HIGHER RATES | Page 4

US inflation increases moderately; consumer spend boosts Q2 outlook

Saturday, April 27, 2024
Shawwal 18, 1445 AH

GULF TIMES
BUSINESS

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Meituan seen to debut in Riyadh in first expansion beyond China

Hamad Mubarak al-Hajri, founder and CEO, Snoonu, gesturing during the panel discussion where he was joined by Ahmad Kattan, concept designer and architect; Jack Holloway, head of Product Experience, Landor; Gabor Schreier, CEO, Saffron Brand Consultants; and the moderator, Suha Hasan, correspondent, Fast Company Middle East. **PICTURE:** Thajudheen

Global trends in technology seen integral in evolution of 'experience economy'

By Peter Alagos
Business Reporter

The metaverse and other immersive technologies are poised to play a key role amid the rapidly evolving landscape of experience design, according to a panel of industry experts during the inaugural 'Innovation by Design Summit' held recently in Doha.

The event, which was hosted by Msheireb Properties and Fast Company Middle East, witnessed a series of panel discussions that focused on design and its societal impact, covering topics from biophilic design to AI in content creation. Discussions also explored urban planning's role in creating people-centric cities, the fusion of technology and creativity, and designing for the experience economy and Gen Z.

One of the discussions titled 'Are We Designing for the Experience Economy?' featured Ahmad Kattan, concept designer and architect; Jack Holloway, head of Product Experience, Landor; Gabor Schreier, CEO, Saffron Brand Consultants; Hamad Mubarak al-Hajri, founder and CEO, Snoonu; and the moderator, Suha Hasan, correspondent, Fast Company Middle East. Al-Hajri envisions a future where customers engage with services and experiences in a virtual realm.

"I believe that we need future engineers, and we need to see what we're going to look in the future. So, I believe the first one, the maximum capabilities available in our market, artificial intelligence (AI), as an example.

"I believe we need to think about the metaverse; it's about living in a different world, a virtual world, and starting to deliver experiences in that different form," he said during a panel discussion.

Meanwhile, Schreier pointed out that experienced designers must adapt to compelling immersive narratives as the boundaries between physical and digital blur. He emphasised the significance of mixed realities, stating, "Immersive experiences are going to be very important in mixed realities — things where you go from one world to the other.

"And I think the challenge that we have as creators, as companies working in this area is that we need to first of all make sure that we make sure that everyone understands the magnitude and the consequences of that."

Kattan, who believes in the transformative potential of AI to augment designers' capabilities, emphasised that this transition to virtual and hybrid environments presents both opportunities and challenges for organisations.

"It's not AI replacing human beings. It is human beings who are using AI that are replacing human beings who are not using AI. I do believe that's what's going to happen. It's tricky and challenging, but we need to embrace it rather than try to fight it, because if we try to fight it, then we will be outpaced and outdated very quickly.

"And that brings us back to the intergenerational kind of equality and also the needs of different generations. We believe AI is very important. I think it is definitely going to drive the future. I mean, designing is easy. It's always about how everyone can design, really. Everyone can be creative. But it is the experiences that make it exciting. It's a tricky riddle," he said.

To capitalise on these emerging technologies, Holloway underscored the need for purposeful design that evokes emotion: "Trying to elevate emotion in the same way that you treat function, so emotion as a function, and then make your work purposeful and purposeful."

QIC wins 'Best Travel Insurance Company in The Middle East' award

Qatar Insurance Company (QIC) has won the 'Best Travel Insurance Company in The Middle East" title for the second consecutive year at the *Global Banking & Finance Review* Awards 2024.

This recognises QIC's outstanding performance at the levels of travel products' digitalisation and customer service excellence region wide, offering both outbound and inbound travellers the most convenient online experiences with extensive coverage that makes their trips to and from the region safer and more enjoyable.

As part of its commitment to offering easier and better access to travel insurance for everyone, QIC introduced a series of market-first products over the past few months, including the fastest online solution to get visitors' mandatory health insurance in Qatar, in addition to reaching record levels of reduction in turnaround time for outbound policy purchase in under two minutes via qic.online.

Salem al-Mannai, QIC Group CEO.

Salem al-Mannai, QIC Group CEO, said: "Winning this award for the second year in a row is a strong testament to our continuous success in taking travel insurance to higher levels region wide, offering travellers the best coverage and the most convenient digital services. QIC has proudly been the preferred insurer in Qatar and beyond since 1964.

"Our presence in regional markets since then has allowed us to build a unique understanding of the ever-changing needs of travellers to and from the Mena region, and to keep exceeding the expectations of customers through innovative insurance products, customer-centric services, and the most convenient digital solutions."

The *Global Banking & Finance Review* is a leading financial magazine headquartered in London.

It provides in-depth insights and information within the financial sector to readers in over 200 countries, including presidents, CEOs, CFOs, decision makers of financial institutions and individuals interested in financial markets and news.

Contracts awarded in Qatar jump 68.5% year-on-year in Q1: Kamco

By Santhosh V Perumal
Business Reporter

Total value of contracts awarded in Qatar increased by 68.5% year-on-year to $6.1bn during the first quarter (Q1) 2024, according to Kamco Invest, a regional economic think-tank.

The growth in contract awards was primarily due to the jump in value of projects awarded in Qatar's oil sector during Q1, which represented 80.5% of the total contracts awarded in the country during the year, Kamco Invest said, quoting MEED Projects data.

The total value of oil sector projects awarded in Qatar during Q1 reflected the $6bn EPC (engineering, procurement and construction) contract to increase oil production from Al Shaheen offshore oil field by about 100tb/d (thousand barrels per day).

The project is the third capacity expansion of the Al Shaheen oil field, which is estimated to have a 300tb/d production potential and has been undergoing capacity expansion works for over six years.

Total value of contracts awarded in Qatar's construction sector increased by 347.4% on an annualised basis to $519mn during the review period.

Similarly, aggregate value of contracts awarded in the power sector improved 49.1% year-on-year to $489mn during the first three months of this year.

Defying regional and global geopolitical challenges, the project awards in the Gulf Cooperation Council (GCC) region grew 20.3% year-on-year to $45bn during Q1-2024.

The trend also defies oil production cutbacks which have all weighed on economic growth in the region as seen from the International Monetary Fund's latest forecast that slashed GCC economic growth forecast for 2024 to 2.4% from its previous forecast of 3.7%.

"The consistent elevated trend in GCC contract awards underlines the entrenched resolve of GCC governments to see through their diversification projects, as well as state funding support," Kamco Invest said.

Growth in GCC contract awards was evenly distributed during Q1-2024 as three out of the six countries in the region saw year-on-year growth in their project's awards, including two of the largest projects markets in the region, Saudi Arabia and Qatar, while the remaining three countries witnessed declines.

Saudi Arabia alone comprised more than half of the contracts awarded in the GCC region during Q1-2024 with aggregate awards of $23.5bn in Q1-2024 against $19.1bn in Q1-2023 shrugging off underwhelming GDP growth projections by the IMF and continuing its strong non-oil growth rate run.

According to MEED Projects, the GCC project market index for upcoming contracts as of April-2024 reached $1.4tn.

Saudi Arabia comprised the lion's share of upcoming GCC projects (50.2% or $709bn), followed by the UAE which has $316.1bn and Oman with estimated upcoming projects at $172.1bn.

In terms of sector representation, the construction sector comprised the largest sector at 33.5% or $462.4bn of the upcoming projects in the GCC; followed by the transport, which comprised 20.5% or $283bn.

Comparatively, the total value of GCC project market index for ongoing projects as of April-2024 stood at $1.3tn of which Saudi Arabia comprised 54.4% ($683.3bn), followed by the UAE and Kuwait each representing 30.9% and 5.9% respectively.

Across-the-board selling drags QSE 192 points; M-cap erodes QR9.81bn

By Santhosh V Perumal
Business Reporter

WEEKLY REVIEW

Regional geopolitical uncertainties cast a shadow over the Qatar Stock Exchange (QSE), which saw its key index drop as much as 192 points and capitalisation erode QR9.81bn this week, which otherwise witnessed strong buying support from local retail investors.

An across-the-board selling – particularly in the real estate, industrials, telecom, transport and banking sectors – led the 20-stock Qatar Index to plunge 1.95% this week which saw Commercial Bank and Masraf Al Rayan report net profit of QR801.62mn and QR406.07mn respectively in the first quarter (Q1) of 2024.

The foreign institutions were increasingly into net profit booking this week which saw Dukhan Bank and Doha Bank report Q1 net profit at QR423mn and QR231.32mn respectively.

The domestic funds were also seen increasingly bearish this week which saw Qatar Electricity and Water Company (QEWC) register net profit of QR318.49mn in Q1. The Gulf institutions turned net profit takers in the main market this week which saw Ahlibank Qatar and Lesha Bank register net profit of QR218.06mn and QR28.77mn respectively in the first three months of this year.

The Arab individuals' weakened net buying had its influence on the main bourse this week which saw Baladna sign a $3.5bn agreement for establishing the powdered milk plant in Algeria, the largest of its kind in the world and the first-of-its-kind in the country.

About 81% of the traded constituents in the main market were in the red this week which saw a total of 0.01mn Masraf Al Rayan-sponsored exchange-traded fund QATR worth QR0.03mn trade across 14 deals.

However, the local retail investors were seen net buyers in the main market which saw as many as 1,242 Doha Bank-sponsored exchange-traded fund QETF valued at QR0.01mn change hands across two transactions.

The Islamic index was seen declining slower than the other indices in the main market this week which saw the banks and industrials sectors together constitute more than 56% of the total trade volumes.

Market capitalisation eroded 1.72% to QR560.83bn on the back of large and midcap segments this week, which saw no trading of sovereign bonds.

Trade volumes and turnover were on the decline in both the main and venture markets this week which saw no trading of treasury bills.

The Total Return Index tanked 1.95%, the All Share Index by 1.79% and the All Islamic Index by 1.58% this week, which saw Estithmar Holding enter into an agreement to manage and operate a 492-bed hospital in Iraq.

The realty sector index plunged 2.4%, industrials (2.3%), telecom (1.84%), transport (1.75%), banks and financial services (1.69%), insurance (1.36%) and consumer goods and services (0.8%) this week which saw Vodafone Qatar ring in net profit of QR150mn in Q1.

Major losers in the main market included Al Faleh Educational Holding, QEWC, Qatar German Medical Devices, Qatar Oman Investment, Medicare Group, QNB, Qatar Islamic Bank, QIIB, Masraf Al Rayan, Woqod, Mannai Corporation, Mekdam Holding, Industries Qatar, Aamal Company, Qamco, QLM, United Development Company (UDC), Barwa, Mazaya Qatar, Ooredoo, Gulf Warehousing and Nakilat this week, which saw UDC's Q1-2024 net profit at QR72mn.

Nevertheless, Baladna, Dlala, Inma Holding, Meeza, Vodafone Qatar and Dukhan Bank were among the gainers in the main bourse.

In the venture market, Al Mahhar Holding saw its shares appreciate in value this week which saw Baladna and Aamal Company report net profit of QR48.25mn and QR94.92mn respectively in Q1.

The foreign funds' net profit booking increased significantly to QR97.91mn compared to QR67.42mn the week ended April 18.

The domestic institutions' net selling strengthened noticeably to QR74.48mn against QR68.03mn the previous week.

The Gulf institutions turned net sellers to the tune of QR54.11mn compared with net buyers of QR61.81mn a week ago.

The Arab individuals' net buying declined perceptibly to QR4.95mn against QR17.37mn the week ended April 18.

However, the Qatari individuals' net buying gained substantially to QR208.91mn compared to QR58.05mn the previous week.

The foreign retail investors were net buyers to the extent of QR10.7mn against net sellers of QR0.62mn a week ago.

The Gulf individuals turned net buyers to the tune of QR1.43mn compared with net sellers of QR1.15mn the week ended April 18.

The Arab institutions were net buyers to the extent of QR0.51mn against no major net exposure the previous week.

The main market witnessed 6% contraction in trade volumes to 730.78mn shares, 3% in value to QR2.28bn and 7% in deals to 75,131 this week.

In the venture market, trade volumes plummeted 56% to 0.34mn equities, value by 55% to QR0.52mn and transactions by 58% to 45.

BUSINESS

CORPORATE RESULTS

TotalEnergies profit rises as CEO floats US listing move

TotalEnergies said yesterday its first-quarter net profit rose to $5.7bn as a strong oil market offset weaker gas prices, while its CEO floated the idea moving the French group's main stock listing to New York.
Chief executive Patrick Pouyanne said in a statement that TotalEnergies was "delivering strong results and an attractive shareholder return" that were "in line with its ambitious 2024 objectives".
While its net income rose 3%, the company's core profit fell 19 % compared to the first quarter last year to $11.5bn.
TotalEnergies, which turns 100 years old this year, increased its hydrocarbon production by 1.5% between January and March compared to the same period last year.
The output growth was fuelled by oil projects in Brazil and gas in Oman and Azerbaijan, which will host the UN's COP29 climate summit later this year.
TotalEnergies has posted record net profits in the past two years, raking in $21.4bn in 2023 even though oil and gas prices eased after soaring in the wake of Russia's invasion of Ukraine in 2022.
Oil prices have been more resilient than those of gas, however, due to geopolitical tensions in the Middle East and output cuts by the Opec+ group of leading producers.
TotalEnergies has also focused on liquefied natural gas, a strategy that has paid off.
Five years ago, the French group took a strategic turn to become a "multi-energy" company, with plans to dedicate a third of its investments to low-carbon projects.
But climate campaigners have criticised TotalEnergies for sticking to oil and stepping up its gas investments, which the sector has championed as a key part of the energy transition.
In an interview with Bloomberg, Pouyanne said "there's a case" to move the company's main listing from the Paris CAC 40 index to New York.
"I think it's a fair question," he told the news agency. "It's not emotional. It's business." TotalEnergies has secondary shares listed in London and New York.
In the interview, Pouyanne defended the group's continued investment in fossil fuels, saying: "there's no way to grow my dividend without growing my oil and gas business." He added: "In Europe, instead of supporting the European companies who want to make this transition, even if it's difficult, they look to us and say: look, you continue making oil and gas." "Of course, I continue to make oil and gas," he said, noting that demand for fossil fuels continues to rise.
"We are facing a situation where European shareholders, either they sell or maintain, and US shareholders are buying," he said. "So what is the most convenient for US shareholders? Do they prefer to have the shares being primarily listed in New York or in Europe? I think when you ask the question, you have the answer."

Microsoft

Microsoft has said earnings in the last quarter beat expectations as the tech titan continued to see its aggressive push into artificial intelligence boost revenues and profit.
The company led by CEO Satya Nadella said sales in the January to March period rose by 17% from a year earlier to $61.9bn, with net profit up by 20% to $21.9bn.
The results were cheered by Wall Street investors who pushed up the share price by about 4% in after-hours trading, consolidating Microsoft's position as the world's biggest company by market capitalization.
Microsoft has been hugely rewarded by investors since it aggressively pushed into rolling out generative AI, starting with its $13bn partnership with OpenAI, the creator of ChatGPT in 2023.
The company has made its Copilot AI chatbot available as an add-on to some of its key products such as Office 365, and the coding assistant GitHub.
The embrace of AI has boosted sales of its key cloud services, such as Azure, which have become the core of Microsoft's business under Nadella's leadership.
Microsoft said that overall cloud service revenue increased 24 % driven by Azure that saw revenue growth of 31%.
Cloud giants Amazon and Google are also looking to beef up cloud sales by rolling out AI features to clients and prove that the AI revolution is more than just hype.
In its push, Microsoft has moved beyond OpenAI and signed partnerships with other promising AI startups such as Mistral AI, as well as investing heavily internationally.
In March, Microsoft also announced that it hired DeepMind AI and Inflection AI co-founder Mustafa Suleyman to lead up its AI unit, poaching one of the industry's key figures from a promising startup.
The succession of moves has often taken archrival Google by surprise and seen Microsoft pip Apple as the world's biggest publicly traded company.
"We believe Redmond is just starting to hit its next gear of growth with ChatGPT and AI also adding a new layer of growth to the Microsoft story over the coming years," said Wedbush Securities analyst Dan Ives.
Facebook-owner's Meta's results on Wednesday however were a first sign of AI fatigue after the social media giant warned that making money on the technology would take years.

Alphabet

Google's parent Alphabet on Thursday trounced revenue and profit expectations for the first quarter of this year, causing shares to leap more than 12%.
Alphabet reported profit of $23.7bn on revenue of $80.5bn, crediting growth in cloud computing, YouTube, and online search advertising.
Alphabet chief executive Sundar Pichai credited artificial intelligence with helping drive the Silicon Valley tech giant's business.
"We are well under way with our Gemini era and there's great momentum across the company," Pichai said, referring to an AI model that powers services across the Google platform.
"Our leadership in AI research and infrastructure, and our global product footprint, position us well for the next wave of AI innovation."
Google ads brought in a total of $61.7bn in the quarter, compared with $54.5bn in the same period the prior year, according to the earnings report.
Ads served up at YouTube accounted for $8bn in revenue, up from $6.7bn in the first quarter of 2023, earnings figures showed.
Some $9.5bn was brought in by Google's cloud computing unit, compared with $7.5 in the same quarter a year earlier.
The earnings come as Google, Microsoft, Amazon and other rivals competing in the hot field of AI face scrutiny from regulators in the US and Europe.
The US Federal Trade Commission early this year launched a study of AI investments and alliances as part of an effort to make sure regulatory oversight can keep up with developments in artificial intelligence, and stop major players shutting out competitors in a field promising upheaval in multiple sectors.
"Our study will shed light on whether investments and partnerships pursued by dominant companies risk distorting innovation and undermining fair competition," said Lina Khan, head of the Federal Trade Commission, in a statement.
One major concern is that generative AI, which allows for human-level content to be produced by software in just seconds, requires a massive amount of computing power, something that big tech companies are almost uniquely capable of delivering.
Amazon — through its Amazon Web Services arm — Microsoft and Google are the world's biggest providers of cloud-based data centres, which store and process data on a vast scale, in addition to being some of the world's richest companies.

Airbus

European aviation giant Airbus posted a 28% increase in first-quarter profit on Thursday through rising deliveries and production, a day after arch-rival Boeing reported a loss.
Airbus' net income in the first three months rose to €595mn ($637mn) while revenue grew 9% to €12.8bn, as the group delivered 142 commercial planes compared with 127 over the same period last year.
The results were delivered "against the backdrop of an operating environment that shows no sign of improvement," chief executive Guillaume Faury said in a statement. "Geopolitical and supply chain tensions continue." Suppliers say they also face component and staff shortages.
Faury said the plane giant was "actively managing bottlenecks".
Airbus was closely watching the future of Spirit Aerosystems, a US firm that makes some wings and plane body elements for Airbus, which could be bought by Boeing, Faury added.
Airbus expects to deliver 800 passenger planes this year, up from 735 last year, but still below the 863 it delivered in 2019 before the Covid-19 pandemic.
The company has an order backlog of 8,626 planes, of which 7,177 are for the narrow-body A320 family.
Airbus' rising profit contrasts with its American rival Boeing, which on Wednesday reported a first-quarter loss of $343mn, reflecting recent safety troubles that have slowed production and deliveries.
Boeing tempered production of its best-selling 737 program following a January near-catastrophic incident on an Alaska Airlines jet that has sparked heavy scrutiny from US regulators and among aviation customers.
Boeing's 737 competes directly with Airbus' A320 family, and Airbus said it aims to produce 75 A320s a year by 2026 and is "making progress" towards that goal after delivering 48 a month on average last year.
"Our ramp up plans are continuing, supported by the investments in our production system while relying on our core pillars of safety, quality, integrity, compliance and security," CEO Faury said.
The ramp-up in production led to free cash flow falling €1.8bn during the quarter, though the company is targeting free cash flow of €4bn for the year.
Airbus also said it is increasing the production rate for its A350 widebody to 12 planes a month by 2028, up from a previous target of 10 by 2026.

Caterpillar

Caterpillar reported a jump in profits on Thursday as strong pricing for industrial machinery made up for lower volumes, enabling record shareholder payouts.
Executives expect the benefit of the price increases — which were implemented in the second half of 2023 — to continue but "moderate" as the year progresses, said Chief Financial officer Andrew Bonfield on a conference call with analysts.
The company sees costs as "broadly flattish" for the year, with lower freight expenses compensating for increases elsewhere, Bonfield said.
Caterpillar, which manufactures and sells equipment for the construction, energy and other heavy industries, reported revenues of $15.8bn, slightly below the year-ago level.
But profits jumped 47% to $2.9bn.
Chief Executive Jim Umpleby painted a varied picture of key markets, with North America remaining healthy, "mixed" conditions in Latin America and weakness in Europe offset somewhat by strong construction activity in the Middle East.
The company has seen "some softening" in Asia Pacific outside of China, where conditions have also remained relatively tepid, according to Umpleby.
Caterpillar's earnings press release said the company paid out a "record" $5.1bn to shareholders in dividends and share repurchases.

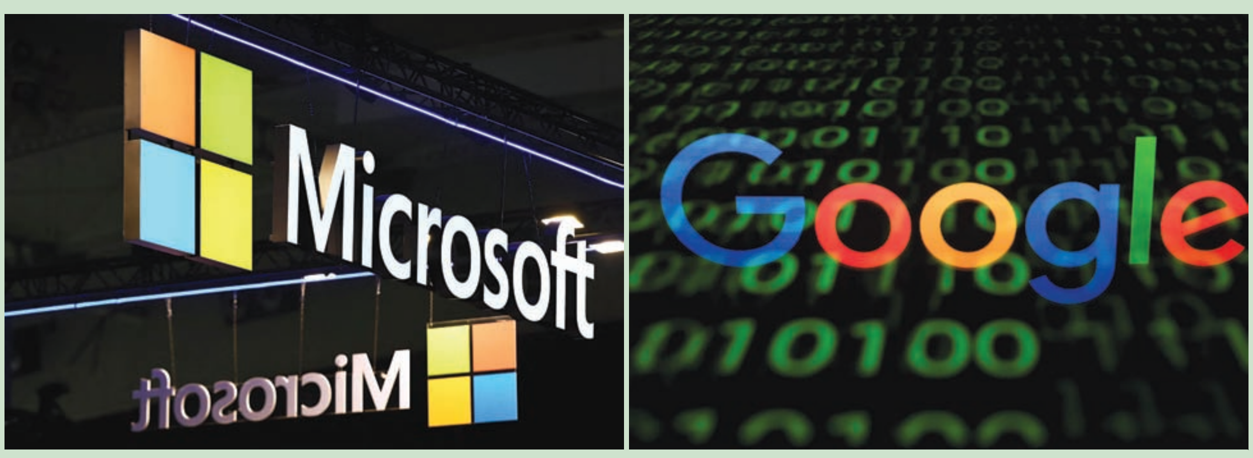
ExxonMobil

ExxonMobil reported lower first-quarter profits yesterday, citing a fall in refining margins and a decline in natural gas prices that offset robust output in Guyana.
ExxonMobil, which had targeted the second quarter to complete a takeover of US shale player Pioneer Natural Resources, reported profits of $8.2bn, down 28% from the year-ago period.
Revenues dipped 4% to $83.1bn.
While commodity prices for liquid hydrocarbons rose slightly and the company continued to score impressive volumes from Guyana, those benefits were more than offset by a 32 % drop in natural gas prices.
The company's energy products business also experienced a big drop in earnings on weaker refining profit margins despite reporting record first-quarter refining throughout.
ExxonMobil steered $6.8bn towards shareholders in dividends and stock repurchases during the quarter.
Chief Executive Darren Woods cited growth in Guyana and efficient refining operations as key strengths.

Alphabet, Microsoft earnings show hefty AI bets are driving growth

Reuters
New York

Alphabet and Microsoft ignited a rally in technology stocks yesterday with earnings that showed big AI investments were driving growth, allaying doubts that their costly bets would take time to pay off after a soft forecast from Meta Platforms.
Alphabet rose 10%, crossing $2tn in market value with a gain of about $180bn as it sweetened the pot for investors with its maiden dividend and a $70bn stock buyback.
The world's fourth most valuable firm flirted with the milestone on an intraday basis over three years ago although it never closed above that level, according to LSEG Datastream.
Microsoft gained nearly 3% and was set to add more than $80bn to its market value.
After pouring billions of dollars into the infrastructure needed to support AI applications, both Alphabet and Microsoft reported that their quarterly revenue growth was outpacing expectations as more users turn to services including the Copilot AI assistant and the Gemini chatbot.
AI services accounted for 7 percentage points of the 31% jump in revenue at Microsoft's Azure cloud-computing platform between January and March, finance chief Amy Hood said.
She added near-term AI demand was a bit higher than the company's capacity, which held back growth in the quarter and highlighted the need for spending to expand its infrastructure.
At Google, cloud revenue jumped about 28% with strong growth in Google Workspace, where the Alphabet unit offers a slew of AI features powered by its large language model Gemini.
The results contrasted with a warning of higher spending and softer-than-expected growth from social media giant Meta, whose stock tumbled 10% on Thursday.
"This quarter illustrated how demand remains high for generative AI from Microsoft customers, and we continue to believe that Microsoft sits as a leader in this GenAI environment," D.A. Davidson analyst Gil Luria said.
"Meta is indicating the results of further increased investment may be years away while Microsoft and Google are showing them right now."
The results sparked a rise of 2% in Amazon.com, which will report earnings on Tuesday. AI chip stocks Nvidia, Broadcom and Marvell Technology also rose between 1% and 2%, riding



Alphabet and Microsoft ignited a rally in technology stocks on Friday with earnings that showed big AI investments were driving growth, allaying doubts that their costly bets would take time to pay off after a soft forecast from Meta Platforms

on optimism that an ongoing boom in spending by tech giants would power demand for their semiconductors.
"The three hyperscalers (major cloud companies) we've heard from thus far all highlighted a similar message on AI capital expenditure — this is an arms race, the AI opportunity is enormous, and spending will continue to be aggressive/ahead of market expectations," Bernstein analyst Michael Chiang said.
Microsoft's capital expenditures grew by $300mn from the previous quarter to $11.5bn, while Alphabet's capital expenditures were $12bn, a 91% jump from a year prior.
At least 19 analysts raised their price target on Alphabet, pushing the median view to $176.65, compared with its last close of $156. Microsoft saw 17 price-target increases from analysts, with the median view on the stock now at $475.
Microsoft has a 12-month forward price-to-earnings ratio of 30.40, compared with Alphabet's 21.63.
Some analysts believe the more premium valuation was justified.
"Google Cloud showed improvement but less than the growth of Azure. Azure's enterprise focus and their differentiated capabilities played a part and we (and the market) await Amazon Web Services results," Bernstein analysts said.

Turkish finance minister says recovery in FX reserves will continue

Reuters
Sapanca, Turkiye

Turkish Finance Minister Mehmet Simsek said yesterday that there was a recovery in forex reserves and the process was ongoing, adding that Turkiye did not have issues with access to funding.

Speaking at a conference in northwestern Turkiye, Simsek said the annualised current account deficit was likely to fall to around $25bn this year.

Turkiye will take steps in fiscal policy in the coming period to support disinflation, Simsek said, adding that disinflation will begin in the second half of the year.

He said price stability, fiscal discipline and a sustainable current account deficit are priorities, with the final target being the is to achieve sustainable high economic growth.


Turkiye's Finance Minister Mehmet Simsek speaks during a meeting in Sapanca yesterday.

UAE planning second nuclear power plant, say sources

Reuters
Dubai

The United Arab Emirates will tender shortly for the construction of a new nuclear power plant that would double the number of the Gulf state's nuclear reactors, three sources familiar with the matter said.

The UAE became the first Arab state to operate a nuclear power plant when in 2021 it opened in the South Korean-built Barakah facility in Abu Dhabi.

The UAE plans to seek bids this year, potentially within the next few months, to build four new reactors, the sources with direct knowledge of the matter said, requesting anonymity to discuss details that are still private.

The sources said the UAE aims to award the tender and start construction as soon as this year so that the new plant would be operational by 2032 in order to meet projected energy needs.

The tender would be open to any potential bidders, including US, Chinese and Russian firms, the sources said, adding that South Korea would not be treated as a preferred bidder.

Asked about plans for a second plant, the Federal Authority for Nuclear Regulation (FANR) said it was ready to review and issue the necessary licences and regulations that would be needed when and if the government decides to build new plants.

The UAE energy ministry referred Reuters to FANR for comment.

State-owned Emirates Nuclear Energy Co (ENEC), which owns the Barakah nuclear power plant, referred Reuters to a public statement it ran in January stating that it was,"focused on exploring opportunities in the UAE and overseas to maximise the full value of the expertise developed in nuclear mega project programme delivery and technology deployment, subject to confirmed demand, and approvals from the relevant UAE authorities."

The UAE government media office did not immediately respond when asked for comment.

Russia is a big player in nuclear reactor construction, along with China which is rapidly scaling up its global nuclear energy ambitions.

If Russia or China were selected as bidders for the UAE plant this could potentially create tensions with the US, which has sought to isolate Moscow over the Ukraine invasion and has become concerned over the Gulf states' deepening ties with Beijing.

The UAE, which signed a nuclear energy co-operation agreement with the US in 2009, says its nuclear programme is peaceful and solely for energy purposes to decrease its reliance on oil.

It was one of the countries that signed an agreement at the UN climate conference held in Dubai late last year to triple global nuclear energy output over the next three decades.

Elsewhere in the Middle East, Egypt is developing its first nuclear plant, built by Russia; while Saudi Arabia has ambitions for a civilian nuclear programme. The South Korean-built Barakah nuclear power plant is expected to provide a quarter of the country's electricity.

The fourth and final reactor of the Barakah plant is due to start commercial operations this year, bringing the nuclear power plant to full operating capacity.

Locations under consideration for the new nuclear plant include a coastal site nearer to the border with Saudi Arabia, sources said.

It could also be built closer to the existing plant at Barakah, they said.

Barings to boost Turkish equity exposure if locals start selling amid 33% dollar returns

Bloomberg
Istanbul

Dips in Turkish equities could be a buying opportunity in the next couple of years if the government maintains its determination on economy policies, according to Barings Asset Management.

"Turkish equities are not as cheap as they were before," said Adnan El-Araby, a money manager at Barings in London. "So if there's an economic slowdown and local investors start selling, we could consider raising our exposure."

Turkish stocks have given investors dollar returns of 33% in less than a year as the President Recep Tayyip Erdogan's government signalled a policy U-turn, abandoning unorthodox fiscal and monetary policies of the past several years, and adopting market-friendly measures. Since then authorities have raised benchmark interest rates by 41.50 percentage points in a bid to contain inflation and stabilize the lira.

"Since last year's general elections, the risk premium has started to come down, the new finance team seems to have managed to convince Erdogan," El-Araby said.

Despite currency losses this year that took the lira to a record low and a leadership change at the central bank, the government has committed to do "whatever it takes" to stabilise the economy after inflation zoomed to over 80% as a result of previous unorthodox policies. Turkey's equity rally has been driven mostly by local investors, with overseas flows remaining sparse as foreigners wait to see further progress in the return to policy orthodoxy.

"Growth has to and will begin to slow down at some point, but will the government be willing to stomach it? That's when the real test of commitment will be visible to investors," said El-Araby who is a co-manager at Barings Emerging EMEA Opportunities PLC.

Barings went overweight in Turkish equities around last year's elections and Turkish stocks currently make up about 7% of the company's fund.

Meituan seen to debut in Riyadh in first expansion beyond China

Bloomberg
Hong Kong

Meituan is planning to launch its international food-delivery platform in Saudi Arabia's capital, making its first move outside of greater China as growth slows in its home market.

The Beijing-based firm is working to debut its KeeTa app in the Middle East with Riyadh as the first stop, according to people familiar with the matter. Meituan has explored an expansion into the Middle East for months, the people said, asking not to be identified discussing private information. That launch could come as early as in coming months, one of the people said.

Meituan's global expansion is emblematic of a push by Chinese companies abroad, seeking growth as local competition intensifies even while consumption wanes. The move into Riyadh, one of the wealthiest cities in the region, follows a successful Hong Kong foray in 2023.

It will pit Meituan against local rivals including Jahez International Co, Delivery Hero SE's Talabat and HungerStation and Uber Technologies Inc-backed Careem.

Delivery Hero's shares fell more than 9% on Friday in their biggest single-day decline in about two months.

Meituan's move comes as Saudi Arabia, already the region's biggest economy, devises plans to invest trillions of dollars to become a tourism and commercial hub. A Riyadh debut could mark a broader foray into a friendlier region that Chinese companies have warmed towards as their home economy buckles.

The arrival of KeeTa will put pressure on incumbents like Delivery Hero, which counts Saudi Arabia as one of its largest markets by revenue, according to Marcus Diebel, an analyst at JP Morgan. Bernstein on Friday estimated the country yielded more than €3bn ($3.2bn) of GMV for the company.

"It also underlines that the industry remains competitive with new, well-funded players entering at a relatively late stage," Diebel wrote.

Meituan's Middle Eastern approach will likely rely on a familiar subsidy-heavy strategy to draw in users and delivery workers at the outset. As with Hong Kong, it's likely to roll KeeTa out in phases and target certain districts to begin with. The company's already posted at least a dozen KeeTa job openings for Riyadh on LinkedIn and its own website, including for user acquisition and business development.

While Meituan has spent months devising a blueprint for entry, plans could still change and the company could decide to hit pause on any expansion. The company has explored other Middle Eastern markets in the meantime. Representatives for Meituan didn't respond to an email seeking comment.

KeeTa — a nod to the fast-moving cheetah — launched in May and took just months to vault to the No. 2 spot in Hong Kong ahead of Deliveroo, according to independent research. That business was regarded as a trial run for a broader global expansion over the long run, as Meituan seeks growth at a time rivals like ByteDance Ltd's Douyin are undercutting its margins.

A food delivery courier for Meituan in Beijing. The Beijing-based firm is working to debut its KeeTa app in the Middle East with Riyadh as the first stop, according to people familiar with the matter.

The company's latest expansion comes as Chief Executive Officer Wang Xing from February took direct control of its overseas businesses, a decision that elevates the importance of its international ambitions.

Wang said during the company's earnings call in March that Meituan was actively exploring international expansion, and that the firm's cash reserves and cash flow from its domestic business would help it break into new markets.

Like its peers, the company has been looking outside its home turf for growth during China's severe economic downturn, including at one point considering an acquisition of Delivery Hero's business in Southeast Asia.

A growing number of Chinese tech firms have explored a deeper presence in the Middle East in particular, anticipating less political scrutiny compared to places like the US and Europe.

US inflation increases moderately; consumer spend boosts Q2 outlook

Reuters
Washington

US monthly inflation rose moderately in March, but stubbornly higher costs for housing and utilities suggested the Federal Reserve could keep interest rates elevated for a while.

The report from the Commerce Department yesterday, which also showed strong consumer spending last month, offered some relief to financial markets spooked by worries of stagflation after data on Thursday showed inflation surging and economic growth slowing in the first quarter.

"Markets should breathe a sigh of relief this morning," said Chris Zaccarelli, chief investment officer at Independent Advisor Alliance. "Given the elevated levels of inflation, and this is the new normal for 2024, the market is going to need to get over hopes for Fed rate cuts."

The personal consumption expenditures (PCE) price index increased 0.3% last month, matching the unrevised gain in February, the Commerce Department's Bureau of Economic Analysis said. Goods prices edged up 0.1% as increases in the costs of gasoline, clothing and footwear were partially offset by a decline in prices of motor vehicles and parts.

Services prices rose 0.4%, quickening from February's 0.3% advance. They were boosted by a 0.5% increase in the cost of housing and utilities, which include rents. Rents have remained sticky even as the supply of apartments has increased and independent measures showed a decline in rent demands.

Economists expect that these lower rents should start showing up in the data at some point this year. Transportation services prices shot up 1.6%, while financial services and insurance were 0.5% more expensive.

In the 12 months through March, inflation rose 2.7% after advancing 2.5% in February. The increase in inflation last month was broadly in line with economists' expectations.

There had been fears that inflation could exceed forecasts in March after the release of the advance gross domestic product report for the first quarter on Thursday showed price pressures heated up by the most in a year.

The spike in inflation occurred in January. The PCE price index is one of the inflation measures tracked by the US central bank for its 2% target. Monthly inflation readings of 0.2% over time are necessary to bring inflation back to target.

US Treasury prices rose, with the yield on the benchmark 10-year note backing away from a five-month high reached in the previous session. The dollar advanced versus a basket of currencies, while stocks on Wall Street were trading higher.

Fed policymakers are expected to leave rates unchanged next week. The central bank has kept its benchmark overnight interest rate in the 5.25-5.50% range since July. It has raised the policy rate by 525 basis points since March 2022.

Financial markets initially expected the first rate cut to come in March. That expectation got pushed back to June and then September as data on the labour market and inflation continued to surprise on the upside.

People shop in the food section of a retail store in Rosemead, California. The report from the Commerce Department yesterday, which also showed strong consumer spending last month, offered some relief to financial markets spooked by worries of stagflation after data on Thursday showed inflation surging and economic growth slowing in the first quarter.

A handful of economists continue to expect that borrowing costs may be lowered in July on the belief that the labour market will slow noticeably in the coming months. Others believe the window for rate cuts is rapidly closing.

"Fed officials will likely not have enough evidence based on inflation data alone to cut rates as soon as June," said Veronica Clark, an economist at Citigroup. "But we continue to think officials will be increasingly uncomfortable leaving rates at restrictive levels for too long and will find evidence in May and June inflation data to cut rates in July."

Excluding the volatile food and energy components, the PCE price index increased 0.3% in March after rising by the same unrevised margin in February. Core inflation increased 2.8% on a year-on-year basis in March, matching February's advance.

PCE services inflation excluding energy and housing climbed 0.4% after a 0.2% gain in February. The so-called super core inflation rose 3.5% on a year-on-year basis in March.

Policymakers are monitoring the super core inflation to gauge their progress in fighting inflation.

Consumer spending, which accounts for more than two-thirds of US economic activity, increased by a solid 0.8%, matching the rise in February. The data was included in the GDP report, which showed consumer spending moderating to a still-solid 2.5% pace in the first quarter from the brisk 3.3% pace in the October-December period.

The economy grew at a 1.6% rate last quarter, held back by an increase in the trade deficit. The wider trade gap reflected a surge in imports, a function of strong domestic demand.

Currency clash: Race to the bottom accelerates

By Charu Chanana

Even as the US economy stays resilient, the race for rate cuts is intensifying, setting the stage for significant shifts in the global foreign exchange markets. Here's a breakdown of what to expect in the coming months:

US economic exceptionalism at a crossroads
The US economic data has continued to surprise the upside. However, US economic exceptionalism could start to fade in Q2 amid European stability and China's gradual recovery.

Competitive pivot drives FX markets
With markets not anticipating rate cuts from the Federal Reserve until H2, attention turns to how other central banks will respond. The European Central Bank, in particular, faces pressure to match these cuts or risk a hard landing. This competitive pivot dynamic will dominate FX markets in the second quarter.

Opportunities in currency pairs
■ Euro (EUR): Speculative positioning in EUR has decreased, but stabilising eurozone economic conditions could support a drift higher, especially with the potential for ECB rate cuts.
■ British pound (GBP): GBP long positions are at multi-year highs, but signs of disinflation may prompt increased expectations of Bank of England rate cuts, potentially pushing EURGBP higher.
■ Australian dollar (AUD) and New Zealand dollar (NZD): Both currencies are set to outperform as their rate cuts lag behind the Fed and the ECB. Additionally, AUD benefits from China's policy loosening efforts and broad USD weakness as US exceptionalism fades.
■ Japanese yen (JPY): The Bank of Japan's pivot away from negative rates has implications for carry trades, potentially leading to yen appreciation. However, the BoJ's cautious approach to normalisation may limit the yen's strength against the US dollar.

Navigating the FX landscape
Tactical positioning and options plays may be preferred in uncertain currency movements. Considerations like minimising carry bleed and hedging exposure to Japanese equities should be part of any FX strategy in the current environment.
As the rate cut race shifts into high gear, traders and investors should closely monitor central bank actions and economic indicators to capitalise on emerging opportunities in the dynamic FX markets.

■ *The author is head of FX Strategy at Saxo Bank*

Bloomberg QuickTake Q&A

Why BHP is targeting Anglo in mining mega deal

By Thomas Biesheuvel and Dylan Griffiths

BHP Group Ltd has proposed acquiring Anglo American Plc, in a deal that would create the world's biggest copper producer and spell the end for one of the most storied names in mining.
The 107-year-old Anglo has long been viewed as a takeover candidate, and a two-year-long slump in its shares has made it a softer target. A combination of plunging commodity prices — for platinum group metals and diamonds — and operational setbacks at key mines made it particularly vulnerable. When Anglo shocked the market in December by curbing its guidance for copper output, potential bidders began to circle.
A takeover of Anglo would mark a return to large-scale dealmaking for BHP and Chief Executive Officer Mike Henry, who has already transformed the company by getting out of oil and gas.

1. Why does BHP want to buy Anglo American?

Anglo has a number of businesses, from diamonds to platinum, but the main prize for BHP is copper. Combined with its own, Anglo's South American copper assets would give BHP about 10% of global mine supply, just as market watchers predict shortfalls. Copper is key to the energy transition and to achieve net-zero carbon emission targets. Annual demand is likely to double to 50mn tons by 2035, according to an industry-funded study by S&P Global.

2. How much is BHP proposing to pay for Anglo?

BHP's proposal valued Anglo at £31.1bn ($38.9bn). BHP doesn't want to buy all of the company, however: It's proposing first to hand Anglo's stakes in two South African businesses to the smaller miner's investors before proceeding with a takeover.

3. Will BHP be forced to sweeten its proposal?

Some analysts say BHP may need to raise its offer to well above £30 per share to get a deal done, especially if other bidders — such as Rio Tinto Group and Glencore Plc — emerge. Just two years ago, Anglo was trading at almost £43 a share. BHP will also face antitrust scrutiny on a deal that would make it by far the world's biggest copper producer.

4. What is limiting Anglo's market valuation?

In addition to major operational and market setbacks over the past year, Anglo's valuation is limited by the complexity of its business, notably the majority stakes it owns in two South African-listed miners — Anglo American Platinum Ltd and Kumba Iron Ore Ltd. Its relationship with South Africa goes back more than a century to the foundation of diamond giant De Beers and the mining empire built by the Oppenheimer family. South Africa's state pension fund — Anglo's biggest shareholder — has already said the mining sector is of critical importance to the country and that any opportunities that arise need to take this into account. That complex political backdrop, as well as power outages and crumbling infrastructure in the country, may give potential suitors pause for thought as they weigh higher bids.

5. Is a deal likely to spur further mining takeovers?

The prospect of copper scarcity has led to a flurry of mergers and acquisitions as metal producers look to buy rather than build production growth. BHP's proposal for Anglo could prompt others to make a move. No. 2 miner Rio Tinto has also been investing in copper production, while Glencore last year made an unsuccessful offer for Teck Resources Ltd, which has a coveted copper business, before eventually reaching a deal for the Canadian company's coal assets. Mining companies are flush with cash and ready to show investors they have learned from past mistakes in M&A.

BHP has proposed acquiring Anglo American, in a deal that would create the world's biggest copper producer and spell the end for one of the most storied names in mining

US probes Tesla recall of 2mn vehicles over Autopilot, citing concerns

US auto safety regulators said yesterday they have opened an investigation into whether Tesla's recall of more than 2mn vehicles announced in December to install new Autopilot safeguards is adequate, reports Reuters.
The National Highway Traffic Safety Administration (NHTSA) said it was opening an investigation after the agency identified concerns due to crash events after vehicles had the recall software update installed "and results from preliminary NHTSA tests of remedied vehicles."
The agency's new probe comes after it closed its nearly three-year investigation into Autopilot, saying it found evidence that "Tesla's weak driver engagement system was not appropriate for Autopilot's permissive operating capabilities" that result in a "critical safety gap." NHTSA also cited Tesla's statement "that a portion of the remedy both requires the owner to opt in and allows a driver to readily reverse it."
The agency said Tesla has issued software updates to address issues that appear related to its concerns but has not made them "a part of the recall or otherwise determined to remedy a defect that poses an unreasonable safety risk." Tesla said in December's its largest-ever recall covering 2.03mn US vehicles — or nearly all of its vehicles on US roads — was to better ensure drivers pay attention when using its advanced driver assistance system.
The new recall investigation covers Model Y, X, S, 3 and Cybertruck vehicles in the US equipped with Autopilot produced between the 2012 and 2024 model years, NHTSA said.

Only half of global rate hikes set to be taken back by end-2025

Bloomberg
New York

Major advanced economy central banks are likely to take back less than half of the interest-rate hikes they rammed through over the past two years — an outlook reshaped significantly by US outperformance.
After the Federal Reserve, European Central Bank and Bank of England jacked up their benchmarks by a collective 1,475 basis points, only 575 basis points of reductions are in store by the end of 2025, according to new Bloomberg Economics estimates.
The latest outlook, coming after a series of disappointingly high inflation readings in the US along with better-than-anticipated economic activity, is revamping the investment landscape. It offers more time to lock in today's relatively high yields, plus opportunities for relative-value bets as some central banks ease before others.
The Bloomberg Economics macro-yield model back in November suggested 10-year Treasuries would end this year at 4.1%. As of Thursday, it's pointing to 4.4% — which would mark a modest drop from 4.70%.
To Ana Galvao, the Bloomberg economist who built the model, "downside surprises from the inflation releases at the end of 2023, followed by the upside surprises from February" did most to reshape the outlook.
Monetary policy pivots are always hard to time, but the havoc the pandemic caused and the unprecedented, massive dose of fiscal stimulus since spring 2020 has made things all the harder, said Anne Walsh, chief investment officer at Guggenheim Partners Investment Management.
"All the historical mile markers that had been in existence in the past — for example, from the time the Fed starts hiking it's usually 18 to 24 months to when the recession starts — have been extended," she said.
Fed Chair Jerome Powell and his colleagues' mission to get inflation back to 2% has been complicated by fiscal deficits that continue to come in historically large, according to Walsh at Guggenheim, which manages over $300bn in assets. She pointed out the anomaly of big deficits at a time of sub-4% unemployment rates.
Walsh said she's very positive on investment-grade bonds, seeing underlying credit fundamentals as good and yields at about 5.5-6.5% as attractive. The Bloomberg US Aggregate index yielded 5.7% as of Wednesday.
Derivatives trading also shows a reshaped outlook. Only one Fed quarter point rate cut is fully priced in for this year, compared with at least five as recently as early February. Some options offer traders protection against another hike.
Rate differentials between major central banks are also on the move. On February 1, markets implied that the Fed and ECB would end the year with rates at 3.97% and 2.52% respectively. As of Thursday, markets saw about 4.98% and 3.25%.
Money markets in Europe show greater confidence in easing this year, with about 73 basis points for the European Central Bank and 47 basis points for the Bank of England as of Thursday.
"There's less downside risk in US rates than we see in Europe," said Steven Barrow, the London-based head of G-10 strategy at Standard Bank. He's telling clients to favour German bunds over US Treasuries.
Continued economic resilience — the International Monetary Fund now sees an acceleration in advanced economies this year rather than a slowdown — should allow the main central banks to keep shrinking balance sheets that had ballooned during the Covid crisis.
The Fed, ECB, BOE and Bank of Japan collectively expanded their balance sheets by a combined $9tn in 2020 and 2021. By the end of next year, Bloomberg Economics now sees the group as on course to conduct a cumulative amount of some $3tn worth of quantitative tightening over 2024 and 2025. That's even after the Fed suggested it favours slowing the pace of QT by roughly half, starting soon. That means private-sector investors will need to step up to absorb the supply of government debt. Higher-for-longer yields may make that an easier proposition.