side, we're also seeing

improved responsiveness to TV ads that showcase really sharp value." Resilient shoppers are a tailwind for retailers like Amazon.com Inc and Walmart Inc but with Americans hunting harder for bargains, almost four out of five MLIV Pulse respondents said most consumer companies will seek to maintain profits by laying off staff or finding other cost cuts, rather than marking up prices. The pandemic cost-of-living surge has already cooled off, leaving consumers feeling a lot better. The University of Michigan's gauge of sentiment just posted its biggest back-to-back jumps in more than three decades. High prices remain a frustration, forcing many families to alter how they spend. But unemployment held at a historically low rate of 3.7% in January, and hiring comfortably beat forecasts. What's more, while the excess savings that helped power consumption last year have dwindled, wages and salaries are growing faster than inflation — and that's where households get most of their shopping budgets. About 63% of MLIV Pulse respondents said Americans will keep spending on experiences like travel, eating out and concerts. What worries some analysts is that Americans don't just spend out of paychecks — they've increasingly been relying on credit too.

So-called revolving credit has climbed over the past year, as has take-up of buy now, pay later programs. All of that borrowing may be one reason why American consumers defied the doomsayers last year.

"If I could have known at the start of last year how much revolving consumer credit was going to increase, I think I would've had a much better sense of the staying power of the consumer," said Tim Quinlan, a senior economist at Wells Fargo & Co. Now, more and more Americans are struggling to pay those bills, especially with borrowing costs at multi-decade highs.

Credit-card delinquency rates are above pre-pandemic levels. Almost 3.2% of card balances were at least 30 days past due as of the end of September, according to a Federal Reserve Bank of Philadelphia report, the highest share in more than a decade.

More than three quarters of MLIV respondents expect consumer delinquencies and defaults to keep creeping higher in 2024, though only 15% expect a surge. That's fuel for the glass-half-empty view.

"The things that drove us to the heady pace of spending last year are not available as drivers for us again," Quinlan said. "The consumer's going to continue to spend, but not at the breakneck pace that we saw in the second half of 2023."



# China's traders eye triggers that threaten to push yuan past 7.20

**Bloomberg**  
Beijing

Pressure is building on the onshore yuan to weaken past an unofficial line in the sand for policymakers and this time traders are keeping as close an eye on happenings in Japan as they are Stateside.

A closely-watched support level has formed at 7.20 per dollar, a level that hasn't been breached since November, thanks in part to stronger-than-expected daily reference rates for the managed currency and state-owned banks stepping into the market when it is neared.

Any indication Beijing will allow the currency to cross the line would be a signal to investors looking for further evidence of a government stepping up efforts to boost China's spluttering economy, according to strategists.

Both Maybank Asset Management and BNY Mellon Capital Markets see the Bank of Japan (BoJ)'s March meeting as the next big volatility event for the yuan that could trigger such a breach. Much will also depend on Federal Reserve signalling on when it is likely to cut interest rates, a move which would give more room for China to also ease monetary policy, said Bank of America.

"If they let the fixings go and let it move higher than 7.20 that's a signal that they're accommodating a weaker currency and that opens up room for them to cut rates as well," said Bank of America's Adarsh Sinha, co-head of Asia foreign-exchange and rates strategy in Hong Kong.

China is facing a so-called impossible trinity, where it needs to stabilise the exchange rate and prevent capital outflows while keeping an independent monetary policy. Its task has been made even more challenging as a recent stock-market selloff has forced authorities to announce a spate of measures to shore up invest-



Chinese one-hundred yuan banknotes arranged in Hong Kong. Pressure is building on the onshore yuan to weaken past an unofficial line in the sand for policymakers and this time traders are keeping as close an eye on happenings in Japan as they are Stateside.

tor sentiment, on top of its daily support of the yuan.

**Stable currency:** For Beijing, currency stability is paramount so it's the recent recovery in the dollar that is hampering their ability to enact additional support measures, according to Charu Chanana, head of foreign-exchange strategy at Saxo Bank. Bloomberg's gauge of the greenback has climbed back to the highest since December as hawkish commentary from Fed officials pushes back expectations for a US rate cut.

"If we look at the measures the Chinese authorities have been taking, they look more like band-aid measures than anything," said Chanana. "They are also cautious of massive stimulus measures because they do not want to see the currency weakening so much. All they can do is provide a floor rather than do anything to boost the currency."

Still, traders should be prepared for a shift from China that potentially weakens the yuan, despite Beijing's worries about capital outflows, according to Bank of America's Sinha.

"At some point you just have to take that risk and try to support the economy," he said. There's no economic reason why 7.20 should be a line in the sand, but it's one "definitely market participants are kind of fixated on." The Chinese currency was trading around 7.1960 yesterday onshore. It has fallen over 1% this year.

**Watch Japan:** For Bob Savage, BNY Mellon Capital Markets head of markets strategy and insights in New York, yuan traders betting on a breach of the support level should keep an eye on happenings in Japan.

Weakness in the yen has the potential to spill over into Asian peers, while Chinese authorities are likely to be sensitive to the relative attrac-

tiveness of regional currencies. "It's all relative to your neighbour's pricing, the only way I could see the yuan break out of 7.20 is if you get yen to break above 152," he said. "The BoJ could blink and not normalize, the Fed could sound more hawkish while inflation stays sticky and all of this without a BoJ response will get yen back to 152."

The Japanese currency traded just above the 149 per dollar level on Friday, as traders parsed comments from the BoJ's deputy governor who said it's hard to see the bank raising its policy rate continuously and rapidly even after negative interest rates are ended.

"I do believe the dollar will start trending down in March or April," said Rachana Mehta, co-head of regional fixed income at Maybank Asset Management. "But the most important factor may be Japan."

## Thai central bank is open to ease policy if weak economy persists

**Bloomberg**  
Bangkok

Atop Thai monetary policymaker said the central bank is willing to lower borrowing costs if it is convinced that the weakness in the economy is persistent and not transitory.

Southeast Asia's second-largest economy is currently witnessing softness due to a mixture of cyclical factors as well as structural ones, Bank of Thailand's Assistant Governor Piti Disyatat said. The rate panel is trying to disentangle the two effects, he added.

A rate cut is "conditional on how the economy progresses going forward and how we disentangle the softness that we see — if it's a temporary thing or something more persistent," he said in an interview to Bloomberg Television's Haslinda Amin and David Ingles yesterday. "That's the key determinant of the policy decisions going forward."

The BOT this week kept its benchmark interest-rate unchanged for a second straight time, resisting pressure from Prime Minister Srettha Thavisin to lower borrowing costs to boost consumption and economic growth. But a split 5-2 vote by the rate-setting panel signalled the readiness of some policymakers to start easing.

"Any views are extremely welcome," Piti said, when asked about the premier's call for easing. "I personally view it as a healthy debate," he added.

He also clarified that the central bank is "not

wedded to any particular stance" and is willing to adjust policy if the outlook changes.

Thailand is currently witnessing a disinflation process, with consumer prices in negative territory for four months since October. Economic growth has slowed, while exports have struggled to recover.

"Incoming data indicate there was a soft patch," Piti said, adding that most of the softness came from external sectors — exports and tourism. A delay in budget due to the late formation of government also contributed to the slowdown, he said.

The economic risks are tilted to the downside, Piti said, adding that such an outturn will require some recalibration of the neutral stance. Any cut to rates in that event should not be seen as the start of a stimulus cycle, Piti said.

That said, Piti clarified that he "wouldn't prejudice the policy decision going forward," as the committee reviews incoming data before setting policy.

"The aim of the committee is to keep rates broadly neutral," the BOT assistant governor said. "We have quite a high level of household debt accumulate over the past years, we want to make sure that the financial stability side of the economy is intact."

On the baht, which has gone from being the best performer in Asia in the final quarter of 2023 to the second-worst this year, Piti said the currency volatility has been driven mostly by external factors and moves are largely in line with fundamentals.

## Holiday-hit Asia markets mixed, Wall Street record fails to inspire

**AFP**  
Hong Kong

Asian markets were mixed in holiday-thinned trade yesterday as investors struggled to build on another record-setting day on Wall Street, with focus on the upcoming release of key US inflation data.

In Tokyo, the Nikkei 225 closed up 0.1% to 36,897.42 points; Hong Kong — Hang Seng Index ended down 0.8% to 15,746.58 points and Shanghai — Composite closed for a holiday.

US equities have continued their march higher this week as strong earnings from big-name firms and data showing resilience in the world's number one economy helped overcome Federal Reserve warnings that interest rates will

not come down as early as hoped. Figures released Thursday showing below-expectation US jobless claims reinforced the view that the labour market remained in good health despite interest rates sitting at two-decade highs, but gave the central bank room to hold borrowing costs where they are for longer.

Revisions to the consumer price index due Friday will be pored over and followed by new data for January, with an above-forecast reading seen as justifying the monetary policymakers' reluctance to cut just yet.

Richmond Fed president Thomas Barkin joined several of his counterparts Thursday in urging patience on cutting rates, adding that "no one wants inflation to re-emerge".

He said the healthy run of data on the

economy — particularly the labour market — had given the bank time to become confident that the slowdown in inflation is assured.

"For now the claims stats continue to suggest there are no firing pressures emerging in the US labour market," said National Australia Bank's Rodrigo Catril. However, he warned: "That said many US commentators note that there is a meaningful risk claims will rise over coming months, amid a burst in layoff announcements (including from Deloitte, Amazon and Tesla, among others)." Wall Street's three main indexes eked out fresh gains, with the S&P 500 breaking 5,000 points for the first time towards the end of trade, before edging back but still finishing at an all-time high.

With much of Asia either closed or enjoying half days as a long Lunar New

Year weekend approaches, trading activity was limited. That saw Hong Kong tumble again, at the end of a volatile week in which the Hang Seng Index surged on China's pledges of market support, and then retreat owing to a lack of detail from officials. Singapore and Wellington also fell. Tokyo rose on a weaker yen and a soaring SoftBank after the firm reported strong earnings. Sydney, Mumbai and Bangkok were also up. Shanghai, Seoul, Taipei and Jakarta were closed for holidays. While China is now in holiday mode, investors are keeping tabs on Beijing, hoping for fresh measures to boost market confidence or even hints of growth-driving help for the country's stuttering economy. News that consumer prices fell at their sharpest pace since 2009 added to

the gloom, and ramped up pressure on officials to address the crisis head-on with a big-time "bazooka" stimulus package. However, observers were sceptical that anything major would be forthcoming. Analysts at Eurasia Group said the replacement of the chairman of China's markets regulator "demonstrates that the political impulse remains to tighten administrative controls rather than address fundamental problems facing the economy. The move "entrenches the sense of malaise and weighs on confidence". Stephen Innes at SPI Asset Management added: "There is growing consensus that the central government must take decisive action...to address China's economic challenges. Urgent action is needed to restore confidence and stimulate economic growth."

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## ARTIC property wins *Forbes* Five Star Resort award



The St Regis Bal Harbour Hotel, a property of Al Rayyan Tourism and Investment Company (ARTIC), one of the world's leading hospitality investment companies and a subsidiary of Al Faisal Holding, one of the region's largest private diversified business groups, has been awarded *Forbes* Five Star Resort award for the eleventh consecutive year, while maintaining its AAA Five Diamond rating. "This recognition demonstrates ARTIC's commitment to continuous investment in its assets and its focus on preserving the quality and value in addition to working with exceptional operators and teams," said Tarek M El Sayed, its managing director and chief executive officer. ARTIC owns an investment portfolio comprising more than 35 properties in Europe, the US, the Middle East and North Africa.

## Doha chapter of ICAI conducts event on ‘Building Organisational Capabilities’

The Doha Chapter of the Institute of Chartered Accountants of India (ICAI) has recently organised a session on ‘Building Organisational Capabilities: A 2024 Perspective’.

The event witnessed a significant turnout of over 200 participants. The attendees included members of the Doha Chapter and finance professionals from leading organisations in Qatar. The chapter chairperson Vignesh Kalyanaraman welcomed the members and expressed gratitude to the speakers for sharing their insights and knowledge.

Rajesh Menon delivered a comprehensive presentation on building organisational capabilities, covering global economic shifts, the Gulf Co-operation Council or GCC economic trends for 2024, and the drivers of changes in both public and private sector organisations.

He emphasised four core themes: Strategy and Operating Model, Governance, Risk, and Compliance, Environmental Sustainability Growth,



The DCICAI session on ‘Building Organisational Capabilities: A 2024 Perspective’.

and Digital Transformation. Dileep Balakrishnan, chief executive officer of Anvin Infosystems, gave an overview of his company's products and services capabilities.

The event honoured new members who recently passed the ICAI final examination with a token of appreciation, welcoming them to the DCICAI family.

# ECB warns lenders of consequences for poor property risk management

**Bloomberg**

Frankfurt

The European Central Bank (ECB) is signalling to lenders that they may face higher capital requirements if they have an insufficient handle on risks they face from commercial real estate, according to people familiar with the matter. The watchdog is placing greater emphasis on the management of commercial property risks, in a dialogue with banks that comes before the annual bar for their financial strength is set, said the people, who asked to remain anonymous as the discussions are private.

While individual requirements would probably only apply next year, senior officials view the early warnings as a way to limit losses from the asset class.

An ECB spokesman declined to comment. The watchdog has said that addressing banks' shortcomings in credit risk management is one of its top priorities.

Commercial real estate markets have been in a sharp decline as last year's spike in interest rates compounded challenges from the shift to work-from-home and changing retail behaviour. The ECB has scrutinised banks' lending practices for several years and has repeatedly faulted them for taking too much risk, including in December when it cited evidence that lenders were over-valuing collateral.

The latest escalation follows pressure from the ECB last year that the people familiar with the matter say contributed to banks booking higher provisions for possible losses on commercial real estate. Senior officials say that while the ECB's intensity hasn't changed, the materialisation of losses means the watchdog's approach is evolving. "Real estate



The Frankfurt skyline. The European Central Bank is signalling to lenders that they may face higher capital requirements if they have an insufficient handle on risks they face from commercial real estate.

distress is causing shockwaves at select lenders — from NYCB in the Americas to Aozora in Asia and Julius Baer and Deutsche Pfandbriefbank in EMEA — but the rot doesn't look global or systemic. However that's thin comfort with office landlord bonds no longer riding high. Sector fundamentals, though not especially concerning, may offer limited reassurance. Provisioning could rise, dampening profit and denting capital," says Tolu M Alamutu, BI senior credit analyst.

The officials Bloomberg spoke to say they don't expect the troubles in the commercial real estate market to result in a significant hit to banks' capital ratios. They view the pressure on banks' risk management as a way to limit the damage.

The ECB wants to ensure that banks "are doing look-through credit analysis," especially given the change in interest rates, Elizabeth McCaul, a member of the ECB's Su-

pervisory Board, said last month. Banks have been "slow" to re-assess real estate loans as being riskier, she said at a conference in Frankfurt.

Investors have been focused on the risks banks face from US commercial real estate, which has seen some of the steepest declines in valuations. In the US, the KBW Regional Banking Index has slumped more than 10% since New York Community Bancorp last week announced a surprise loss tied to deteriorating credit quality, spooking investors in other banks including Valley National Bancorp.

In Germany, Deutsche Pfandbriefbank AG saw its bonds and shares hammered this week over concerns about its exposure to the US, in a sign that the troubles are spreading to Europe.

On aggregate, European banks already face a higher bar for their financial strength this year. That's

largely because national regulators have ordered them to build buffers to weather an economic downturn. A requirement set by the ECB that feeds into the minimum level rose only slightly overall, albeit with jumps for certain lenders.

The ECB slapped Pfandbriefbank with the single highest increase in its capital requirements for individual banks last year. The firm didn't explain why, yet said in December that it's "well above" what's required of it. French and German banks have the most commercial real estate loans in the European Union, according to data from the European Banking Authority for the third quarter. Earlier analysis from the European Systemic Risk Board, a fellow watchdog, shows banks in Germany have the highest share of cross-border commercial real estate exposure among banks from the bloc's major economies.

## Risk of bank defaults spreading to Europe, says fund manager

**Bloomberg**

London

The banking-sector jitters that are rocking the likes of New York Community Bancorp will not be confined to the US, with the potential for defaults spreading to Europe, according to a top-performing fund manager.

"There are portions of the market that we think are in very deep trouble," said Jonathan Golan, a portfolio manager at Man Group Plc in London, whose investment-grade bond fund beat 99% of peers last year in data compiled by Bloomberg. "You've got more banks that are coming under scrutiny, more banks falling casualty, and potentially some banks defaulting on both sides of the Atlantic."

Investor concern over US commercial real estate is already rippling across global markets. Exposure has led to plunges in the shares of New York Community Bancorp, Germany's Deutsche Pfandbriefbank AG and Japan's Aozora Bank Ltd, with traders now scrutinising who might be next.

"In Germany, Scandinavia, we are seeing commercial real estate exposure as percent of tangible equity in the 400, 500, 600, 700% range," Golan said in an interview. "If each of these banks takes a 15 cents write down for every dollar they lend to commercial real estate — which I'm not saying is a base case, but is a completely reasonable scenario — not only are these banks not investment grade, they're insolvent."

There have been some early signs of potential wider contagion, with bonds issued by real estate-focused German lenders slumping this week after Morgan Stanley analysts

recommended clients sell senior bonds issued by PBB. The German firm has increased provisions because of the "persistent weakness of the real estate markets." Its shares still hit a record low on Friday.

Bloomberg Intelligence thinks US commercial real estate loans, at 1% or less of assets, don't significantly threaten major European banks such as Deutsche Bank AG, HSBC Holdings Plc and BNP Paribas SA, but pointed to risks at some lenders.

"Aareal Bank's exposure at 16% and Pfandbriefbank at 10% are at more risk, with PBB's just-raised 2023 loan-loss provision guidance showing how property market weakness isn't fully reflected," analysts including Tomasz Noetzel wrote in a note.

Golan said shorting securities is now appealing, though he declined to name any companies or comment on his fund's performance. Man Group, founded in 1783, is the world's biggest publicly listed hedge fund with \$161bn in assets.

"We've been focusing on identifying sectors and individual names that are trading substantially above their intrinsic value," he said, adding that in recent years the opportunities were mostly from going long. "But now we're at a very late stage in the valuation cycle and therefore we aim to play offence and defence at the same time."

Despite the recent jitters, Golan sees value in other parts of the banking sector, particularly in smaller jurisdictions where the market is more oligopolistic and margins higher. He pointed to some central and eastern European lenders as well as specialist UK banks that don't compete for the same business as the major players.

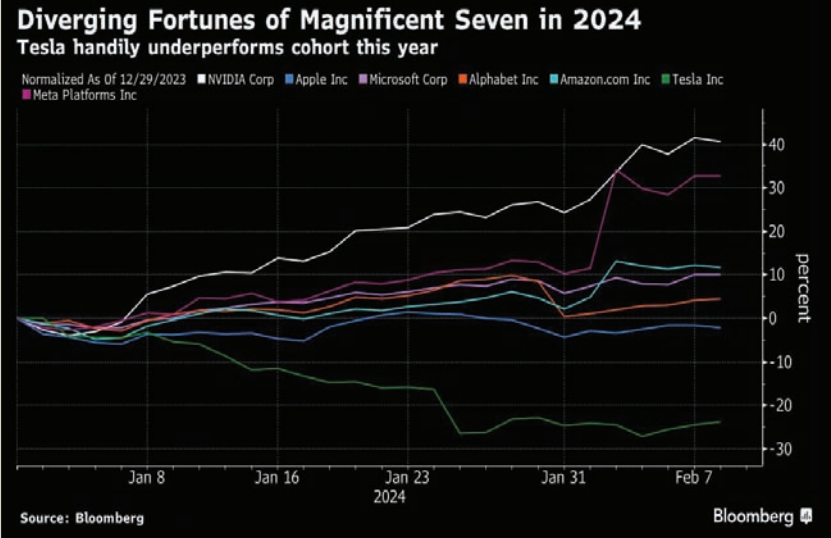
# Nvidia nears Amazon's market value as blazing rally drives ahead

**Bloomberg**

New York

Nvidia Corp's stock has rallied so much this year that it's now threatening to overtake Amazon.com Inc to become the fourth most valuable US company. Having added nearly Tesla Inc's entire market capitalisation in the past two months alone, Nvidia is worth \$1.72tn, just shy of Amazon at \$1.76tn, as of Thursday's close. Google-owner Alphabet, the third most valuable US company after Microsoft Corp and Apple Inc, isn't too far away at \$1.82tn. The shares are up more than 40% in so far in 2024 amid signs that demand for its chips used in artificial intelligence computing remains strong. But the stock has run so far, so fast that it's reigniting concerns about whether the gains are sustainable, ahead of Nvidia's earnings due later this month. The surge prompted Michael Cuggino, president at Permanent Portfolio Family of Funds, to sell some Nvidia shares. "There is so much money chasing it that we thought it was prudent to trim our position a bit," he said in an interview. "It still has a good future, but it's too rich."

Its valuation, which spent the second half of 2023 steadily falling as Wall Street's profit projections ballooned, is now rising again. Nvidia's price to estimated profits has risen to 33 times, up from 25 times at the start of the year and near its highest level in months. Nvidia is the top-performing component of the Nasdaq 100 Index this year, just as it was over 2023, when shares more than tripled. The stock is by far the biggest outperformer among members of the so-called Magnificent Seven, in large part because it has shown the most significant jump in sales and profits as a result of AI-related demand. It's not as if Wall Street is losing its conviction in Nvidia's profit growth. The average of analyst estimates for 2024 adjusted earnings has risen 14% in the past three months to more than \$12 a share. The upward revisions simply haven't kept pace with the stock, which has added about \$600bn in market value over the same span. Nvidia's multiple is hardly at nosebleed levels. Compared with other megacap tech stocks, it's in the same league with Microsoft and Amazon and cheaper than Tesla. However, the valuation, coupled with



the scale of its rally over the past several quarters, suggests additional gains may be harder to come by. The stock recently broke above the average analyst price target for the first time since May, suggesting that even Wall Street firms, more than 90% of whom recommend buying the stock, aren't

expecting more upside. The rally also brought Nvidia's 14-day relative strength index to 80, above the level of 70 that signals to some technical analysts that a stock is overbought. Still, bulls can easily point to fundamentals to justify the advance, including a bullish forecast from Arm Holdings Plc, which

soared a record 48% on Thursday. The chip designer's CEO singled out AI as a long-term driver, saying it "is not in any way, shape, or form a hype cycle." Nvidia's last several reports have supported that view by surging past expectations. Revenue is seen rising about 120% over its 2024 fiscal year, with another 60% growth expected next year. The centrality of processing chips to AI, along with Nvidia's perceived technical superiority, has many convinced that the growth it is seeing is both durable and long-term in nature. Gus Zinn, senior portfolio manager at Macquarie Asset Management, is among those who think Nvidia's rally has more room to run, and he stressed that even with the advance, the valuation is well off recent peaks. "A lot of companies are talking about AI, but none have seen revenue grow or estimates change like Nvidia, and the stock is really just keeping pace with the rising expectations," he said. "The valuation is not the hurdle — the hurdle is, how long is this going to go on? Obviously it won't grow this fast forever, but I think it will go on for longer than people think, and be bigger than people realise."