BUYING SUPPORT | Page 4

Hopes on US rate cut lift QSE sentiments as index gains 23 points

Tuesday, June 4, 2024
Dhul-Qa'da 27, 1445 AH

GULF TIMES
BUSINESS

HIGH WATERMARK : Page 3

Turkiye inflation hits 75% in expected peak before relief

MoCI undersecretary participates in global conference on mediation and arbitration

The Undersecretary of the Ministry of Commerce and Industry, Mohamed bin Hassan al-Malki, participated in the International Conference on Mediation and Arbitration held in Doha yesterday.

The conference was organised by the Ministry of Commerce and Industry (MoCI), in co-operation with the Qatar International Court and Dispute Resolution Centre (QICDRC) and the World Intellectual Property Organisation (WIPO) under the theme 'The Role of Intellectual Property in Promoting Economic Growth: Analysing the Relationship Between Intellectual Property Rights Protection and Foreign Direct Investment Flows'.

Ministry of Commerce and Industry Undersecretary Mohamed bin Hassan al-Malki during the International Conference on Mediation and Arbitration held in Doha yesterday.

In his opening speech, al-Malki emphasised the importance of the event, which is being held for the first time in the region, and highlighted the co-operative efforts between Qatar and WIPO.

He said the conference represents a strategic step in Qatar's efforts to establish the protection of intellectual property rights as a culture, awareness, and system, making it a cornerstone of economic activity and one of the most important intangible assets for both national and foreign companies, as well as business ventures in Qatar. It also represents a significant step in enhancing co-operation with international economic organisations, particularly WIPO, to achieve common goals, he noted.

Al-Malki said due to the importance of protecting intellectual property rights for economic initiatives and the need to foster an environment that supports foreign investment through the development of personnel who are capable of enforcing these rights, Qatar has established regulations concerning the use of alternative dispute resolution methods for commercial disputes.

Specifically, this is through the arbitration system or Law No 2 of 2017, which issued the Arbitration Law for Civil and Commercial Matters, aimed at providing a secure environment for resolving commercial disputes, particularly for foreign investors.

Al-Malki noted that with the increasing attention to intellectual property rights, Qatar has intensified its efforts to provide effective and alternative means of resolving these types of disputes.

This led MoCI to collaborate with WIPO and sign a memorandum of understanding (MoU) in 2022 regarding the settlement of intellectual property disputes through alternative dispute resolution methods.

Al-Malki noted that the scope of the MoU includes arrangements for training arbitrators and mediators within Qatar and expressed his anticipation for expanding this partnership with WIPO and exploring other avenues of co-operation.

On the sidelines of the conference, al-Malki met with Marco Aleman, assistant director general, IP and Innovation Ecosystems Sector of WIPO, to review aspects of co-operation between Qatar and WIPO.

They discussed strengthening partnerships between the two sides. Both parties aim to assess the implementation of joint projects and programmes and discuss opportunities to further enhance partnerships while exploring ways of supporting the development of national policies and competencies in IP. Al-Malki also expressed Qatar's appreciation for the support provided by WIPO in helping develop the country's IP policies and systems, particularly in light of the ongoing development of the National Intellectual Property Strategy and the activation of the signed memoranda of understanding between the two sides.

He reaffirmed Qatar's commitment to and continuous support for WIPO in developing a balanced and effective international IP system that encourages innovation and creativity for the benefit of all.

The International Conference on Mediation and Arbitration also aims to provide a platform for exchanging expertise, knowledge, and co-operation among specialists in IP rights, mediation, arbitration, and foreign direct investment in the Middle East. The conference enhances participants' perspectives on how to strengthen their IP frameworks and attract foreign direct investment by sharing experiences and reviewing best practices and international standards in this field.

The conference sessions incorporate the means available to governments to enhance investment attractiveness, stimulate growth, and promote technology transfer through a robust IP framework and effective dispute resolution mechanisms, with a focus on the Middle East region.

Commercial Bank hosts 'Health and Wellness Day' to promote healthy and supportive work environment

Commercial Bank recently hosted a 'Health and Wellness Day' to promote a healthy and supportive work environment.

The event was held in collaboration with The View Hospital following the signing of a memorandum of understanding. It featured a range of specialities provided for short consultations designed to address various aspects and raise awareness. Through initiatives like these, Commercial Bank aims to cultivate a workplace culture that values mental health, happiness, and physical well-being. This contributes to building a workforce that is more innovative, productive, and resilient.

By investing in the health and wellness of the employees, Commercial Bank is demonstrating its commitment to long-term sustainability and corporate responsibility. These efforts reflect the company's belief that employee well-being is integral to overall business success and is part of the company's broader wellness initiative, which includes ongoing programmes and resources to support employee well-being.

Sheikh Jassim Saud al-Thani, EGM and Chief Human Capital officer, Commercial Bank, and Desmond Donnelly, Chief Commercial officer of the View Hospital, shaking hands after the agreement signing.

Sheikh Jassim Saud al-Thani, EGM and Chief Human Capital officer, said: "This Health and Wellness Day is a testament to Commercial Bank's dedication to providing a supportive and nurturing environment for our employees. By focusing on both physical health and well-being, we aim to empower our employees to lead healthier, more balanced lives."

Desmond Donnelly, Chief Commercial officer of the View Hospital, said: "Elegancia Healthcare is thrilled to partner with Commercial Bank for Healthcare Days. At EHC, we continue to provide the citizens and residents of Qatar with world-class medical facilities and expertise. Together, we are committed to enhancing healthcare services and fostering a healthier community."

Qatar Chamber and Mongolia review co-operation in tourism

Qatar Chamber recently hosted a business delegation from Mongolia led by Sergelen Purev, the ambassador of Mongolia to Kuwait, non-resident ambassador to Qatar.

The meeting was attended by Qatar Chamber first vice-chairman Mohamed bin Towar al-Kuwari, along with several representatives from tourist companies in Qatar.

During the meeting, both sides discussed ways to enhance bilateral co-operation relations in the area of tourism, facilitate travel and tourism procedures between the two countries by launching direct airlines, as well as procedures for obtaining tourist visas.

In his remarks, al-Kuwari said Qatar Chamber is keen on enhancing co-operation with the Mongolian side in tourist and economic fields, noting that Mongolia has witnessed great development in tourist infrastructure, making it a leading tourism destination.

Qatar Chamber first vice-chairman Mohamed bin Towar al-Kuwari during a meeting with Sergelen Purev, the ambassador of Mongolia to Kuwait, non-resident ambassador to Qatar.

Al-Kuwari stressed that Qatari business owners are interested in learning about the investment opportunities available in Mongolia, and incentives offered for foreign investors, affirming that the chamber encourages Qatari investors to explore opportunities in Mongolia.

For his part, Purev reviewed the development of the Mongolian tourism sector in recent years, affirming that the delegation's visit to Qatar aims to promote Mongolia's tourism sector and urge Qataris to visit the country.

Electronic certificate of origin seen key in intra-Arab trade development

Qatar Chamber yesterday hosted a regional workshop on the 'Requirements for the Application of Electronic Certificate of Origin (e-CO) in the Framework of the Greater Arab Free Trade Area (GAFTA)'.

The seminar was organised by the General Secretariat of the League of Arab States within the framework of co-operation with the International Islamic Trade Finance Corporation (ITFC) through the implementation of the second phase of the Aid for Trade Initiative for the Arab States (AFTIAS 2.0).

The three-day workshop aimed to identify the mechanisms for exchanging e-COs among Arab states. As many as 32 participants from 11 Arab countries that are members of the GAFTA took part in the event.

It also addressed challenges faced by countries in the application of e-COs and explored successful Arab experiences in this regard. Additionally, it discussed recommendations for increasing the number of Arab countries issuing e-COs.

In the inaugural session, Hussein Yousef al-Abdulghani, director of the Administrative and Financial Affairs Department at the chamber, said that the issuance of e-Cos is an important factor in developing the intra-Arab trade.

Al-Abdulghani stressed that the workshop supports Arab economic integration. He expressed hope that the event will offer recommendations that would increase the number of countries issuing the e-COs in the framework of GAFTA.

For her part, Lamia Abdelwahed, Rules of Origin officer at the Arab Economic Integration Department of the Arab League, thanked the chamber for hosting the workshop.

She highlighted the Arab League General Secretariat's keenness to keep up with global commercial developments, which contribute to the advancement of Arab integration in the framework of the GAFTA.

Abdelwahed also assured the significance of e-COs in promoting and streamlining the inter-Arab trade. She pointed out that one of the most prominent achievements of the past years in the rules of origin sector is the acceptance of e-COs by the Arab countries.

"There are six countries currently issuing the certificate of origin electronically: Qatar, the UAE, Saudi Arabia, Oman, Kuwait, and Morocco," she added.

Abdulatif al-Buraiki, co-ordinator of the Certificate of Origin at Qatar Chamber, delivered the first session, which highlighted Qatar's experience in issuing Arab e-Cos.

Al-Buraiki reviewed the steps of registration by companies in the Arab e-CO service, which was launched by the Chamber in 2020. He also explained how companies submit the application and verify the validity of the issued certificate.

In the second and third sessions, Dr Tamer Mahmoud, an international expert specialising in rules of origin, reviewed the development of the issuance of certificates of origin and its provisions within the framework of the GAFTA. He also highlighted the mechanisms for verifying the validity of the issuance of the Arab certificate of origin.

The seminar was organised by the General Secretariat of the League of Arab States within the framework of co-operation with the International Islamic Trade Finance Corporation (ITFC) through the implementation of the second phase of the Aid for Trade Initiative for the Arab States (AFTIAS 2.0).

Turkiye inflation hits 75% in expected peak before relief

Reuters
Istanbul


A merchant counts Turkish lira banknotes at the Grand Bazaar in Istanbul (file). Turkish annual consumer price inflation reached 75.45% in May, a bit above expectations, official data showed on Monday, in what is expected to be the high watermark before a series of rate hikes and relative lira stability bring relief.

Turkish annual consumer price inflation reached 75.45% in May, a bit above expectations, official data showed on Monday, in what is expected to be the high watermark before a series of rate hikes and relative lira stability bring relief.

The consumer price index rise was driven by strong advances in education, housing and restaurant prices last month, Turkish Statistical Institute data showed.

Monthly inflation is also expected to ease after May, when it was 3.37%, compared with 3.18% in April, the data showed. Annual inflation in April was 69.80%.

Finance Minister Mehmet Simsek said "the worst is over" and relief will begin this month. "The transition period in the fight against inflation is completed, we are entering the disinflation process," he said on X.

In a Reuters poll, annual inflation had been forecast to peak at 74.8% in May, its highest level since November 2022, before dropping to 42.6% by the end of 2024. Forecasts for month-on-month price rises ranged between 2.7% and 3.3%.

The central bank has raised its policy rate by 4,150 basis points since June last year and vowed to tighten more if there is "a significant and persistent deterioration" in the outlook.

It last raised rates in March, by 500 basis points to 50%, citing a worsening inflation outlook, and has since held steady.

The tightening marked a dramatic reversal of years of monetary stimulus to boost growth, but which sent inflation soaring and sparked a years-long cost-of-living crisis for Turks.

As a result the lira, steady on Monday, has skidded to 32.25 to the dollar from 5.7 five years ago. It is down more than 8% this year but held mostly steady since March, helping underpin the expected inflation relief.

"We're confident that inflation has now reached a peak but, with today's release containing a few unpleasant surprises, the pace of disinflation in the second half of the year is looking a bit more uncertain," Capital Economics said in a nod to the higher-than-expected print.

The domestic producer price index was up 1.96% month-on-month in May for an annual rise of 57.68%, the data showed.

The policy reversal has drawn foreign investor interest and helped boost the central bank's foreign reserves, which are at the highest level since December on a net basis. International investors are ramping up exposure to Turkish local bonds and credit default swaps. JPMorgan said it had moved its allocation to Turkish domestic government bonds to "overweight", citing increasing confidence in the policy.

Last month, the central bank nudged up its year-end inflation forecast to 38% and said it would "do whatever it takes" to avoid any longer-term deterioration in the outlook.


IATA Director General Willie Walsh.

Global airlines raise 2024 profit outlook as travel soars

Reuters
Dubai

Global airlines on Monday raised their profit forecast for 2024 and projected industry wide revenues just shy of $1tn as a record number of travellers board flights.

The International Air Transport Association (IATA) said it expected the worldwide industry to generate $30.5bn of profit this year, higher than an upwardly revised $27.4bn in 2023 as carriers keep a lid on underlying labour costs despite recent strikes.

That comes just four years after the industry collapsed to a $140bn loss in 2020 as a result of the pandemic and is above the $25.7bn forecast for 2024 issued in December.

"The environment is better than we had expected, particularly in Asia," Director General Willie Walsh told Reuters on the sidelines of an annual meeting of IATA's more than 300 members, which account for more than 80% of global air traffic.

However, the airline industry warned its ability to serve a strong rebound in travel demand is being hampered by disruption to global supply chains, including deliveries of its own fleets.

Passenger yields — or the average amount paid by a passenger to fly one mile — are expected to strengthen by 3.2% compared with 2023, IATA said in a twice-yearly economic outlook. In part, that is because capacity growth is constrained, driving up average fares.

By contrast, the corresponding figure for cargo is expected to fall 17.5% in 2024 as freight markets return towards normal patterns after booming during the pandemic.

Airline activity is widely seen as a litmus test for business or consumer confidence, as well as trade.

The industry has high fixed costs and regulations that discourage most cross-border mergers, meaning it remains fragmented.

"The margin remains wafer thin; we're still looking at a margin of just over 3%," Walsh said. "(That) performance is still well below where the industry needs to be."

In Asia, IATA more than trebled its industry profit forecast for 2024 to $2.2bn despite a sluggish recovery in international travel in China.

At $14.9bn, unchanged from earlier forecasts, North America remains the most profitable region with "strong consumer spending despite cost-of-living pressure," IATA said.

IATA said airlines had been hit by unforeseen maintenance issues. That appeared to be a reference to repair bottlenecks for engines built by Pratt & Whitney, which are expected to leave hundreds of Airbus jets grounded this summer.

Industry sources said on Friday that Airbus, the world's largest planemaker, was itself facing a new surge in supply problems, casting doubt on output plans for the second half. The planemaker has said it is sticking by full-year delivery goals.

Rival Boeing is producing far fewer of its best-selling 737 MAX jets than originally planned after a mid-air cabin panel blowout in January prompted US regulators to cap its production.

Saudi Aramco eyes foreign investors with roadshows in US and London

Bloomberg
Riyadh

Saudi Aramco's top executives are set to hold a series of events in London and the US to drum up demand for the oil giant's $12bn share sale, five years after it scrapped an international roadshow for its initial public offering.

Aramco Chief Executive Officer Amin Nasser will be among officials attending at least one of the events in London this week, according to people familiar with the matter. Chief Financial Officer Ziad al-Murshed is also slated to be at a roadshow in the city over the next few days, they said.

The firm is planning a separate event in the US, the people said, declining to be identified as the information is private. Institutional investors can submit orders until June 6 for the share sale that kicked off Sunday.

The $1.8tn oil giant's offer was covered in just a few hours after the deal opened. It wasn't immediately clear how much demand came from overseas, though the order book reflected a mix of local and foreign investors, Bloomberg News reported.

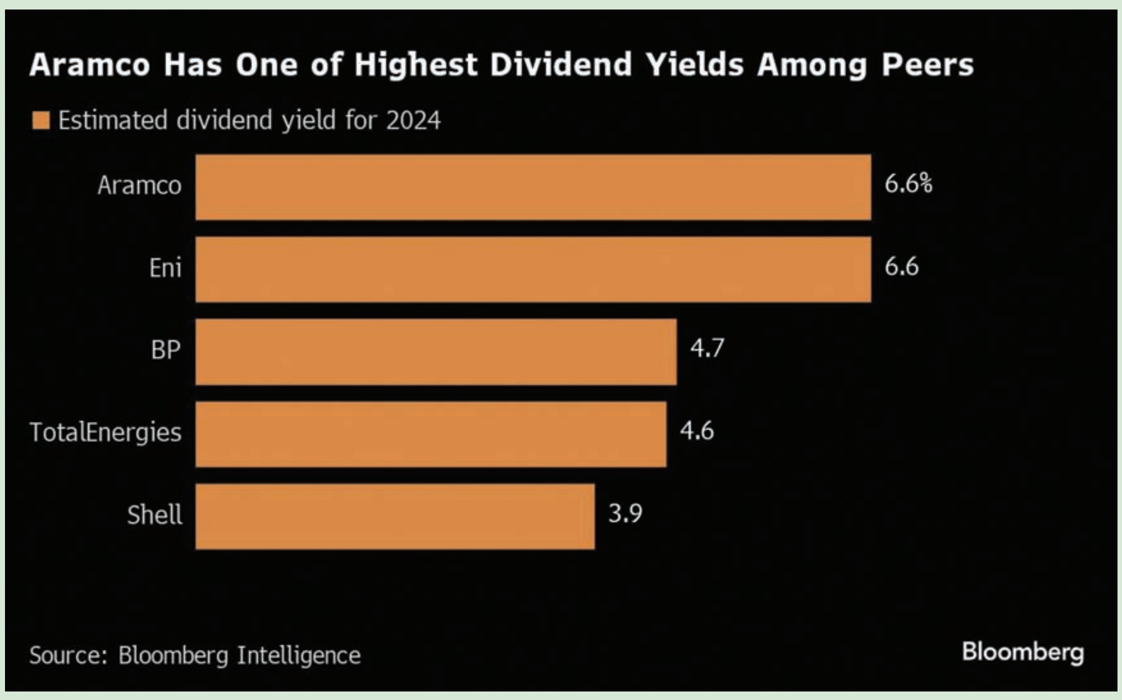
The extent of foreign participation will be closely watched. During Aramco's 2019 initial public offering, overseas investors had largely balked at valuation expectations and left the government reliant on local buyers.

The kingdom had planned a series of international events for that $29.4bn deal, including one in London, which it later scrapped. The company also decided not to market the sale in the US, Canada or Japan, and instead held a roadshow in front of a home audience that had already made their minds up about investing.

The IPO eventually drew orders worth $106bn, and about 23% of shares were allocated to foreign buyers.

A top selling point this time around is the chance to reap one of the world's biggest dividends. Investors willing to look past a steep valuation and the lack of buybacks would cash in on a $124bn annual payout that Bloomberg Intelligence estimates will give the company a dividend yield of 6.6%.

The Saudi government owns about 82% of Aramco, while the Public Investment Fund holds a further 16% stake. The kingdom will continue to be the main shareholder after the offering, which adds to Riyadh's efforts to raise cash and fill a budget deficit.



QIB wins 'Best App to Encourage Financial Inclusion' award

Qatar Islamic Bank (QIB) has bagged the "Best App to Encourage Financial Inclusion" award from *Global Finance* magazine as part of their World Top Innovators in Finance for 2024 for its recently introduced QIB Lite App. The award recognises QIB's efforts to enhance financial accessibility through its user-friendly QIB Lite App, a simplified multilingual version of its award-winning QIB Mobile App catered to provide accessibility and ease of use to workers.

With features such as payment and transfer options, QIB empowers low-income customers of all backgrounds, fostering greater financial literacy and inclusion within communities.

"Understanding and fulfilling our customers' needs through digital innovation is a top priority. The QIB Lite App is the result of such thorough research to comprehend the banking requirements of the workers' community. Our goal is to encourage the adoption of digital banking and to ensure universal access to essential financial services," said D Anand, QIB's general manager (Personal Banking Group).

The QIB Lite App consolidates essential banking services into a seamless and intuitive platform, enabling customers to manage their finances conveniently and securely. From account management to bill payments and mobile recharges, the Lite App offers a comprehensive suite of services tailored to meet the specific needs of low-income customers in Qatar.

QIB is also enabling workers to access necessary funds quickly in case of unexpected expenses through its instant salary advance feature, offering support in managing their finances and improving their well-being.

QIB's commitment to financial inclusion goes beyond traditional banking by addressing the specific needs of workers, a significant segment of Qatar's population. The bank is committed to empower this segment with innovative and affordable financial solutions to manage their financial needs in Qatar and abroad, it said.

Through the QIB Lite App, the bank enables both company-employed and domestic workers to access everyday banking services such as payments, transfers, and other financial services. Available in eight languages: Arabic, English, Hindi, Malayalam, Urdu, Tagalog, Bangla and Nepali, in all mobile stores with future plans to add other languages, the app ensures clear communication and accessibility, enhancing the users' financial knowledge.

Additionally, QIB customises specific products and services for those facing financial vulnerability, prioritises financial education, and promotes inclusion as part of its corporate social responsibility and customer-centric approach.

The award recognises QIB's efforts to enhance financial accessibility through its user-friendly QIB Lite App, a simplified multilingual version of its award-winning QIB Mobile App catered to provide accessibility and ease of use to workers

Hopes on US rate cut lift QSE sentiments as index gains 23 points

By Santhosh V Perumal
Business Reporter

Renewed hopes of interest rates cuts in the US were seen reflecting in the Qatar Stock Exchange, which yesterday saw a rollercoaster ride before settling more than 23 points higher.

The telecom and banking counters witnessed higher than average demand as the 20-stock Qatar Index rose 0.25% to 9,408.52 points, recovering from an intraday low of 9,386 points.

The domestic institutions were seen increasingly net buyers in the main market, whose year-to-date losses truncated to 13.13%.

However, about 61% of the traded constituents were in the red in the main bourse, whose capitalisation added QR0.89bn or 0.16% to QR546.22bn on account of microcap segments.

The foreign institutions turned net sellers in the main market, which saw 0.85mn exchange traded funds (sponsored by Masraf Al Rayan and Doha Bank) valued at QR1.32mn trade across 19 deals.

The Gulf institutions were increasingly into net profit booking in the main bourse, which saw no trading of sovereign bonds.

The Arab retail investors were also seen increasingly bearish in the main market, which saw no trading of treasury bills.

The Islamic index was seen gaining slower than the main barometer in the main bourse, whose trade turnover and volumes were on the increase.

The Total Return Index gained 0.25%, the All Share Index by 0.16% and the All Islamic Index by 0.17% in the main market.

The telecom sector index gained 0.64%, banks and financial services (0.34%), real estate (0.17%), industrials (0.07%) and consumer goods and services (0.04%); while insurance declined 0.91% and transport 0.3%.

Major gainers in the main market included Medicare Group, Qatar Islamic Bank, Ooredoo and Barwa.

Nevertheless, Qatar General Insurance and Reinsurance, Qatari German Medical Devices, Lesha Bank, Estithmar Holding, QIIB, Salam International Investment, Meeza, Al Faleh Educational Holding and Gulf Warehousing. In the venture market, Al Mahhar Holding saw its shares depreciate in value.

The domestic institutions' net buying increased drastically to QR105.43mn compared to QR16.79mn on June 2.

The foreign individual investors' net profit booking eased perceptibly to QR0.46mn against QR1.8mn the previous day.

However, the foreign funds turned net sellers to the tune of QR63.06mn compared with net buyers of QR11.86mn on Sunday.

The Gulf institutions' net selling strengthened noticeably to QR25.13mn against QR11.5mn on June 2.

The Qatari individuals' net profit booking grew marginally to QR10.86mn compared to QR10.48mn the previous day.

The Arab retail investors' net selling also expanded marginally to QR5.35mn against QR5mn on Sunday.

The Gulf individual investors were net sellers to the extent of QR0.55mn compared with net buyers of QR0.14mn on June 2.

The Arab institutions had no major net exposure for the second straight session.

Trade volumes in the main market were up 7% to 136.36mn shares, value by 22% to QR429.28mn and transactions by 17% to 15,394.

The venture market witnessed a 33% contraction in trade volumes to 0.04mn equities, 40% in value to QR0.06mn and 14% in deals to 6.

The telecom and banking counters witnessed higher than average demand as the 20-stock Qatar Index rose 0.25% to 9,408.52 points yesterday, recovering from an intraday low of 9,386 points

ECB to start rate cuts but sticky inflation clouds path ahead

AFP
Frankfurt

The European Central Bank (ECB) is expected to begin cutting eurozone interest rates from historic highs this week, but sticky inflation means the move is unlikely to kickstart a rapid easing cycle.

Policymakers are poised to reduce eurozone borrowing costs by a quarter percentage point on Thursday, taking the key deposit rate to 3.75 % from its current record level.

ECB officials have widely flagged the coming cut and brushed off concerns about a divergence from the US Federal Reserve, where a robust economy has pushed back expectations of when rate reductions will start.

"The ECB's own communication over the last two months has made it almost impossible not to cut" on Thursday, said ING economist Carsten Brzeski.

The Frankfurt-based institution launched an unprecedented hiking cycle in mid-2022 as energy and food costs surged following Russia's invasion of Ukraine and amid pandemic-related supply chain woes.

After 10 consecutive increases, it has kept rates on hold since October, but steadily slowing inflation means a cut is now on the horizon, which would alleviate pressure on the beleaguered eurozone.

But while it is a near certainty the 26 members of the ECB governing council will lower borrowing costs Thursday, recent stronger-than-expected data means it is unlikely to herald the start of a rapid rate-cutting cycle.

Despite consumer price rises having slowed from peaks of over 10 % in late 2022, when Europe was rocked by an energy shock, bringing inflation down to the ECB's two-percent target is proving difficult.

Data released on Friday showed that inflation in the 20 countries that use the euro rose in May, and faster than expected — to 2.6% on year, up from April's 2.4-percent increase.

Officials are particularly concerned about strong price rises in the service sector as well as continued robust wage growth, as workers clinch big pay rises to compensate for inflation.

The eurozone economy also grew faster than expected in the first quarter as it emerged from recession, although it is still slow compared to the robust growth of the US economy.

After the inflation setback, Capital Economics' Jack Allen-Reynolds said another reduction at the ECB's meeting in July was now "unlikely".

"Several policymakers have been keen to stress that even if the bank cuts rates (Thursday) — which is still likely — it will be in no rush to cut again in July," its next meeting, he said.

Investors will be keenly watching to see if ECB president Christine Lagarde provides any guidance about the pace of cuts going forward in her post-meeting press conference.

The central bank will also release its own updated forecasts for growth and inflation on Thursday, which will feed into rate-setters' debate about their next move.

But economist Dirk Schumacher from Natixis bank said only "marginal changes" were expected to the projections, and that "we are unlikely to get anything concrete" about what will happen after June.

In the US, stronger-than-expected data pushed back expectations of when the Fed — which holds its next meeting in mid-June — will begin reducing borrowing costs, fuelling speculation the ECB might also stay its hand.

But eurozone rate-setters have stressed they plot their own course.

"What the Fed does will not determine the case for a rate cut by the ECB," Bank of Finland governor Olli Rehn, who sits on the ECB's governing council, told AFP in an interview last month.

But there are risks if the ECB cuts faster than its US counterpart, as this could lead to a depreciation of the euro and fuel inflation by pushing up the cost of imports into the eurozone.

Still with eurozone data having been surprisingly strong in recent times, analysts have dialled back expectations for the number of rate cuts this year.

Eurozone bond yields fall on soft manufacturing data

Reuters
London

Eurozone bond yields fell yesterday after data showed factory activity remained weak in the bloc and shrunk in the US in May, as markets awaited a likely European Central Bank (ECB) rate cut on Thursday.

Germany's 10-year bond yield, the benchmark for the eurozone bloc, fell 7 basis points (bps) to 2.577%.

Final readings of survey-based gauges of Europe's manufacturing sector showed activity remained below the mark denoting growth for a 23rd month.

The purchasing managers' index surveys also came in slightly lower than preliminary readings, although the downturn was still moderated compared to April.

"Overall, these data suggest that conditions in manufacturing remained difficult midway through Q2," said Claus Vistesen, chief eurozone economist at Pantheon Macroeconomics.

"But they also clearly signal that the recession...is now easing." US manufacturing activity also slowed for a second straight month, the Institute for Supply Management's PMI survey showed, further supporting the idea that US growth is set to slow as previous rate hikes bite. "Overall, the data is consistent with the view that the manufacturing sector is not going to add meaningfully to economic activity this year," said ING chief international economist James Knightley.

European bonds have often been driven by expectations for Federal Reserve policy over the last two years, given the size and importance of the US economy.

Markets were not fully pricing the first quarter-point rate cut from the Fed until November, with around a two-in-three chance they move in September.

Italy's 10-year yield was down 7.5 bps at 3.887%, and the gap between Italian and German yields stood at 130 bps.

The market's focus this week is on the ECB's interest rate decision on Thursday, when it is all but certain to cut rates to 3.75%, from the current record high of 4%.

Investors will be looking out for any hints about when the next reduction might come, with some on the ECB's Governing Council pushing back against the idea of a July cut. Data last week showed that eurozone inflation was stronger than expected in May.

Germany's two-year bond yield, which is more sensitive to European Central Bank rate expectations, was down 5 bps at 3.033%.

Untested ETFs pitched to investors as hedge against global chaos

Bloomberg
New York

War in the Middle East and Europe, US-China tensions, climate change, threats from new technologies — geopolitical risk is everywhere. A coterie of fund managers are pitching a class of ETFs that claim to offer a hedge for all that uncertainty.

These funds, ranging in size from $8mn to $800mn in assets, strip out companies the managers say threaten national security or are vulnerable to state takeover or US sanctions. They include the Xtrackers US National Critical Technologies ETF (CRTC), which has tracked the S&P 500, returning 12.53% year to date. There are also the the National Security Emerging Markets Index ETF (NSI) and the Freedom 100 Emerging Markets ETF (FRDM), both of which track emerging markets and have outperformed the BlackRock Emerging Markets ex-China fund at various points this year.

The logic of these ETFs remains untested. "If they can point to something and say, 'Hey, when Xi and Biden fought, the Nasdaq dropped 5% and our index dropped 2%,' maybe that's interesting, compelling proof that this is somehow working," Peter Tchir, head of macro strategies at Academy Securities, said in reference to tensions between Presidents Joe Biden and Xi Jinping.

Excluding fast-growing emerging markets in favour of an investing approach based on unpredictable geopolitical factors may be a tough sell for traders, whose chief responsibility is to make money for their clients within the limits of the law.

Champions of these ETFs view them as a corrective to what they see as Wall Street's agnostic view of geopolitical developments.

They've pitched them to individual and institutional investors seeking alternatives to investing in companies actively working against US interests or to those just feeling patriotic.

Justin Bernier, a former naval intelligence officer, developed the National Security Emerging Markets Index ETF so clients could invest in China while dodging companies regarded as threats to US national security.

His team uses publicly available information to screen companies on a range of criteria, including whether they're under sanctions, work in cybersecurity, have been accused of human-rights violations, or have operated in disputed waters near China. The fund has $7.6mn in assets under management. Wall Street veteran John O'Connor created the Xtrackers US National Critical Technologies ETF in 2023 with a similar intention.

With $44.6mn in assets under management, CRTC includes companies across 14 sectors identified by the Pentagon as critical to national security, ranging from biotechnology and artificial intelligence to hypersonics and directed energy.

CRTC removes companies it says has too much exposure to what it calls geostrategic risks, excising behemoths including Apple, Meta and Tesla. One of the more established funds, the Freedom 100 Emerging Markets ETF, was founded by the China-born Perth Tolle in 2019.

Her rationale: Democratic nations are sounder long-term investments because they can bounce back faster from a downturn and pose lower capital-flight risks.

"The emerging markets universe is rife with autocracy," she said.

Tolle said interest in her fund increased after Russia's invasion of Ukraine in February 2022. Investors poured nearly $70mn into FRDM in March 2022, the largest monthly inflow for the fund at that time, according to data compiled by Bloomberg.

The fund has $848.06mn assets under management.