

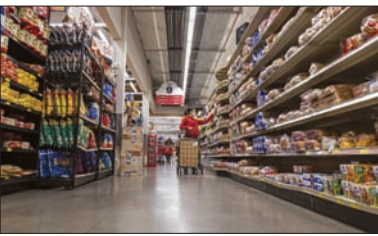
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US inflation moderates in February; consumer spending rises



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BUSINESS



RAISING CONCERNS : Page 2

Nvidia traders find reasons to worry beyond high stock price

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Business forum official underscores need to empower women in tech

By Peter Alagos
Business Reporter

The Qatar-Ukraine Business Forum (QUBF) has taken a major step towards empowering women in technology and online businesses with the recent launching of the Wtech Qatar Chapter, an official has said.

“Wtech is an international community for women leaders involved in technology and online businesses, which united more than 5,000 founders of startups, as well as representatives of fintech, edtech, blockchain, cybersecurity, e-commerce, and other IT-related areas,” QUBF chairperson Dr Olga Revina told *Gulf Times*.

Wtech’s objectives are well-integrated with QUBF’s commitment to developing women’s leadership across diverse sectors. Dr Revina noted that Wtech co-founder and founding partner of TA Ventures, Viktoriya Tigipko inaugurated the Wtech Qatar Chapter.

“With Qatar joining as our 32nd country and 46th chapter, we’re so overjoyed about this global expansion! We’re looking forward to witnessing the success of this new chapter,” Tigipko stated on her Instagram account.

Dr Revina emphasised that the launch ceremony of the Wtech Qatar Chapter, chaired by QUBF vice-chairperson Daria Revina, signals Qatar’s focus on diversity and inclusion as key enablers for its economic diversification and establishment as an international tech and entrepreneurship hub.

She also noted that the presence of Wtech, through its Qatar Chapter, is expected to provide more opportunities for women to



QUBF chairperson Dr Olga Revina joins Wtech co-founder and founding partner of TA Ventures Viktoriya Tigipko and other dignitaries during the launch of the Wtech Qatar Chapter, chaired by QUBF vice-chairperson Daria Revina. **Photo courtesy: Dr Olga Revina**

take leading roles and drive innovation in Qatar’s rapidly growing technology ecosystem.

Dr Revina said the launch of the Wtech Qatar Chapter is part of QUBF’s action plan for the year, which included the participation of 10 QUBF-hosted Ukrainian startups in the recently concluded Web Summit Qatar 2024.

“The summit, which attracted participants from 118 countries, was a truly international gathering with very insightful sessions, active discussions, and an indispensable platform for startups from around the world to meet partners, customers, and investors,” Dr Revina pointed out.

She noted that the QUBF selected Ukrainian startups from numerous sectors to take part in Qatar’s Web Summit to explore opportunities offered by Qatar’s startup ecosystem.

“We were able to host these 10 promising startups in collaboration and with the support of Qatar’s Government Communications Office (GCO) and our Ukrainian partners, such as the Ukrainian Startup Fund, UNIT. City, and the Ministry of Digital Transformation of Ukraine,” Dr Revina said.

She said the Ukrainian Startups represented at Web Summit Qatar 2024 included Melt Water

Club, Mantis Analytics, Uspacy, GetOrder, Knopka, ShareSpot, Gigawatt, DEV Challenge, Rising UA Startups, and Ukrainian Tech Ecosystem Overview.

“Despite the difficulties Ukraine is facing in the ongoing war, the country is still able to create an outstanding startup ecosystem that is both scalable and global. This attests to the country’s talented and resilient workforce. Some examples of impressive startups turned unicorns that originated in Ukraine are People.ai, Grammarly, Gitlab, Genesis, Bittfury, and Firefly Aerospace – all with massive global member bases,” she emphasised.

Qatar’s trade surplus sees 3.4% m-o-m growth in February; shipments to South Korea on the rise

By Santhosh V Perumal
Business Reporter

Qatar saw a 3.4% month-on-month (m-o-m) jump in trade surplus to QR18.07bn in February 2024 as shipments to South Korea registered expansion, according to the official estimates.

Total exports (valued free on board) were QR28.17bn, while the total imports (cost, insurance and freight) amounted to QR10.1bn in the review period, said the figures released by the Planning and Statistics Authority. However, the trade surplus shrank 21.1% year-on-year in February 2024.

The country’s total exports of domestic goods amounted to QR28.17bn, which declined 8.8% and 9.2% month-on-month and year-on-year respectively in February 2024.

As much as 66% of Qatar’s exports went to the Asian/South Asian countries in the review period. Qatar’s shipments to China amounted to QR7.19bn or 25.5% of the total exports of the country in February this year, followed by South Korea QR4.53bn (16.1%), India QR3.16bn (11.2%), Singapore QR1.93bn (6.9%) and Japan QR1.66bn (5.9%).

On a monthly basis, the country’s exports to South Korea shot up 8.38%; whereas those to Japan plummeted 25.59%, India by 22.02%, Singapore by 16.55% and China by 3.88% in the review period.

On a yearly basis, Qatar’s exports to China soared 18.89%; while those to Japan plunged 50.64%, India by 20.37%, Singapore by 14.56% and South Korea by 10.23% in February 2024.

The country’s exports of petroleum gases and other gaseous hydrocarbons shrank 10.7% month-on-month to QR17.58bn, crude by 9.9% to QR4.47bn and non-crude by 20.3% to QR1.64bn; while those other commodities were up 0.8% to QR3.16bn in February 2024.

On a yearly basis, the exports of petroleum gases were seen declining 10.4%, crude by 7%, non-crude by 33.1% and other commodities by 2.9% in the review period. The share of petroleum gases in the country’s total export basket has been declining on an annualised basis, while those of crude and non-crude were on the increase.

Petroleum gases accounted for 65.41% of the total exports in February 2024 compared to 65.13% a year-ago period, crude 16.65% (15.93%), non-crude 6.11% (8.13%) and others 11.77% (10.82%).

Qatar’s total imports showed a 24.8% decline on a monthly basis but soared 24.6% on an annualised basis in February 2024.

The country’s imports from China amounted to QR1.47bn or 14.5% of the total imports; followed by the US QR1.31bn (12.9%), the UK QR0.83bn (8.2%), India QR0.63bn (6.2%) and Germany QR0.54bn (5.4%) in the review period.

On a monthly basis, the country’s imports from India declined 23.6% and China by 17.41%; whereas those from the UK expanded 90.53%, the US by 37.33% and Germany by 20.22% in February 2024. On a yearly basis, Qatar’s imports from the UK more than tripled; those from the US shot up 23.32%, China by 15.98%, India by 12.88% and Germany by 4.64% in the review period.

In February 2024, the group of “Motor Cars & Other Motor Vehicles for The Transport of Persons” was at the top of the imported group of commodities and valued at QR0.5bn, which increased 28.4% year-on-year.

In second place was the “Electrical Apparatus for Line Telephony/ Telegraphy, Telephone Sets Etc. and parts thereof” group, which saw imports of QR0.35bn, an increase of 26.7% on an annualised basis in February 2024. The imports of “Parts of Aeroplanes or Helicopters” were valued at QR0.29bn, showing an increase of 37.4% on an annualised basis.

US inflation concerns weaken Qatar bourse sentiments

By Santhosh V Perumal
Business Reporter

The concerns on the US inflation data before its release on Friday had its lingering effect on the Qatar Stock Exchange (QSE), whose key index shed as much as 268 points and market capitalisation erode QR15bn this week.

The local retail investors were seen net profit takers as the 20-stock Qatar Index tanked 2.62% this week which saw Fitch, an international credit rating agency, upgrade Qatar’s seven banks, following the upgrade of sovereign rating.

The transport, insurance and banking counters experienced higher than average selling pressure this week which saw QatarEnergy and Nakilat sign a long-term charter agreement for 25 liquefied natural gas vessels.

The foreign institutions were seen bearish in the main market this week which saw Masraf Al Rayan and Aamal Company begin negotiations for selling the former’s stake Ci-San Trading.

The Gulf individuals’ weakened net buying had its influence in the main bourse this week which saw the QSE move to ‘T+2’ settlement cycle from ‘T+3’.

More than 88% of the traded constituents were in the red in the main market this week

WEEKLY REVIEW

which saw Fitch upgrade Nakilat’s credit rating to ‘AA-’ from ‘A’ with stable outlook.

However, the domestic funds turned bullish in the main bourse this week which saw a total of 0.03mn Masraf Al Rayan-sponsored exchange-traded fund QATR worth QR0.06mn trade across 12 deals.

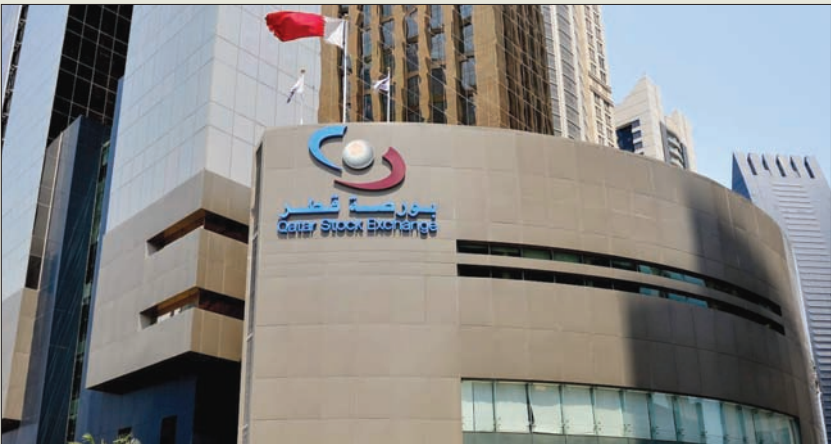
The foreign retail investors were increasingly net buyers in the main market this week which saw as many as 2,573 Doha Bank-sponsored exchange-traded fund QETF valued at QR0.03mn change hands across six transactions.

The Islamic index was seen declining slower than the other indices in the main market this week which saw the banks and real estate sectors together constitute about 57% of the total trade volumes.

Market capitalisation melted QR14.78bn or 2.51% to QR574.22bn on the back of large and midcap segments this week, which saw no trading of sovereign bonds and treasury bills.

Trade volumes and turnover were on the increase in both the main and junior bourses his week which saw Masraf Al Rayan enter into pact with Edaa for dividend distribution.

The Total Return Index tanked 2.36%, the All Share Index by 2.49% and the All Islamic



The local retail investors were seen net profit takers as the 20-stock Qatar Index tanked 2.62% this week

Index by 2.15% this week. The transport sector index plummeted 4.25%, insurance (3.28%), banks and financial services (2.92%), realty (2.24%), consumer goods and services (1.81%), industrials (1.21%) and telecom (1.1%) this week.

Major losers in the main market included Qatar Islamic Insurance, Doha Insurance, Zad Holding, Qatari German Medical Devices, Widam Food, QNB, Qatar Islamic Bank, Commercial Bank, Doha Bank, Lasha Bank, Masraf

Al Rayan, Dlala, Baladna, Al Faleh Educational Holding, Industries Qatar, Aamal Company, Estithmar Holding, Ezdan, Barwa, Milaha, Gulf Warehousing and Nakilat. In the venture market, Al Mahhar Holding saw its shares depreciate in value this week.

Nevertheless, Ahlibank Qatar, Mekdam Holding, United Development Company, Qatar General Insurance and Reinsurance and Mesaieed Petrochemical Holding were among the gainers in the main bourse this week.

The Qatari individuals were net sellers to the tune of QR41.07mn against net buyers of QR37.42mn the week ended March 21.

The foreign institutions turned net sellers to the extent of QR2.38mn compared with net buyers of QR53.71mn the previous week.

The Gulf individual investors’ net buying weakened marginally to QR2.45mn against QR2.72mn a week ago.

However, the domestic funds turned net buyers to the tune of QR21.91mn compared with net sellers of QR77.06mn the week ended March 21.

The foreign retail investors’ net buying strengthened noticeably to QR12.18mn against QR6.74mn the previous week.

The Gulf institutions were net buyers to the extent of QR5.79mn compared with net profit takers of QR24.22mn a week ago.

The Arab individual investors’ net buying expanded marginally to QR1.11mn against QR0.78mn the week ended March 21.

The Arab institutions had no major net exposure compared with net sellers to the tune of QR0.11mn the previous week.

The main market witnessed less than 1% jump in trade volumes to 688.19mn shares, 12% in value to QR2.22bn and 5% in deals to 70,265 this week. In the venture market, trade volumes zoomed 62% to 0.42mn equities, value by 60% to QR0.64mn and transactions by 11% to 61.



Oil market sees frenzy of hedge fund buying

By John Kemp
London

Investors have purchased oil at the fastest rate for more than four years, amid optimism that Saudi Arabia and its Opec+ allies will continue to restrict production while an improving economic outlook boosts consumption. Ukraine's drone attacks on oil refineries and export terminals in Russia, which threaten to disrupt production and exports of both crude and fuels, have turbocharged the shift in sentiment to more bullishness. Over the seven days ending on March 19, hedge funds and other money managers purchased the equivalent of

140mn barrels in the six most important futures and options contracts linked to petroleum prices. The buying was the fastest since December 2019, and among the ten fastest weeks since records began in 2013, according to position reports filed with exchanges and regulators. There were purchases almost across the board in NYMEX and ICE WTI (+57mn barrels), Brent (+55mn), European gas oil (+18mn) and US gasoline (+10mn) but no change in US diesel. In a sign of how bullish investors were becoming, most buying came from the creation of new long positions (+111mn barrels) with only a moderate amount of short covering (-30mn).

The combined position across all six contracts had increased to 641mn barrels (61st percentile for all weeks since 2013), the highest for six months, and up from just 207mn (1st percentile) in the middle of December. Fund managers had become moderately bullish or at least neutral towards the entire petroleum complex for the first time in months. Inflation-adjusted crude oil prices were almost exactly in line with the long-term average since the start of the century. But many fund managers now expect production restraint and strong consumption will lift them into the upper half of the historic range in the next few months. In contrast to oil, portfolio

investors remained bearish about US gas, even though gas prices are close to their lowest level in real terms for more 30 years. Fund managers purchased the equivalent of 113bn cubic feet (bcf) in the two major futures and options contracts linked to the price of gas at Henry Hub in Louisiana. Even so, the fund community still had a net short position of 449 bcf (20th percentile for all weeks since 2010) on March 19. Managers were more bearish about the outlook than a year ago, when they held a net long position of 75 bcf (35th percentile). Several major producers have already announced cuts to drilling and production that

should eventually eliminate the excess inventories. El Nino conditions in the Pacific are also fading, which means winter 2024/25 is likely to be significantly colder than winter 2023/24. In the meantime, however, the run of mild weather has continued and the market is still struggling to bring inventories under control. Inventories had ballooned to 662 bcf (40% or +1.47 standard deviations) above the prior ten-year seasonal average on March 15, up from a surplus of just 64 bcf (2% or +0.24 standard deviations) on October 1.

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

McKinsey piles ‘up or out’ pressure on some US consultants

Bloomberg
New York

McKinsey & Co warned some US consultants last week they are running out of time to win promotion, raising the “up or out” pressure on staff as the global consulting industry struggles.

The memos were sent to some engagement managers and associate partners in North America, reminding them staff in this role have an average of two and a half years to be promoted, people familiar with the matter said. It's the latest sign that McKinsey may be rethinking its staffing following several years of aggressive hiring and low attrition rates.

“We have always maintained a high bar for performance,” according to a statement from McKinsey. “We routinely refine our approach to development and performance to ensure we continue to meet these goals, and we continue to recruit and hire robustly.”

Last month, the senior partners re-elected Global Managing Partner Bob Sternfels for a further three years, at a time when the consulting industry is facing a slowdown in client activity, public scrutiny and economic headwinds — although McKinsey said it generated a record \$16bn in revenue last year.

In February, Sternfels penned a note in which he wrote “estamos juntos”, meaning “we're together”, in order to boost staff morale, the people said, asking not to be identified as the details are private.

The timeline for promotions varies by employee and those who took periods of absence will not be negatively impacted, one of the people said.

In some instances, employees who got the memos are receiving offers for pay-outs should they choose to leave McKinsey ahead of their reviews in the coming months, the people added.

The “up or out” policy is an approach used at many global consulting firms, where it's expected that employees are promoted within a specific time-frame or exit.

Consultants including Accenture Plc and Ernst & Young LLP have trimmed headcount to rein in costs in the past year or so, marking the end of a hiring boom that was driven by corporations racing to make changes in the wake of the Covid-19 pandemic.

Deloitte UK is poised to cut another 100 consulting jobs amid a prolonged slowdown in corporate deal activity, the firm said earlier this year.

Last year, McKinsey embarked on a plan to eliminate about 1,400 roles. Most of the affected employees didn't have direct contact with clients and were focused on support functions.

Still, it was a departure from the firm's usual reluctance to cut staff, instead relying on underperforming workers being “counselled to leave.”

McKinsey has more recently warned about 3,000 consultants that their performance was unsatisfactory and would need to improve, Bloomberg News reported in February.

The firm gave these employees a so-called “concerns” rating as part of their performance reviews in recent months. Those employees are typically given about three months to show improved performance before they are advised to exit.

The company has about 45,000 employees around the world, up by about 60% since 2018. It's advised everyone from the US Pentagon to China's Ping An Insurance (Group) Co.

Nvidia traders find reasons to worry beyond high price

Bloomberg
New York

Nvidia Corp's runup since the start of 2023 has been so sudden and strong that even bullish investors are raising concerns about how much room its shares have left to run.

That's what a 550% gain since the start of last year will do to even the sturdiest of bull cases. While Nvidia's profit and revenue growth are real, and sentiment on Wall Street remains overwhelmingly upbeat, runups of this magnitude tend to capture years of profit growth that haven't yet been delivered. The stock has become one of the largest in the world, adding \$2tn in value over the past 15 months.

A move such as this pulls “forward many years of future returns in a very condensed period of time,” according to Peter Boockvar, chief investment officer at Bleakley Financial Group. Fundamentals take a back seat and trading becomes fraught, he added.

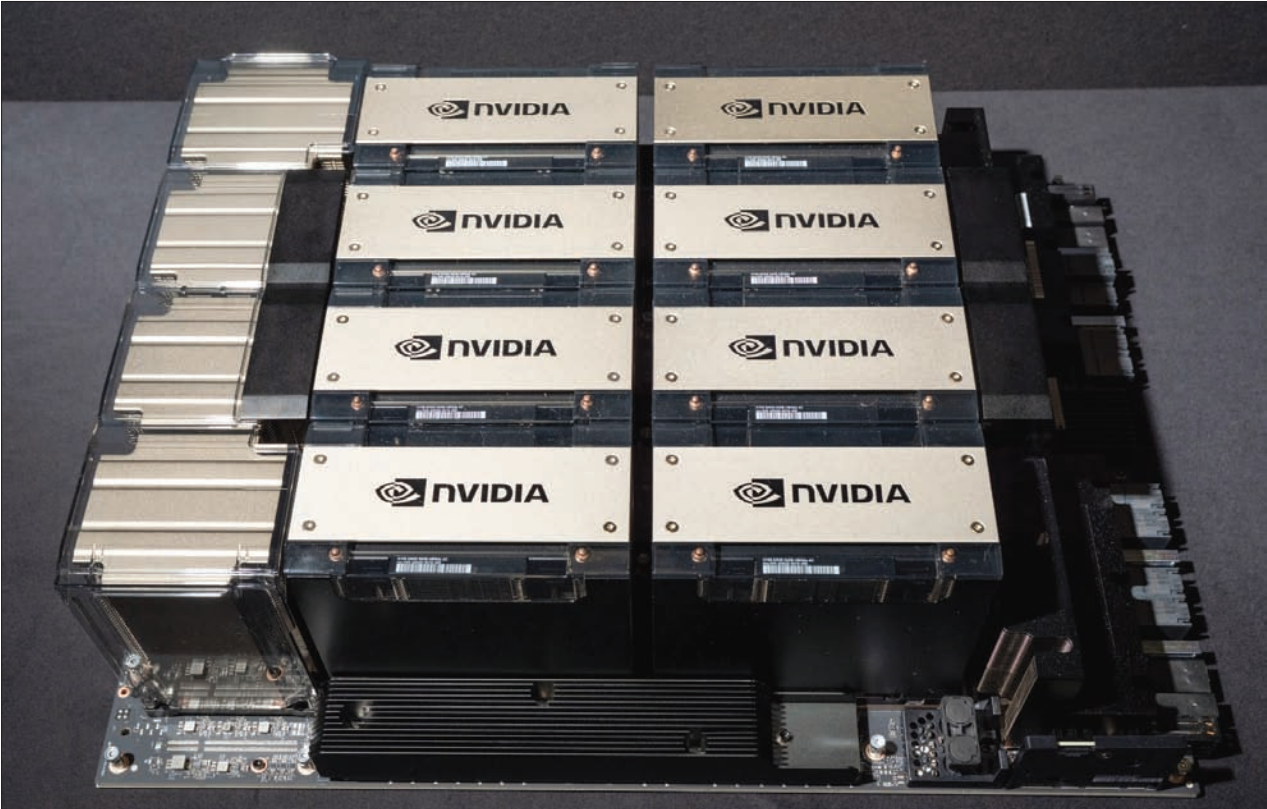
While Nvidia's head start in artificial intelligence (AI) chips looks formidable, there are reasons for caution beyond the basic math of share surges. Here are some of the main arguments:

Demand: Nvidia is benefiting from an arms race among companies rushing to boost computing power to run AI workloads. The chipmaker's revenue doubled in its last fiscal year and is projected to rise another 81% this year, according to data compiled by Bloomberg.

While there are few signs that demand is slowing, the semiconductor industry is notorious for its boom and bust cycles. Throughout its five-decade history the business of chipmaking has consistently struggled to match long-term introductions of production capacity with short-term swings in demand, causing gluts and periods of shortages.

High-end chips such as Nvidia's processors take in excess of a quarter to make and must be ordered from manufacturers months in advance. That makes forecasting a precarious game that companies haven't always got right.

At the end of 2023, four firms — Microsoft Corp, Meta Platforms Inc, Amazon.com Inc and Alphabet Inc — accounted for over a third of Nvidia's revenue, according to Bloomberg supply chain estimates. A slowdown in buying by these big data centre owners would result in a revenue hit for Nvidia and a recalibration



A Nvidia HGX H100 server. Nvidia Corp's runup since the start of 2023 has been so sudden and strong that even bullish investors are raising concerns about how much room its shares have left to run.

of growth estimates that would likely roll the stock.

“Right now the demand is there for Nvidia, in terms of Microsoft and Alphabet and Amazon all wanting to build out their AI infrastructure,” said Jeffrey Muhlenkamp, portfolio manager at Muhlenkamp & Co, who doesn't hold Nvidia on valuation concerns. “If they can't turn that around and make that capex profitable, there won't be a second round of spending.”

Bulls argue that this is just the first wave of buying for AI chips and that the next spending surge will come from other industries such as drug makers, shipbuilders and carmakers, as well as governments.

Competition: With Nvidia's profit in fiscal 2024 hitting nearly \$30bn, the competition is rushing to get a piece of the action.

Nvidia's nearest rival Advanced Micro Devices Inc launched its AI-accelerator late last year and is forecasting revenue of as much as \$3.5bn this year from that

area. Intel Corp has its own range of AI chips and customers including Microsoft and Amazon's AWS have their own internal chip design efforts.

“Nvidia's margins are so high it just begs for competitors to come in,” said Logan Purk, the Edward Jones analyst who cut his rating on Nvidia to hold from buy in November. “Nvidia has done a fabulous job establishing a moat, especially with its software business, but everyone wants a piece of this space.”

Last week, Nvidia Chief Executive Officer Jensen Huang unveiled a new chip design - the successor to the firm's all conquering H100 product.

When asked about his competition, Huang stressed that he's not just offering chips, he's providing networking and all of the software needed to rapidly deploy AI data centres. Huang characterised Nvidia's competition as having a mountain to climb and analysts largely agreed.

Price action: Nvidia's booming profits have kept a lid on its stock market valua-

tion, but its price-to-profit ratio is on the rise again. The stock is trading at 37 times profits projected over the next 12 months, up from about 25 times at the start of the year, according to data compiled by Bloomberg.

Lots of comparisons have been made between Nvidia's rise and the dot-com era, when stocks like Cisco Systems Inc's soared on a similar thesis — buy the pick and shovel makers in a gold rush.

One of the biggest lessons from that bust was that even though an investor might be right about which companies will prevail, the price at which you pay for a stock is even more important.

Cisco's annual profit has more than quadrupled since the stock peaked in 2000, but its shares are still down by nearly 40%.

“Whenever there is a craze and people get excited, expectations always come in so high that they are bound to disappoint,” said Brad Lamensdorf, co-manager of the AdvisorShares Ranger Equity Bear ETF.

BoE's Mann says markets pricing too many UK rate cuts this year

Bloomberg
London

Bank of England (BoE) policy maker Catherine Mann said financial markets are pricing in too many interest rate cuts this year and that it's unlikely the UK will move before the US Federal Reserve. Mann last week switched her vote on the bank's Monetary Policy Committee from raising rates to holding them steady at 5.25%. In an interview with Bloomberg TV she said the decision was taken because the labour market is softening and consumers are spending less on discretionary services, like hotels and restaurants. However, she warned that investors are still “too complacent” in betting on a rapid series of rate cuts later this year. Markets are now pricing in three quarter-point reductions, starting in August, and have even started indicating that the BoE would lead a global trend toward lower borrowing costs. “They're pricing in too many cuts —

that would be my personal view — and so in some sense, I don't have to cut because the market already is,” Mann said in an interview on Tuesday on Bloomberg TV. Mann has been the most hawkish member of the BoE's nine-member MPC, voting for rate hikes at every meeting since December 2021 until last week. Her decision to join the majority in last week's 8-1 vote, with one member opting for a quarter point cut, sent a clear signal that the BoE is preparing to lower its benchmark lending rate for the first time since the start of the pandemic. The BoE is close to declaring victory over inflation, which peaked at above 11% in late 2022 but has since fallen to 3.4%. The BoE has raised rates from 0.1% in December 2021 to 5.25%, where it has been since September. Last week, BoE Governor Andrew Bailey said the UK is “on the way” to winning the fight and officials need not wait until inflation hits the 2% before cutting rates. Mann also has softened her view but thinks investors are getting ahead of themselves. Markets have



Catherine Mann, Bank of England policy maker.

moved wildly over the past year, at one point even pricing a rate cut in the UK before the US. Speaking on Bloomberg TV, Mann said that was highly unlikely because underlying inflation pressures remain worse in the UK than either the US or the euro area. “Wage dynamics in the UK are stronger and more persistent than the wage dynamics in either the

United States or the euro area,” she said. “Underlying services dynamics are also stickier more persistent than either the US or the euro area. So on that basis, it's hard to argue that the BoE would be ahead of the other two regions, particularly the United States.” She said there were three key reasons why she changed her vote. Spending on “discretionary

services” like entertainment “in the last couple of months have really started to soften,” a sign that consumers are resisting price increases. The UK's tight labour market is also loosening, which will reduce the inflationary pressures flowing from wages, she said. Mann pointed out that workers are seeking more hours or second jobs to compensate for a squeeze on their living standards, but companies are more reluctant to hire. Executives “are saying my wage bill is pretty high, what I want to do is cut hours, and I don't want to add more headcount,” Mann said. A third Mann cited as supporting her turnaround was the market curve on interest rates, which is now pricing in fewer cuts than earlier this year. “The fundamental reason why I voted to hike in February was at that point, I thought that the financial markets had been easing too much relative to what I thought was the appropriate overall curve for the UK,” she said. The market curve is more important for economic outcomes

than the BoE's decision, she added. “The market curve and mortgage rates, for example, those are the rates that are faced by borrowers. Bank rate is not the rate that borrowers face,” she said. Mann's comments did little to change traders' bets on three quarter-point rate cuts from the BoE this year. The first move is fully priced by August, but there's more than a 70% chance attributed to a cut in June, when the European Central Bank and the Federal Reserve are expected to kick-start their easing cycles. Asked about the review of the BoE's forecasting practices being conducted by former US Federal Reserve chair Ben Bernanke, Mann suggested that the bank would not adopt the “dot plot” used by the Fed that provide anonymous projections of where the path of rates is likely to go. “We do better than dot plots, we tell you exactly how we vote,” she said. “And give you speeches and interviews to tell you why. We give you a lot more information than dot plots.”

Japan's top currency official calls yen's slump unusual, vows to act if needed

Bloomberg
Tokyo

Japan's top currency official said recent yen weakness is odd and out of line with current economic fundamentals, reaffirming his commitment to act if needed to prevent excessive swings in the exchange rate.

"I strongly feel the recent sharp depreciation of the yen is unusual, given fundamentals such as the inflation trend and outlook, as well as the direction of monetary policy and yields in Japan and the US," said Masato Kanda, vice-finance minister for international affairs, in an interview yesterday. "Many people think the yen is now moving in the opposite direction of where it should be going."

Kanda's remarks come amid intense market scrutiny over whether the government will step into the currency market to stem recent falls in the yen following the Bank of Japan (BoJ)'s decision last week to raise interest rates for the first time since 2007. The currency slid to a 34-year low of 151.97 yen per dollar on Wednesday, prompting Finance Minister Shunichi Suzuki to ramp up verbal warnings with his strongest hint this year that Japan could intervene.

Finance authorities also convened a three-way meeting, a gathering often used to show heightened concern among policymakers over market movements.

"We are currently monitoring developments in the foreign exchange market with a high sense of urgency," said Kanda. "We will take appropriate measures against excessive foreign exchange moves without ruling out any options."

The yen has lost about 7% this year



Masato Kanda, Japan's vice-finance minister for international affairs.

against a broadly advancing dollar, making it among the weakest major currencies.

Kanda reiterated the view that Japan is not guarding specific exchange-rate levels, but is looking at the direction and speed of movements when assessing developments in the currency market, comments that echoed Suzuki's yesterday.

Suzuki said Japan had no defence line on exchange rates, when asked whether the 152 mark against the dollar was a line in the sand. Tokyo's biggest intervention splurge in 2022 came after the yen approached 152, though the slide in that direction was much more rapid than currently seen.

Citigroup strategists including Daniel Tobon say the short yen trade

is looking "crowded" and that bets on further losses could be vulnerable. Intervention is likely between 152 and 155, they said. Hedge funds ramped up bearish yen wagers in the week stretching through the BoJ's March meeting, according to data as of March 19. Speculative traders have been consistently short the yen since 2021, according to the Commodity Futures Trading Commission, with the trade remaining popular in recent months.

Market participants try to gauge the proximity to possible market intervention from the language used by the authorities.

"I am just saying what I think is right at the time," Kanda said, referring to his choice of words.

Behind the yen's weakness is the

view among market players that the difference in policy rate and yields between Japan and its peers including the US will remain wide for some time. Japan's benchmark 10-year sovereign bond yield has crept higher to 0.725% yesterday. For many years during the BoJ's period of radical monetary easing the central bank tried to keep the yield around zero. The recent yield level still is about 3.5 percentage points lower than its US Treasury equivalent, putting pressure on the yen to weaken.

BoJ Governor Kazuo Ueda pledged to maintain an accommodative environment when the bank decided to lift the world's last negative rate last week, pouring cold water on expectations that the BoJ would soon consider a second hike.

Naoki Tamura, the BoJ Board's most hawkish member, also signalled he favours a gradual process toward normalisation, though he pointed out that keeping policy easy isn't inconsistent with another rate hike.

Kanda said the BoJ's decision was a milestone that showed a virtuous price-wage cycle was in place with sustainable inflation in sight. The MoF official also cited strong wage gains during this year's annual wage negotiations and record spending by companies as positive signs for Japan's economy.

"Finally we are in an economic situation that enables the BoJ to begin normalisation," said Kanda. "We have come a long way."

Kanda said he understands criticism regarding more than a decade of massive central bank easing. The side effects include market dysfunction and stagnant productivity caused by lingering zombie firms and other moral hazards, he said.

Huawei profit surges as it takes share from Apple and Alibaba

Bloomberg
Beijing

Huawei Technologies Co sustained its run of strong quarterly profit growth, building on the resurgence of its consumer business against Apple Inc's iPhone and the rise of its cloud division against incumbent Alibaba Group Holding Ltd.

The Chinese network and electronics leader reported net profit of about 13.9bn yuan (\$1.9bn) in the December quarter, based on Bloomberg calculations from its financial figures. That's more than 65% higher than the 8.4bn yuan tally a year earlier.

The results underscore how Huawei, the target of US sanctions and export controls for years, has progressed in navigating through the challenges. In August, the company unveiled its flagship Mate 60 smartphone lineup with a domestically designed and produced 7-nanometer processor, setting off a wave of nationalistic popularity at home. Its consumer electronics division surged by 17.3% in 2023, to bring in sales of 251.5bn yuan.

Huawei, which was almost knocked out of smartphones and chipmaking after the US cut it off from overseas suppliers in 2019, is emerging as a symbol of China's determination to thwart Washington's curbs.

It's now building a network of chip-making plants to underpin its longer-term ambitions in arenas as electric vehicles and artificial intelligence (AI).

The company's cloud computing arm grew by nearly 22% during the year, as it made further inroads in competing with Alibaba and Tencent Holdings Ltd at home. This month, the firm deployed an artificial intelligence-powered weather forecasting model with the meteorological bureau of Shenzhen, its home city. The company's chips are also showing up in the systems of Chinese AI developers, such as the one used by the Hong Kong-based Center for Artificial Intelligence and Robotics to train an AI assistant for neurosurgeons.

While Huawei hasn't gone as far as Xiaomi Corp, which this week launched its first own-brand EVs, the Shenzhen company's making progress in providing technology for the automotive sector. That business grew by 128% in 2023, and Huawei has been showing off Aito vehicles in its stores in China.

Huawei's resurgence coincides with growing pressure on Apple from the Chinese government, which is increasingly mandating or encouraging the use of homegrown devices and technology across different industries and sectors - including state enterprises.

China property woes deepen with Vanke slump, Country Garden halt

Bloomberg
Shanghai

One of China's biggest property firms delayed its earnings report while another posted a record profit decline as the nation's real estate crisis shows no signs of easing.

Country Garden Holdings Co, once the nation's top residential builder by sales, made a surprise announcement late Thursday that it will miss a deadline for reporting annual results, saying it needs more information. China Vanke Co, at one time the largest listed developer, said net profit tumbled 46% last year, the biggest drop since its 1991 listing.

The dire statements, along with a jump in bad loans at some banks, underscore how a weak economy and sluggish consumer confidence continue to weigh on home sales in the world's second-biggest economy. Annual price declines deepened in February for both new and used homes, highlighting the challenge for authorities as they try to salvage the

beleaguered market. China's property sector "will likely register the first time net loss since our coverage," said Raymond Cheng, head of China property research at CGS International Securities HK. "We remain cautious on the sector until developers' sales improve."

The downturn has spared few firms, be it private or state-backed. Country Garden and Vanke were both hailed as likely survivors just a year ago. Country Garden roiled markets when it defaulted on its dollar debt in October and Vanke is fighting to stave off default through negotiation with insurers on debt.

Country Garden said it expects to delay publishing its 2023 results beyond the March 31 deadline imposed by regulators. The delay will likely result in a suspension of trading on April 2 when the Hong Kong market reopens after Easter, the firm said in a filing.

The postponement signals the developer's troubles are entering a new chapter after a Hong Kong court received a creditor's petition to wind up the company following the default on dollar

debt. The company also missed a coupon payment on a yuan bond this month for the first time.

The move "suggests new impediments to its restructuring, with any delays to its debt plan likely to fuel concerns of lawsuit risk," said Bloomberg Intelligence analyst Kristy Hung, in a research note.

Country Garden said it needs time to collect more information so it can "make appropriate accounting estimates and judgments, and reasonably reflect changes in the industry," according to the filing.

Vanke meanwhile said net income attributable to shareholders shrank to 12.2bn yuan (\$1.69bn) for 2023. The drop dwarfs a 14% slide expected by analysts surveyed by Bloomberg.

The giant builder said it aims to cut debt by more than 100bn yuan in the next two years as it "firmly deleverages." Vanke didn't propose a cash or stock dividend, skipping a full-year payout for the first time since its 1991 listing in the China market.

Vanke's stock stumbled as much as 3.8%

yesterday to nearly a decade low in Shenzhen.

Some of its longer-dated bonds recently traded near 40 cents, approaching deeply distressed levels. Vanke has a \$600mn bond due in June trading above 90 cents, indicating less investor concern about repayment in the short-term.

Vanke has enough financing support from banks, the company's President Zhu Jiusheng said in an online briefing on Friday, adding that it has 26 banking partners.

Together with mid-sized developers, the former giants offer a glimpse into the sector's worst earnings season ever as the real estate slump enters a fourth year. Among 23 property developers that have released earnings, 14 announced a net loss and six reported shrinking profit, Bloomberg calculations show. Just three saw a mild profit gain.

The protracted property downturn has also eroded the balance sheets of the largest state banks as their bad loans creep up, suggesting a spillover to the financial sector. Beijing tasked state-

owned banks with helping pump up the domestic economy as well as supporting debt-laden property developers.

Bank of Communications Co. reported that its property bad loan ratio jumped to 4.99% at the end of last year from 2.8% a year earlier. Bigger rival Industrial & Commercial Bank of China Ltd saw its bad loans from residential mortgages rise 9.6%. Agricultural Bank of China Ltd reported a 4.7% increase in soured residential mortgage loans last year. A persistent home sales drought has endangered an increasingly larger group of developers.

The residential sales slump deepened in February even as price declines eased slightly on a month-on-month basis. The sales weakness has prompted some global credit raters to downgrade some of the firms into junk territory, including Vanke and Longfor Group Holdings Ltd. Fitch Ratings on Thursday cut forecasts for the housing market, now expecting a 5-10% fall in new home sales this year amid weaker home-buying demand. The ratings firm previously estimated a 0-5% decline.

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Fed’s balancing act could see June interest rate cut in play

Reuters
Washington

Federal Reserve Chair Jerome Powell says the central bank is not growing more tolerant of higher inflation even though the latest policymaker projections raised the inflation outlook for the year without triggering a tougher monetary-policy response. But former Fed officials and other analysts see Powell nevertheless approaching a difficult moment trying to reconcile competing economic risks, a divided group of Fed policymakers, and a public now expecting interest rate cuts to start in June. Data may well support a June rate reduction if inflation declines convincingly towards the Fed’s 2% target between now and then, resuming a trend that encouraged policymakers last year to cap the federal funds rate at the current 5.25-5.50% and lay the groundwork for easing to begin this year. Others see a slowing economy and weakening job growth on

the horizon, pushing the Fed to cut in order to support the labour market. Yet even if inflation proves more persistent than expected in coming weeks and the economy remains strong, the Fed could still proceed with a June cut by framing it as a potentially one-off adjustment rather than the locked-in beginning of a series of reductions, former Fed Vice-Chair Richard Clarida, now a global economic adviser to bond giant Pimco, wrote this week in assessing the pivotal moment central banks face in their policy communications. The upfront justification of rate cuts expected to start this summer, Clarida said, would be that policymakers are simply keeping rates in step with the decline in inflation seen since last year, and could cut further as long as inflation continued to fall. But “if inflation...does not follow the forecasts and becomes entrenched at a plausible 2.5%...the central banks would likely pause their rate cut cycles,” Clarida wrote, and depend “on their belief that by keeping policy restrictive long enough, they can credibly forecast inflation

returning (eventually) to the 2% target.” An initial cut, explained with language that tilts towards suspending further reductions if inflation does not behave as expected, would hedge the risks facing both sides of the Fed’s employment and inflation goals, and assuage the concerns of Fed officials worried most about damaging the current expansion as well as those worried most about embedded inflation. It would also throw a kink into expectations that 2024 will be the year when the Fed’s record-setting inflation battle ends in a steady succession of rate cuts and continued economic growth. Recent comments from Fed officials have put divergent views on display, with Fed Governor Christopher Waller saying Wednesday he would support keeping policy tighter than expected if inflation data is not encouraging, and Chicago Fed President Austan Goolsbee saying earlier in the week recent high inflation readings don’t undercut the trend towards easing price pressures. Powell will update his views in an

appearance on Friday at the San Francisco Fed that will follow the release of new inflation data for February. At his press conference after last week’s policy meeting, he said recent, more elevated price data “haven’t really changed the overall story, which is that of inflation moving down gradually on a sometimes-bumpy road toward 2%,” comments that left expectations for a June rate cut intact. Part of that narrative appears driven by policymakers’ belief the economy is in a rare moment when the forces that can sometimes disrupt central bankers’ best laid plans have been working in the Fed’s favour. Productivity has been growing at a surprising clip, allowing the economy to grow fast without adding to price pressures; a jump in the labour force has also helped the unemployment rate stay low without driving up wages. The Fed’s most recent set of economic projections continued that rosy view of the world, with faster economic growth and a slightly lower unemployment rate than anticipated as of December, and inflation still falling

to the 2% target over the next two years though at a slightly slower pace. Scepticism about that view is likely to grow, and not just from steady inflation hawks like Waller but from others as well, like Atlanta Fed President Raphael Bostic, a voter this year on interest rate policy. In comments to reporters last week, Bostic said he had already scaled back his expectations for 2024 from a half-point reduction in the policy rate to a quarter point cut, “and I’m looking sort of later in the year than I might have not otherwise” to approve it. Upcoming inflation and economic data could well sway policymakers in either direction. Recent projections showed a group that was sharply divided. While the baseline remained intact at three quarter-point rate cuts this year, the split was 10 to 9 between those policymakers seeing at least that many, and those seeing less easing ahead. But they were also tightly clustered. With 14 of 19 officials seeing either two or three rate cuts this year, the consensus view could easily shift.

US inflation moderates in February; consumer spending boosts growth

Reuters
Washington

US prices moderated in February, with the cost of services outside housing and energy slowing significantly, keeping a June interest rate cut from the Federal Reserve on the table. The report from the Commerce Department yesterday also showed consumer spending rising by the most in just over a year last month, underscoring the economy’s resilience. The US continues to outperform its global peers despite higher borrowing costs, thanks to persistent labour market strength. “Core services inflation is slowing and will likely continue throughout the year,” said Jeffrey Roach, chief economist at LPL Financial in Charlotte, North Carolina. “By the time the Fed meets in June, the data should be convincing enough for them to commence its rate normalization process.” The personal consumption expenditures (PCE) price index rose 0.3% last month, the Commerce Department’s Bureau of Economic Analysis said. Data for January was revised higher to show the PCE price index climbing 0.4% instead of 0.3% as previously reported. Economists polled by Reuters had forecast the PCE price index gaining 0.4% on the month. Goods prices rose 0.5% last month, boosted by a 3.4% jump in the cost of gasoline and other energy products. There were also strong increases in the prices of recreational goods, vehicles, clothing and footwear. But prices for furnishings and household equipment, and other long-lasting manufactured goods were subdued. In the 12 months through February, PCE inflation advanced 2.5% after increasing 2.4% in January. Though price pressures are sub-



A customer shops for groceries at a store in San Francisco. US prices moderated in February, with the cost of services outside housing and energy slowing significantly, keeping a June rate cut from the Federal Reserve on the table.

siding, the pace has slowed from the first half of last year, and inflation remains above the US central bank’s 2% target. Fed Chair Jerome Powell said yesterday February’s inflation data was “more along the lines of what we want to see.” Fed officials last week left the central bank’s policy rate unchanged in the current 5.25-5.50% range, having raised it by 525 basis points since March 2022. Policymakers anticipate three rate cuts this year. Financial markets expect the first rate reduction in June. Most US financial markets were closed for the Good Friday holiday, with the exception of the foreign exchange market. The dollar slipped against a basket of currencies on the data. Excluding the volatile food and energy components, the PCE price index increased 0.3% last month.

That followed an upwardly revised 0.5% gain in January. The so-called core PCE price index was previously reported to have advanced 0.4% in January. Core inflation increased 2.8% year-on-year in February, the smallest gain since March 2021, after rising 2.9% in January. The Fed tracks the PCE price measures for monetary policy. Monthly inflation readings of 0.2% over time are necessary to bring inflation back to target. While some of the firmer readings in the consumer and producer price reports were not replicated in the PCE price data because of different weights, some elements of stickiness remain. Core inflation has increased at a 3.5% annualised rate in the past three months. Services prices increased 0.3%, slowing after a 0.6% jump in January. The cost of housing

and utilities rose 0.5%. There were also solid increases in the prices of recreation services as well as financial services and insurance. But the cost of dining out, hotel and motel rooms was unchanged, while transportation services barely rose and healthcare increased marginally. PCE services inflation excluding energy and housing gained 0.2% last month after surging 0.7% in January. The so-called super core increased 3.3% year-on-year after rising 3.5% in January. Policymakers are monitoring the super core data to gauge their progress in fighting inflation. It has risen at a 4.5% rate in the past three months, which some economists said supported delaying rate cuts. But others viewed the elevated reading as the result of January’s spike in prices, which they said did not mark a shift in the trend.

French and Italian inflation keep ECB on path to lower rates

Bloomberg
Frankfurt

French inflation eased below 3% for the first time in 2 1/2 years and Italy reported a lower-than-expected reading, confirming a trend that has tipped the European Central Bank (ECB) towards cutting interest rates. Consumer prices in France, the euro area’s second-largest economy, rose 2.4% from a year earlier in March after a 3.2% gain the previous month, statistics agency Insee said. The slowdown was sharper than the 2.8% forecast of economists surveyed by Bloomberg. In Italy, the bloc’s third-largest economy, inflation had already fallen below 2% in October. Data yesterday showed an acceleration to 1.3% from 0.8% in February, but that was less than the 1.5% expected. Readings next week are expected to show a slight slowdown in the rate for the 20-nation currency bloc to 2.5%, while Bloomberg Economics’ nowcast model suggests it could dip to as low as 2.3%, accounting for the latest data. With inflation nearing the European Central Bank’s 2% target, most policymakers have backed President Christine Lagarde’s signal that a first interest-rate cut will come in June. Economists and markets share that expectation, with investors almost fully pricing a reduction in the deposit rate to 3.75% from 4% at the institution’s June 6 meeting. “French headline inflation eased in March to its lowest level since August 2021, driven by lower contributions from food, energy, manufactured goods and services. Some of those downward pressures could reverse in April and we expect inflation to fall at

a slower pace in the coming months,” says Eleonora Mavroedi, economist at Bloomberg. Bank of France Governor Francois Villeroy de Galhau has said a cut at the ECB’s next meeting on April 11 is also a possibility and warned that waiting too late to move risks inflicting undue damage on the economy. “Risks to inflation are now balanced, but risks to growth are on the downside,” Villeroy said in a speech on Thursday. “The time has come to take out an insurance against this second risk by beginning rate cuts.” Still, some policymakers remain cautious on wage increases that could continue to fuel prices pressures, particularly in the services sector where labour makes up a large share of costs. France’s inflation report showed services inflation slowed to 3% in March from 3.2% in February. Manufactured goods also saw a cooling of price increases to 0.1% from 0.4%. For the French government, recent disinflation is a double-edged sword. Slower price increases have undermined tax receipts, contributing to a widening of the budget deficit, but officials are also counting on easing cost pressures to help drive the economy out of stagnation. “Inflation is a big concern for all citizens, for their spending power and food purchases,” French Finance Minister Bruno Le Maire told reporters during a visit to a Renault SA factory in northern France on Friday. “The latest results published today show we have won the battle against inflation.” A separate report from Insee showed consumer spending in February failed to grow from the previous month, when it declined 0.6%. Economists had expected a 0.2% increase.

Wall Street on edge with momentum trade wrapping up historic quarter

Bloomberg
New York

The simplest stock strategy on Wall Street — beloved by the smartest minds in finance and more — just closed out its best quarter in more than two decades. Now a cohort of investment pros from JPMorgan Chase & Co to PGIM Quantitative Solutions are ramping up warnings that the trend-chasing trade looks ripe for a crash. Known as the momentum factor, the rules-based investing style that buys up winners over the past year like the mighty Nvidia Corp — while selling losers like Warner Bros. Discovery Inc — has notched its best quarter since 2002, according to a long-short portfolio compiled by Bloomberg. Investors have bought into the artificial-intelligence promise in droves, sending valuations for the stock market’s biggest winners soaring on bets this game-changing technology will rain profits in the years ahead — regardless of the

twists and turns in the American economy. Yet the relentless US economic expansion is starting to lift up underloved corners of the stock market, just as the Federal Reserve stirs chatter it’s becoming more tolerant than expected of still-sticky inflation. That’s raising the prospect new equity winners will emerge soon enough like energy and small caps — two sectors that have sorely lagged the American market’s frenetic rally over the past year. These kinds of projections have misfired again and again with high performers like Meta Platforms Inc. posting an earnings bonanza. Yet any sharp rotation out of the winners in favour of the losers — a potentially healthy outcome for the broader market — would come at a particularly painful time. Momentum is among the factors that have seen the largest increases in crowding this year, Sanford C Bernstein data show, while investors have piled \$2bn into the strategy via exchange-traded funds. “We may be at higher risk of a momentum crash because in-



flation might not come down as smoothly as equity markets are expecting,” said Stacie Mintz, head of quantitative equity at PGIM Quantitative Solutions. “Timing momentum is tricky — it’s like riding a wave and trying to decide when to jump off before it crashes.” In this holiday-shortened week before the release of key inflation

data Friday, the small-cap Russell 2000 rose 2.5% and a long-short value strategy posted its fourth straight week of gains — both signs of a market shift that’s favouring riskier trades. The S&P 500 rose 0.4% this week while the Nasdaq 100 slipped 0.5%. In a throwback to the heady days of 2021, Donald Trump’s Trump Media & Technol-

ogy Group Corp surged after going public through a blank-check merger. The stock mania has offset choppy trading in Treasuries with a Bloomberg-compiled 60/40 portfolio up 3.6% this quarter. Among so-called factors commonly tracked by quantitative equity investors — characteristics driving stock returns — momentum, value and profitability are all in the green in 2024, Bloomberg indexes show. The AQR Equity Market Neutral Fund — a bellwether for systematic factor portfolios — has made money every month this year, taking its return to nearly 12%. The momentum strategy has a history of nasty crashes, usually when a sudden risk-on shift causes underperforming companies to surge — such as after a Covid vaccine was announced in November 2020. While definitions of momentum can vary, the common way of ranking shares by their one-year returns paints a strategy that’s going long on Big Tech and short on cyclical sectors like financials and energy — putting it

at risk of a reflationary rotation. Adding to naysayers’ concerns are signs that the trade has become too beloved for its own good, with JPMorgan strategists warning that it’s the most crowded since the global financial crisis. Meanwhile, momentum trading is getting choppy amid signs the US economy is still growing at a healthy clip while Fed Chair Jerome Powell last week stopped short of issuing new hawkish warnings over easing financial conditions. Meanwhile inflation, though cooling, remains a threat. Any material broadening of the equity advance would be welcome news to many stock pickers given the famously lopsided nature of market gains. In recent weeks, the likes of energy and industrial sectors have risen to high positions on the leaderboard, while the outperformance of technology has narrowed. “With the Fed appearing to be less concerned about inflation or looser financial conditions, reflation trades are coming back into vogue,” wrote Morgan Stanley strategists led by Michael Wilson.