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# GULF TIMES

# BUSINESS



Stock traders are revising their India playbook on Modi setback

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## MoCI outlines maximum lump sum remuneration to chairman and board members of joint stock companies

The joint stock entities, which make profits and choose not to distribute dividends to shareholders or distribute dividends of less than 5% of the capital, can at the maximum offer QR125,000 as remuneration to chairman and QR100,000 each to other board members.

If the joint stock company is not making profit, then the maximum remuneration to chairman and other board members have been capped at QR75,000 per member.

These were reiterated at an introductory seminar, organised by the Ministry of Commerce and Industry (MoCI), to discuss and explain the procedures related to the circulars issued to public and private joint-stock companies during the first half of 2024, and how to implement them.

The seminar explained the most important procedures relating to the implementation of Circular No. (2) relating to the maximum lump sum amount that may be distributed to board members in public and private joint-stock companies. This circular was issued as part of the implementation of the provisions of Article (119/Paragraph 2) of Law No. (11) of 2015 of the Commercial Companies Law, as amended by Law No. (8) of 2021.



The MoCI seminar to discuss and explain the procedures related to the circulars issued to public and private joint-stock companies.

The seminar witnessed a large attendance from representatives of public and private joint-stock companies, as well as auditing firms.

Salem bin Salem al-Mannai, Director of the Corporate Affairs Department at the MoCI, stressed the importance of the circulars, issued by the department, in achieving transparency within public and private joint-stock companies. He added that these circulars come as part of the ministry's

efforts to keep up to date with global economic developments and meet the needs of the local market.

Sheikha Jawaher bint Mohamed al-Thani, Head of the Control and Inspection Department at the MoCI highlighted the ministry's continued efforts to streamline operations for investors and shareholders. She noted that the provision of support ultimately delivers enhanced performance for both public and private joint-stock

companies and contributes to driving economic development in the country.

Abdulrahman al-Jassim, Legal Researcher in the Corporate Affairs Department, discussed the most important procedures related to Circular No. (1) regarding the powers of the chairman of the board of directors and the delegation of board members and senior executive management members.

This circular was issued by the Corporate Affairs Department at the MoCI, as part of implementing the provisions of Articles (100, 103, 107, 121) of Law No. (11) of 2015 of the Commercial Companies Law, as amended by Law No. (8) of 2021.

The invitation by the board chairman to the ordinary or extraordinary general assembly meeting must be based on a decision by the company's board of directors to call for this meeting.

The appointment or removal of authorised signatories in the commercial register must be pursuant to a decision by the company's board of directors. The chairman may not appoint or remove authorised signatories in the commercial register unless authorised by a decision from the board of directors or the company's Articles of Association, among other powers.

## Philippine DTI, IPOPHL conduct trade missions to Qatar, UAE

The Department of Trade and Industry (DTI) in the Philippines recently concluded a trade mission to Qatar and the UAE to build on the momentum of the successful state visit of His Highness the Amir Sheikh Tamim bin Hamad al-Thani to the Southeast Asian nation in April. The trade missions were conducted by the DTI's Export Marketing Bureau (EMB), the Philippine Trade and Investment Centre (PTIC) - Middle East and Africa, and the Intellectual Property Office of the Philippines (IPOPHL).

The delegation met with the Ministry of Public Health (MoPH), the Ministry of Commerce and Industry (MoCI), the Qatar Investment Authority (QIA), and businesses in Qatar to discuss more concrete initiatives in the areas of trade, investments, and intellectual property.

The meeting with MoPH was headed by Dr Ceferino S Rodolfo, DTI Undersecretary for Industry Development and Investment Promotions, while the meeting with the Intellectual Property Protection Department of MoCI was headed by lawyer Rowel S Barba, director general of the IPOPHL.

The meetings covered key issues affecting Philippine businesses and Qatari consumers, such as regulations on Qatari food imports and the protection of Intellectual Property Rights (IPR) of Philippine brands.

DTI and MoPH agreed to enter a memorandum of understanding (MoU) on food safety to facilitate exports of food products from the Philippines to Qatar. Meanwhile, IPOPHL and MoCI agreed to pursue an MoU to strengthen co-operation on IPR protection. This MoU will facilitate the exchange of information and best practices, training programmes, and high-level dialogues on IP policy.

To attract more investments into the Philippines, the delegation also met with the QIA and Qatar Cool. The QIA expressed interest in exploring investment opportunities in the Philippines on renewable energy, airports, and healthcare, among others. Qatar Cool, on the other hand, informed the delegation that it seeks to invest in distinct cooling systems in key development projects in the Philippines, specifically in high-density areas where it is most needed. Qatar Cool previously visited the Philippines in March 2024 to explore opportunities.

In Dubai, the delegation participated in the first round of negotiations for the Philippines-United Arab Emirates Comprehensive Economic Partnership Agreement (CEPA) led by lawyer Allan B Gepty, DTI Undersecretary for International Trade. The PH-UAE CEPA is the first Free Trade Agreement (FTA) of the Philippines with a member-state of the Gulf Co-operation Council (GCC) and in the entire Middle East region. Consultations with key stakeholders based in the UAE were also conducted before the first round of negotiations. The CEPA with the UAE will operationalise the Philippines' trade strategy to enter new markets as envisaged in the Philippine Development Plan (PDP) 2023-2028 and the Philippine Export Development Plan (PEDP) 2023-2028.

The UAE is the Philippines' top 18th trading partner and the top export market among all GCC member states. Additionally, the UAE is home to one of the largest populations of overseas Filipinos in the Middle East, as well as well-known and home-grown Filipino brands and businesses.

## Middle East AuM surge 13% to \$2.3tn in 2023, says BCG

The Middle East region's assets under management (AuM) surged 13% year-on-year to \$2.3tn in 2023, emphasising the sector's pivotal role in the global asset management landscape, according to Boston Consulting Group (BCG) report.

The report "Artificial intelligence (AI) and the Next Wave of Transformation," surveyed asset managers who collectively oversee over \$15tn in assets and reveals a strong consensus among industry leaders that a shift toward AI-driven management is essential. It comprehensively analyses how AI reshapes the asset management industry.

"After a year marked by significant advancements in generative AI, we are starting to see its effects across industries," Lukasz Rey, Managing Director and Partner and Middle East Head of Financial Institutions at BCG, said.

As the asset management sector faces growing structural challenges, he said; embracing AI is no longer optional but necessary for maintaining competitiveness. "By investing in AI-driven productivity, personalised product offerings, and the expansive potential of private markets, asset managers can navigate the slowing



Lukasz Rey, Managing Director, Partner and Middle East Head of Financial Institutions at BCG.

growth in traditional areas and spearhead innovative, scalable solutions," he said. Finding that the Middle Eastern countries have strived towards positioning themselves as leaders in AI preparedness, the report said however, more can be done to recognise the potential benefits of early adoption and innovation.

By integrating AI into their economic frameworks, these countries can work towards significant workflow transformations, enhancing the synergy between AI-driven solutions and human creativity, it added.

Asset management firms in the Middle East that effectively integrate these technologies can enhance efficiency, personalise client experiences, and capitalise on new opportunities, according to BCG. Such firms can maintain competitiveness and contribute to the region's evolving status as an AI innovation and implementation centre, it said.

Highlighting that a well-executed AI strategy can drive growth; BCG said investing in AI is crucial as the technology evolves rapidly, and asset managers must act now to avoid falling behind.

The report outlines three major themes that should top the leadership agenda to thrive in the years ahead: productivity, personalisation, and private markets. These areas, accelerated by AI and its subset, Generative Artificial Intelligence (GenAI), are critical for asset managers to enhance operations, develop tailored products, improve customer experiences, and adapt to new pressures on allocation and risk management strategies.

## QSE extends winning streak to sixth day as index crosses 9,500 level

By Santhosh V Perumal  
Business Reporter

The Qatar Stock Exchange yesterday entered the sixth consecutive day of bull-run with its key index gaining as much as 41 points and capitalisation adding more than QR2bn, ahead of the US job data. The consumer goods, industrials and insurance counters witnessed higher than average demand as the 20-stock Qatar Index rose 0.43% to 9,532.41 points, recovering from an intraday low of 9,468 points. The domestic institutions continued to be net buyers but with lesser intensity in the main market, whose year-to-date losses truncated further to 11.99%. The foreign funds' weakened net selling had its influence on the main bourse, whose capitalisation added

QR2.69bn or 0.49% to QR553.03bn on account of small and microcap segments. The Gulf institutions' lower net profit booking had its say in the main market, which saw 0.07mn exchange traded funds (sponsored by Masraf Al Rayan and Doha Bank) valued at QR0.15mn trade across 12 deals. The local retail investors' lower selling pressure also had its impact on the main bourse, which saw no trading of sovereign bonds. However, the foreign individuals were seen net sellers in the main market, which saw no trading of treasury bills. The Islamic index was seen gaining slower than the main barometer of the bourse, whose trade turnover declined amidst higher volumes. The Total Return Index gained 0.43%, the All Share Index by 0.44% and the All Islamic Index by 0.41% in the main market.

The consumer goods and services sector index shot up 1.45%, insurance (0.57%), industrials (0.45%), banks and financial services (0.4%), transport (0.27%) and telecom (0.08%); while real estate fell 0.24%. About 57% of the traded constituents extended gains in the main market with major movers being Qatar General Insurance and Reinsurance, Ahlibank Qatar, Al Meera, Salam International Investment, QLM, Woqod and Qamco. In the venture market, Al Mahhar Holding saw its shares appreciate in value. Nevertheless, Lesha Bank, Qatari German Medical Device, Mannai Corporation, Meeza and Estithmar Holding were among the losers in the main bourse. The foreign institutions' net selling declined significantly to QR60.22mn compared to QR73.36mn on June 5.

The Gulf institutions' net profit booking fell considerably to QR12.65mn against QR22.56mn the previous day. The Qatari individual investors' net selling weakened markedly to QR2.12mn compared to QR15.89mn on Wednesday. However, the foreign individuals turned net sellers to the tune of QR9.24mn against net buyers of QR1.77mn on June 4. The Arab retail investors' net selling strengthened perceptibly to QR5.64mn compared to QR3.36mn the previous day. The Gulf individual investors' net profit booking expanded considerably to QR4.81mn against QR0.05mn on Wednesday. The domestic institutions' net buying decreased noticeably to QR94.67mn compared to QR113.55mn on June 5. The Arab institutions had no major net exposure for the fifth straight session.



The consumer goods, industrials and insurance counters witnessed higher than average demand as the 20-stock Qatar Index rose 0.43% to 9,532.41 points, recovering from an intraday low of 9,468 points.

Trade volumes in the main market were up 4% to 156.93mn shares, while value shrank 16% to QR423.54mn and transactions by 17% to 14,328.

The venture market witnessed a 71% contraction in trade volumes to 0.02mn equities, 73% in value to QR0.03mn and 73% in deals to three.



# Aramco’s \$12bn sale said to draw strong foreign demand

**Bloomberg**  
London

Foreign investors have flocked to Saudi Aramco's \$12bn share sale, people familiar with the matter said, marking a turnaround from the oil giant's 2019 listing that ended up as a largely local affair.

The deal attracted significant interest from foreign investors, according to the people, who declined be identified as the information is private. It wasn't immediately clear exactly how much demand came from overseas, but those investors put in enough bids to more than fully cover the offering, the people said.

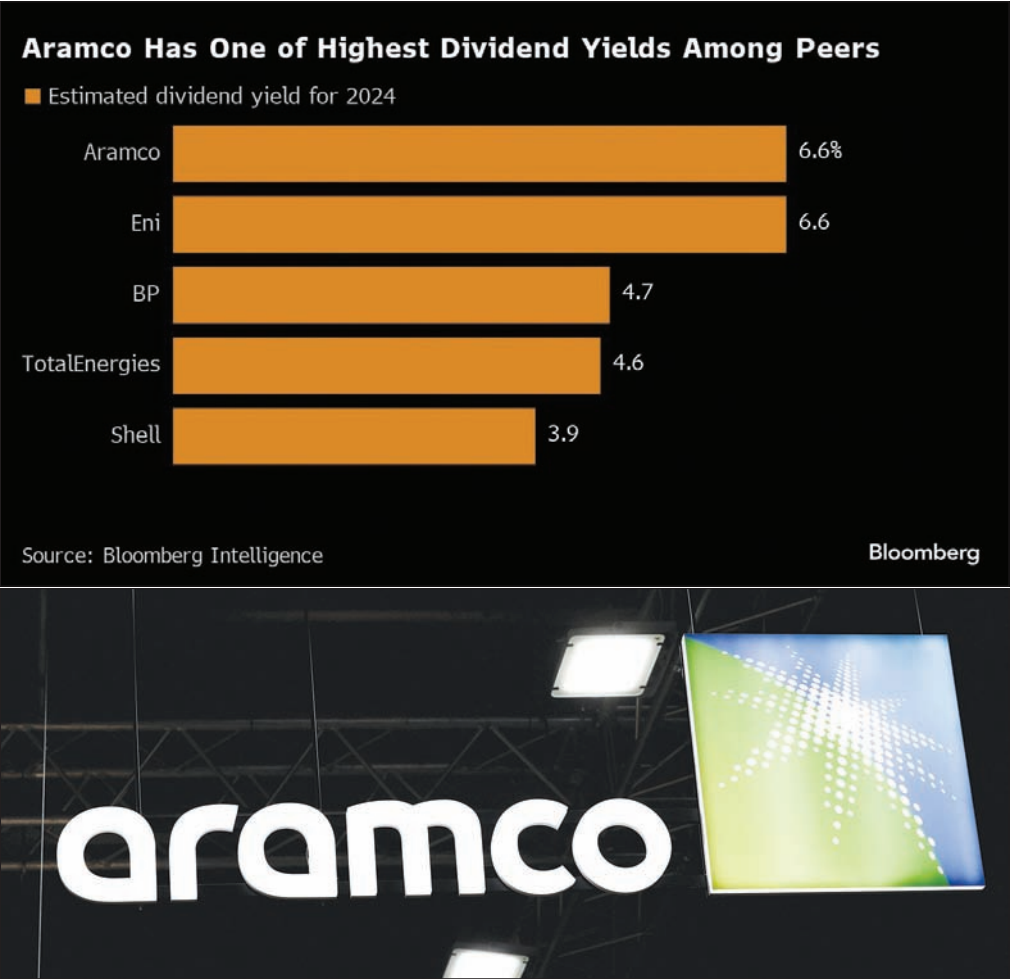
Apart from Western institutions, demand for the offer was also strong among Asian investors, one of the people said, signalling the kingdom's growing ties with larger Asian economies like China and India.

Locally, too, there's been strong interest.

The demand indicates that, for some investors, the world's largest oil company has become a more attractive stock to hold despite rising concerns about climate change and the energy transition. Aramco's huge dividend, coupled with a massive investment plan in renewable power, petrochemicals, gas and the opportunity to buy the stock at a discount, have drawn in investors.

Institutional investors could submit orders until Thursday for the deal, which was covered in just a few hours after it opened on Sunday. The extent of foreign participation will be closely watched — Saudi Aramco's top executives held a series of events in the UK and the US this week to drum up demand.

One of those roadshows was held at London's Hilton Park Lane Hotel on Tuesday. Aramco



Chief Executive Officer Amin Nasser addressed a gathering of about 100 people, including senior bankers from HSBC Holdings Plc, Citigroup Inc and Moelis & Co who were in attendance.

An international investor present at the event, who declined to be identified, said their firm was considering an allocation and cited the oil giant's dividend yield as one of the reasons.

Aramco's dividend is one of the world's biggest. Investors willing to look past a steep valu-

ation 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%.

During Aramco's listing, overseas investors had largely balked at valuation expectations and left the government reliant on local buyers. The kingdom planned a series of international events for that \$29.4bn deal, including one in London, which it 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. The IPO eventually drew orders worth \$106bn, and about 23% of shares were allocated to foreign buyers.

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.

QSE MARKET WATCH			
COMPANY NAME	Lt Price	% Chg	Volume
ZAD HOLDING CO	12.65	1.36	25,519
WIDAM FOOD CO	2.53	0.00	389,074
VODAFONE QATAR	1.69	0.00	4,700,151
UNITED DEVELOPMENT CO	1.16	-0.43	4,828,325
SALAM INTERNATIONAL INVESTME	0.68	3.98	30,908,464
QATAR & OMAN INVESTMENT CO	0.80	0.00	803,310
QATAR NAVIGATION	10.65	0.00	762,306
QATAR NATIONAL CEMENT CO	3.52	-0.48	63,886
QATAR NATIONAL BANK	13.67	0.29	4,270,707
QLM LIFE & MEDICAL INSURANCE	1.98	2.81	1,349,314
QATAR ISLAMIC INSURANCE GROU	8.28	-0.54	18,973
QATAR INDUSTRIAL MANUFACTUR	2.50	0.04	208,056
QATAR INTERNATIONAL ISLAMIC	10.11	0.40	518,295
QATARI INVESTORS GROUP	1.51	0.00	1,008,085
QATAR ISLAMIC BANK	17.68	0.74	1,769,482
QATAR GAS TRANSPORT(NAKILAT)	4.30	0.44	4,496,935
QATAR GENERAL INSURANCE & RE	1.00	6.65	1,550
QATAR GERMAN CO FOR MEDICAL	1.78	-1.60	8,455,282
QATAR FUEL QSC	15.00	1.35	589,544
LESHA BANK LLC	1.32	-2.15	6,431,996
QATAR ELECTRICITY & WATER CO	15.10	0.60	301,173
QATAR EXCHANGE INDEX ETF	9.28	-0.79	1,210
QATAR CINEMA & FILM DISTRIB	2.91	0.00	-
AL RAYAN QATAR ETF	2.10	0.00	65,547
QATAR INSURANCE CO	2.10	0.00	245,798
QATAR ALUMINUM MANUFACTURING	1.38	1.10	9,819,877
QOOREDOO QPSC	9.53	0.11	1,050,735
ALJABRAH HOLDING COMPANY QPS	0.71	0.57	3,122,189
MAZAYA REAL ESTATE DEVELOPME	0.65	-0.15	7,519,665
MESAIEED PETROCHEMICAL HOLDI	1.71	0.89	6,077,017
MEKDAM HOLDING GROUP	3.56	0.03	328,311
AL MEERA CONSUMER GOODS CO	14.76	5.58	576,086
MEDICARE GROUP	4.32	-0.14	1,413,043
MANNAI CORPORATION QPSC	3.95	-1.40	599,370
MASRAF AL RAYAN	2.33	0.34	9,784,192
INDUSTRIES QATAR	11.93	0.42	2,447,879
INMA HOLDING COMPANY	4.31	0.00	192,792
ESTITHMAR HOLDING QPSC	1.92	-0.73	1,523,312
GULF WAREHOUSING COMPANY	3.30	0.61	293,238
GULF INTERNATIONAL SERVICES	3.13	0.29	4,147,174
AL FALEH EDUCATION HOLDING	0.70	0.72	279,326
EZDAN HOLDING GROUP	0.79	0.38	4,298,834
DOHA INSURANCE CO	2.40	0.00	100
DOHA BANK QPSC	1.39	-0.22	2,717,394
DLALA HOLDING	1.25	-0.48	353,220
COMMERCIAL BANK PSQC	3.92	0.54	5,326,626
BARWA REAL ESTATE CO	2.86	-0.24	1,804,119
BALADNA	1.30	0.08	5,471,131
DAMAAN ISLAMIC INSURANCE CO	3.79	1.07	11,000
AL KHALEEJ TAKAFUL GROUP	2.33	0.22	1,217,906
AAMAL CO	0.76	-0.39	381,674
AL AHLI BANK	3.91	5.73	25,153

## ‘Turkiye’s current account recorded \$6.1bn deficit in April’

**Reuters**  
Istanbul

Turkiye's current account is expected to record a deficit of \$6.1bn in April, and the deficit is seen at \$28bn at end-2024, a Reuters poll showed on Thursday. The current account deficit forecasts by seven economists polled ranged from \$5.5bn to \$6.7bn for the month.

The trade deficit, a major component of the current account, rose 12.9% year-on-year in April to \$9.86bn, climbing despite government steps to reduce imports and boost exports.

The median forecast for the 2024 full-year deficit was \$28bn, with estimates ranging between \$20bn and \$39.9bn.

The current account deficit widened to \$48.8bn in 2022, largely driven by energy and gold. It nar-

rowed to \$45.2bn last year, above the government forecast of \$42.5bn.

Economists expect the current account deficit to continue to improve this year as monetary and fiscal policy remains tight. In September the government forecasted a deficit of \$34.7bn in 2024 but Finance Minister Mehmet Simsek said the deficit will be lower than forecasted.

Since June last year, the central bank has gradually hiked its policy interest rate to 50% from 8.5% and pledged to fight inflation. The government has introduced tax and fee hikes to boost its budget income.

Turkiye also introduced measures to cap strong domestic demand, one of the main reasons for higher imports, and to boost investments and exports to improve the current account balance.

The central bank is scheduled to announce April current account data on June 10.



Since June last year, the central bank has gradually hiked its policy interest rate to 50% from 8.5% and pledged to fight inflation

## Saudi Arabia joins central bank digital currency project led by BIS, and China

**Reuters**  
London

Saudi Arabia has joined a China-dominated central bank digital currency cross-border trial, in what could be another step towards less of the world's oil trade being done in US dollars. The move, announced by the Bank for International Settlements on Wednesday, will see Saudi's central bank become a "full participant" of Project mBridge, a collaboration launched in 2021 between the central banks of China, Hong Kong, Thailand and the United Arab Emirates. The BIS, a global central bank umbrella organisation which oversees the project, also announced that mBridge had reached "minimum viable product" stage, meaning it will move beyond

the pro type phase. Roughly 135 countries and currency unions, representing 98% of global GDP, are exploring central bank digital currencies, or CBDCs. But the new technologies they use makes cross-border movement both technically challenging and politically sensitive. "The most advanced cross-border CBDC project just added a major G20 economy and the largest oil exporter in the world," said Josh Lipsky, who runs a global CBDC tracker at the US-based Atlantic Council. "This means in the coming year you can expect to see a scaling up of commodity settlement on the platform outside of dollars — something that was already underway between China and Saudi Arabia but now has new technology behind it." The mBridge transactions can use

the code China's e-yuan is built on. That code is also available to the project's 26 other "observing members" that include the likes of the New York branch of the Federal Reserve, the International Monetary Fund and European Central Bank. The BIS also said the mBridge platform was now compatible with the Ethereum Virtual Machine — a piece of software that forms the backbone of the network used by the Ether cryptocurrency. "This allows it to be a testbed," it said. Supporters of CBDCs say they will modernise payments with new functionality and provide an alternative to physical cash, which seems in terminal decline. But questions remain why they represent an advance, with barely any uptake in countries such as

Nigeria that have already adopted them, and both political and public pushback in some countries amid fears they could enable government snooping. As well as dominating the mBridge project, China is carrying out the world's largest domestic CBDC pilot which now reaches 260mn people and covers 200 scenarios from e-commerce to government stimulus payments. Other big emerging economies, including India, Brazil and Russia, also plan to launch digital currencies in the next 1-2 years while the ECB has begun work on a digital euro pilot ahead of a possible launch in 2028. In stark contrast, the US House of Representatives passed a bill banning the Federal Reserve from creating a "digital dollar", although it still needs to pass a vote in the Senate to become law.

## Opec+ supply move spooks oil traders still waiting for summer

**Bloomberg**  
London

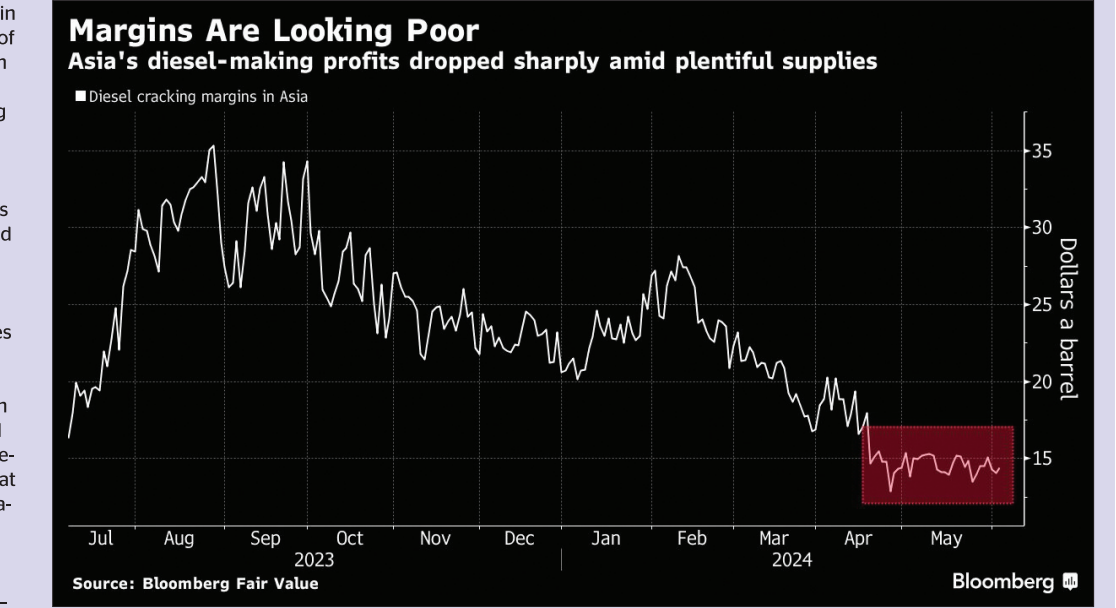
Opec+'s surprise decision to return oil supply to the market later this year has alarmed traders of physical cargoes, who say there's limited evidence yet of a long-awaited improvement in the global market that would justify the move.

On Sunday, the Organisation of Petroleum Exporting Countries and its allies announced that eight nations within the alliance would from October gradually restore 2.17mn barrels a day of supply that they've been voluntarily withholding to prop up prices. Implementation of the decision will take place over a 12-month period and depends on the market at the time.

But traders of physical cargoes said that one driver of the producer group's decision — namely that conditions should tighten sharply over the coming summer months — has yet to materialise. That's not to say an improvement won't happen: the consensus among financial analysts is that oil stockpiles will whittle away in the coming months, helping to cope with the extra Opec+ supply when it arrives.

Opec+ is under pressure from within to unwind huge production cuts that on the one hand have boosted prices but on the other have prevented some nations from expanding their oil industries as they'd planned. Even after some of the curbs get unwound, there will still be millions of barrels being kept off the global market. For now, though, the day-to-day market where physical cargoes are bought and sold is dominated by signs of a surplus driven in part by lacklustre buying from China and elsewhere that's eating away at trader confidence. Weak diesel-making margins have prompted China to pick up lower volumes of Russia's ESPO crude in China, a popular grade for private processors in the Asian country, with imports on track to tumble to a multi-year low in June. Likewise, some July-loading cargoes of Abu Dhabi's Upper Zakum crude have had difficulty finding buyers in its main Asian market, according to traders. In both the North Sea and the US, there are also indications of weakness. At least six out of eight North Sea's Forties cargoes that were for May loading are still floating off the UK coast thanks in part to lacklustre buy-

ing from Asia, traders said. To put it in context, China bought 4mn barrels of this grade for April loading, and 2mn barrels for March. Several companies have been trying to sell June North Sea grades for a couple of weeks without success while a supertanker with Norway's Johan Sverdrup and Oseberg crudes ended up unloading in Sweden. It did so after a one-day trip from loading terminals in the North Sea — an extraordinarily short voyage for a vessel designed to transport cargoes over thousands of miles. Traders also see other signs of bearishness in July-cycle trading. On Monday, two cargoes of Ekofisk and one of Oseberg, both considered premium grades, were entered into what are called forward chains — a mechanism to trade and deliver North Sea crude into the physical market. Chains are normally used for the cheapest of six benchmark grades — Brent, Forties, Oseberg, Ekofisk, Troll and WTI Midland. Traders said the unusual chaining of two premium crudes suggests the July market might also be weak. These barrels would arrive in Asia in mid-to-later summer. In the US, millions of barrels of light crude offered for June loading have



gone unsold as demand from China ebbs, traders said. Some of those barrels have now been redirected to refiners in the US, where margins remain healthy, and some are slowly clearing to overseas markets at deeper discounts. On its own, none of the develop-

ments are disastrous for Opec+ or bulls who're betting the group will prop up the market. But they aren't indicative of a market that's turned decisively bullish yet either. At least three physical traders in Asia said that, while the Opec+ barrels will only arrive later in the

year, they weaken the outlook and mean a softer forward curve that is, in turn, eating into more-immediate prices. Those views were echoed by at least three European and four US traders who pointed to signs of surplus and lacklustre Chinese buying.



# Stock traders revising their India playbook on Modi setback

**Bloomberg**  
Mumbai

A hunt is on for new winners in India's \$4.6tn stock market as a narrower victory margin for Prime Minister Narendra Modi in national elections is seen spurring changes in his government's policy mix. Traders are betting that a weaker mandate will see the administration ramp up spending on welfare and development issues to appease the electorate ahead of some state polls due in the coming months. That, in turn, could shift some focus away from infrastructure creation that's been one of Modi's top priorities over his decade in power. Consumer stocks are being touted as the biggest potential beneficiary of such a switch, particularly those focused on the nation's vast hinterland. Other defensive sectors such as technology are seen becoming more prominent in investor portfolios, replacing relatively expensive shares of some state-run firms and industrial companies that have beaten benchmark indexes in recent years. "The market is anxious if the policy emphasis on capital expenditure and investment will continue with the same fervour," said Rajat Agarwal, an equities strategist with Societe Generale. "Industrials were trading above staples in terms of valuation. That itself is an anomaly." Here are some of the key sectors to watch and what analysts are saying about them:

**Consumer goods**  
The NSE Nifty FMCG Index has jumped almost 6% so far this week to head for its biggest gain since late 2020. Shares of Hindustan Unilever Ltd — seen as a bellwether for consumer appetite in

India as its products are sold in every part of the country — have surged almost 10% as brokerages including Jefferies Financial Group Inc upgraded their recommendation. Potential policy interventions by India's new government can support rural consumption and drive near-term economic growth, Citigroup Inc analysts including Vismaya Agarwal, wrote in a note. Expectations of a good monsoon are also supportive, they added. Strategists at Goldman Sachs Group Inc upgraded the staples sector to neutral from underweight on likely rural support from the potential reallocation of government spending.

**Housing finance**  
Analysts at Jefferies see the possibility of the new government announcing a revamped affordable housing scheme in the upcoming budget, which could benefit shares of home financiers. Home First Finance Co and Aavas Financiers Ltd should be direct beneficiaries of the housing scheme, according to Citi. Large players with presence in the mid-ticket size segment, such as LIC Housing Finance Ltd and Can Fin Homes Ltd, may also see some tailwind from the scheme.

**Other defensives**  
The weaker mandate for Modi's ruling party means that it has had to rely on two crucial allies in its coalition to form the government. Concerns that may slow down policy-making is prompting some investors to add more defensive stocks to their India portfolio. They want to wait and see who will be appointed to key cabinet positions under the coalition government, and whether it can achieve policy continuity. Strategists at CLSA are overweight commodities and tech, along with insurance and staples. They replaced

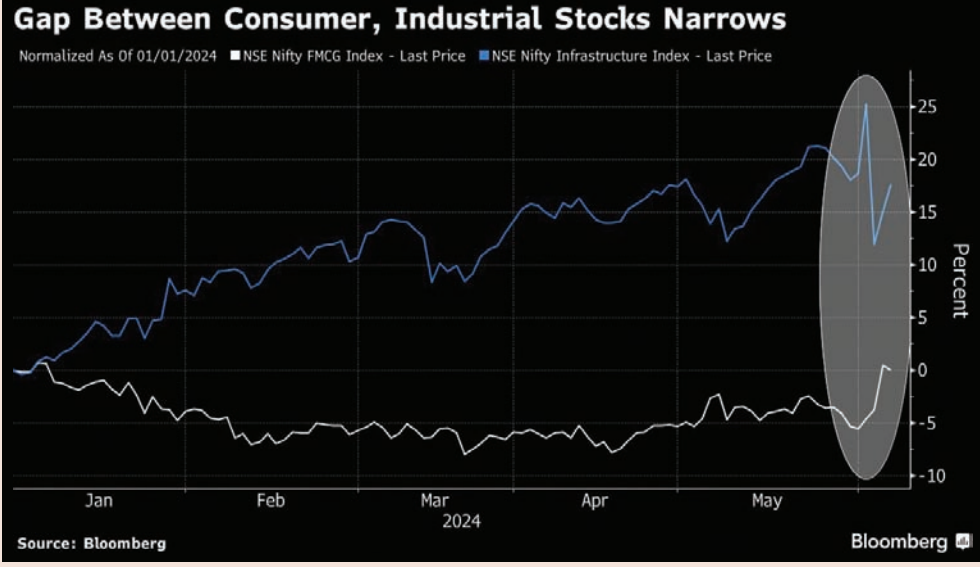
engineering giant Larsen & Toubro Ltd with software firm HCL Technologies Ltd in their India focus portfolio this week. "Given the uncertainties over the policy environment in India's new coalition government, the market could gravitate toward franchises with higher quality such as staples, discretionary and tech in the near term," Nitin Chanduka, a strategist at Bloomberg Intelligence, wrote in a note.

**State-owned enterprises**  
Investors expect some froth to come out of the shares of state-run Indian firms. That's owing to concern that a coalition government may dilute the administration's focus on improving corporate governance at state-owned firms, which has helped turn their shares into big winners in India's market. Some analysts, such as those at HSBC Holdings Plc and CLSA, are bullish on private Indian banks given their relatively better valuations.

**Infrastructure**  
The jury is still out when it comes to the infrastructure sector — the mainstay of Modi's decade in power. While concerns have emerged whether Modi will continue with his nation-building push as he seeks to position India as an alternative to China, some investors are keeping faith in the sector's prospects. The NSE Nifty Infrastructure Index tumbled almost 11% on the day of election results, but it has risen in the past two sessions, a trend similar to the broader market's performance. Strategists at Goldman Sachs are among those who remain overweight on industrials. Meanwhile, Chanduka of Bloomberg Intelligence sees industrials as vulnerable to "potential derating as a slowdown in additional capex is likely."



The signage for the National Stock Exchange (NSE) on the bourse's building in Mumbai. A hunt is on for new winners in India's \$4.6tn stock market as a narrower victory margin for Prime Minister Narendra Modi in national elections is seen spurring changes in his government's policy mix.



## Bloomberg QuickTake Q&A

# Election surprise: What went wrong for Modi and what comes next

By Dan Strumpf

Prime Minister Narendra Modi was dealt a major setback in India's general election, with his Bharatiya Janata Party losing its majority in the lower house of parliament. Modi has said he'll remain in office for a third term, but the BJP now needs to forge a coalition government for the first time since it came to power a decade ago. The situation leaves Modi and the BJP politically diminished after losing ground to a revived opposition bloc that successfully wrested territory with a campaign focused on economic issues.

### What happened in the Indian election?

After a marathon six-week election, results showed Modi's BJP failed to win the necessary 272 parliamentary seats needed to form a government on its own. An alliance of more than 20 opposition groups led by the Indian National Congress gained ground in a number of key constituencies. The BJP's coalition, known as the National Democratic Alliance, still crossed the majority mark as a bloc. But without an outright majority of its own, the BJP will have to govern with partners now. The election result was a shock outcome after exit polls three days earlier predicted a landslide win for the BJP-

led coalition, although anecdotal reports in recent weeks had highlighted the possibility of the ruling party losing support, especially in strongholds like Uttar Pradesh state.

### What comes next?

Modi has vowed to continue as India's prime minister despite his party's loss of its majority. Under India's parliamentary system, if a single party fails to capture a parliamentary majority, then the party with the most votes will look to form a coalition government. Modi's alliance is made up of a number of partners, some more shaky in their allegiance than others. If Modi fails to win enough support to return as prime minister, they could demand a different leader or defect to the opposition, throwing the country's leadership into question — though there aren't indications that's likely to happen. For much of India's recent history, coalition governments were the norm, and such governments have been credited with producing noteworthy achievements, such as the opening of the Indian economy in the early 1990s.

### What went wrong for Modi and his party?

The BJP's campaign relied heavily on the fulfillment of Hindu-nationalist pledges and on Modi's personal brand. It failed to gain

enough traction among voters worried that the economy — while among the world's fastest-growing — isn't delivering benefits evenly to all. Issues such as high unemployment, especially among the young, and the rising cost of living, weighed heavily on voters going into the election, according to polls. A newly energised opposition hammered on these bread-and-butter issues to the detriment of the ruling party. Meanwhile, some analysts said the BJP's overly ambitious election target of 400 seats with its allies likely backfired, prompting some supporters not to bother turning out, and raising fears the ruling party would use its super majority to reduce affirmative action policies for some minority groups. Despite Modi campaigning heavily in the southern states, the BJP also failed to make inroads there, with the party's pro-Hindu message failing to gain traction.

### What does this mean for India?

Many of the BJP's alliance partners don't share the fiery pro-Hindu views that are core to the BJP agenda. That means the BJP could be forced to dial back harsh rhetoric and set aside ambitions to more aggressively reshape India into an overtly Hindu nation. It may also force the BJP to offer cabinet posts and other concessions to alliance partners. On the economic front, a BJP-led government will likely continue to pursue its business-friendly policies, but a weakened



India's Prime Minister Narendra Modi flashes victory sign as he arrives at the Bharatiya Janata Party (BJP) headquarters to celebrate the party's win in country's general election, in New Delhi on Tuesday.

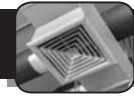
mandate means it may struggle to enact ambitious reforms around labour and land rules, which economists say are necessary to keep growth going. To shore up support, a BJP-led government may be tempted to turn to populist spending measures, putting its fiscal plans at risk.

### What does this mean for the rest of the world?

Under Modi, India's profile on the world stage has grown significantly, helped by its robust 8%-plus rate of economic growth

and a young and growing population that makes it a draw for foreign businesses. Modi has sought to cultivate a deeper partnership with the US, which sees India as a critical counterweight to China, while also maintaining strategic independence that has seen it refuse to join the West in condemning Russia over its invasion of Ukraine or shun its oil exports. Analysts don't see those positions as likely to change anytime soon. The same goes for Modi's ambitions to make India a global manufacturing hub and continue luring foreign investors on the hunt for the next growth story as China's economy slows.

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## Nvidia, Microsoft and Apple bigger than China's stock market

**Bloomberg**  
New York

Microsoft Corp, Nvidia Corp and Apple Inc are now worth more combined than China's stock market. With a total market capitalisation of about \$9.2tn, the three most valuable tech firms have overtaken all of the nearly \$9tn worth of stocks actively traded on Chinese exchanges excluding Hong Kong, according to data compiled by Bloomberg. Investor demand for artificial intelligence exposure has propelled many shares in the sector to record highs. Nvidia — arguably the biggest beneficiary of a massive flood of AI spending of the past year — saw its market capitalisation hit \$3tn this week, becoming the first computer-chip firm to do so. The Santa Clara, California-based company has dominated the market with its highly sought-after products that help power data centres running complex AI computing tasks. Meanwhile, Microsoft has invested in OpenAI and is infusing AI features in its products and services. Apple has not had the strongest showing this year as the technology giant's shares were pressured by concerns over cooling iPhone demand in China and a \$2bn fine from the European Union. However, shares in the company have just turned positive for 2024 as investor sentiment toward the iPhone maker slowly improves.



"Momentum and growth seekers will be content to trust in Microsoft, Apple and Nvidia owing to their powerful competitive positions, fat profit margins and strong balance sheets," said Russ Mould, investment director at AJ Bell.

"The danger here is to mistake reliability for safety, again because a very lofty valuation can leave a share price exposed on the downside if expectations are very high and something unexpected happens," said Mould.

# ECB cuts interest rates even as fight against inflation goes on

**Reuters**  
Frankfurt

The European Central Bank went ahead with its first interest rate cut since 2019 on Thursday, citing progress in tackling inflation even as it acknowledged the fight was far from over.

In new forecasts released with the widely flagged rate cut, the ECB said it expected inflation to average 2.2% in 2025 — up from a previous estimate of 2.0% and meaning it was now seen holding above the central bank's 2% target well into next year.

Inflation in the 20 countries that share the euro has fallen to 2.6% from more than 10% in late 2022, largely thanks to lower fuel costs and an easing of post-pandemic supply snags.

But that progress has stalled recently and what had looked like the start of a major ECB easing cycle only a few weeks ago now appears more uncertain due to signs that inflation may prove sticky, as it has in the US.

Cutting its deposit rate to 3.75% from a record-high 4.0%, the ECB gave no indication whether that would be followed by a further easing in July.

"We are not pre-committing to a particular rate path," ECB President Christine Lagarde told a press conference, reading from the Governing Council's statement. "Despite the progress over recent quarters, domestic price pressures remain strong as wage growth is elevated, and inflation is likely to stay above target well into next year."

While ECB policymakers signalled their confidence that inflation was gradually being tamed, there was also enough caution in their statement to convince some ECB-watchers that Thursday's cut would not be repeated at the next meeting.

"In our view, this suggests that it is unlikely we'll see back-to-back cuts in July," said Diego Iscaró, head of European economics at S&P Global Market Intelligence.

Lagarde said only one Governing Council member had opposed the decision to cut rates. Three sources told Reuters that was Austrian central bank chief Robert Holzmann, who had



The President of the European Central Bank (ECB) Christine Lagarde gestures as she addresses a press conference following the meeting of the governing council of the ECB in Frankfurt am Main, western Germany, on Thursday.

### IMF: ECB rate cut 'appropriate,' Fed should stay cautious

The International Monetary Fund said on Thursday that the European Central Bank's rate cut is "appropriate" given declining inflation in the euro area, but that both ECB and Federal Reserve policy makers should maintain a data-dependent approach, reports Reuters. IMF spokesperson Julie Kozack also told a regular news briefing that the US economy needs to slow in 2024 and the Fed should remain

cautious in cutting rates. "Like in the US, we have seen significant progress in reducing inflation in Europe. We assess that ECB policy is appropriate," Kozack said, adding that the IMF previously recommended ECB cuts starting in June. "But it's also important for the ECB to maintain its data dependent approach and its meeting by meeting approach," she added.

cited the rise in inflation projections as grounds to stay put.

With Thursday's move the ECB joins the central banks of Canada, Sweden and Switzerland in undoing some of the steepest streaks of interest rate hikes in recent history.

Some commentators have questioned the logic of moving now, however, especially as the US Federal Reserve has been stopped in its tracks by some stronger-than-expected infla-

tion readings and is not expected to move till after the summer.

Money market investors trimmed their bets on rate cuts after Thursday's announcement and only priced in one more, with a chance of a second, for the remainder of the year.

Asked if the ECB was moving into a phase of "dialling back" its tight monetary policy stance, Lagarde said she could not confirm such a process was underway, but that there was "a

strong likelihood." "But it will be data-dependent, and what is very uncertain is the speed at which we travel and the time that it will take," she added, noting there would be "bumps on the road" ahead.

Stronger-than-expected data about eurozone inflation, wages and economic activity over the last few weeks has fuelled fears of a more difficult "last mile" on the way to the ECB's goal — a concern expressed by influential board member Isabel Schnabel.

Inflation in services, which some policymakers have singled out as especially relevant because they reflect domestic demand, has been a particular concern after a rise to 4.1% in May from 3.7% a month earlier.

At the same time, a rebound in growth also reduced the urgency for the ECB by undermining the argument that high rates are choking economic activity.

But the real elephant in the room may remain the Fed and whether it starts or further delays its own easing cycle.

## US weekly jobless claims edge higher; Q1 labour costs revised lower

**Reuters**  
Washington

The number of Americans filing new claims for unemployment benefits increased last week and unit labour costs rose by less than previously thought in the first quarter, indicating the labour market is cooling but not enough to allay the Federal Reserve's hesitance to begin cutting interest rates.

Initial claims for state unemployment benefits rose 8,000 to a seasonally adjusted 229,000 for the week ended June 1, the Labor Department said on Thursday. Economists polled by Reuters had forecast 220,000 claims in the latest week.

The labour market has been steadily rebalancing back toward pre-pandemic levels after the Fed raised interest rates by roughly 525 basis points since March 2022 to slow demand in the overall economy.

The so-called continuing claims tracking those who collect benefits beyond the first week increased 2,000 to a seasonally adjusted 1.792mn during the week ending May 25.

"The level (of weekly jobless claims) remains in a range that suggests the labour market remains tight," said Thomas Simons, US economist at Jefferies. "Continuing claims are still very low by any historical standard, and we still see the data as supporting the notion that people who lose a job are able to find a new one with relative ease."

Data this week showed US job openings in April fell more than expected and the number of available jobs per job-seeker reached its lowest level since June 2021.

Yields on US Treasury securities and US stocks were little changed following the jobless claims data, a day after a rally in tech stocks drove the S&P 500 and Nasdaq Composite indices to all-time highs. The US dollar was largely flat against a basket of currencies.

Earlier on Thursday, US employers announced the fewest job cuts last month since December and layoff announcements so far in 2024 are running behind last year's pace, according to data from outplacement firm Challenger, Gray and Christmas.

**The labour market has been steadily rebalancing back toward pre-pandemic levels after the Fed raised interest rates by roughly 525 basis points since March 2022 to slow demand in the overall economy**

Employers announced 63,816 cuts in May, a 1.5% decrease from the 64,789 cuts announced in April and down about 20% from the 80,089 cuts announced a year earlier. Year-to-date layoff announcements are 7.6% lower than in the first five months of 2023.

US worker productivity grew slightly less than previously estimated in the first quarter but exceeded market expectations, and unit labour costs rose by less than first thought, data from the Labor Department also showed on Thursday.

Nonfarm productivity, which measures hourly output per worker, increased at a 0.2% annualised rate in the first quarter, revised down from an initial estimate of 0.3% one month ago. Economists polled by Reuters had estimated a revision down to 0.1%.

Unit labour costs rose at a 4.0% annualised rate, down from the first estimate of 4.7%. Economists had projected labour costs to be revised up to 4.9%.

Productivity accelerated and labour costs were subdued through much of 2023, ending at 3.5% and unchanged, respectively, in the fourth quarter. At the time, that had been seen as one of the arguments favouring Fed rate cuts in 2024 as it was hoped improved worker efficiency would dampen inflation.

The near stalling of productivity in the first quarter did not further that cause, though some economists had cautioned after the initial Labor Department estimate was published last month that the data had been influenced by a seasonal quirk and the trend of improving productivity might still hold up.

Downward revisions to hours worked and output growth were the main factors behind the slight downward revision to overall productivity, while unit labour costs grew substantially less than first estimated. At 2.9%, however, the year-over-year increase in productivity was nearly twice the average since the Covid-19 recession in early 2020.

"(T)he big picture remains that productivity growth has been strong over the past few years, which is helping to contain growth in labour costs," said Michael Pearce, deputy chief US economist at Oxford Economics. "In time, that should feed through to a further decline in inflation."

## Egypt seen to issue tender for at least 15 LNG cargoes to cover summer demand

**Reuters**  
London

Egypt plans to issue a buy tender seeking 15-20 cargoes of liquefied natural gas (LNG) to cover rising demand for power during the summer, four industry sources told Reuters.

The most populous Arab country has returned to being a net importer of natural gas, reversing its position as an exporter in recent years as part of a plan to become a reliable supplier to Europe. Natural gas supplies that help Egypt generate electricity have been dwindling at a time when a growing population of 106mn and urban development have been pushing up power demand while high cooling demand during summer drives up power consumption.

The tender is expected in the second half of June or early July to cover demand for the summer season between July and October, one source said.

Another source said that the announcement is pending an energy minister appointment, as President Abdel Fattah al-Sisi ordered the prime minister to form new cabinet earlier this week.

Egypt, has bought four cargoes from the spot market this year, and had to pay a high

premium, partly due to seeking prompt deliveries. Egypt's petroleum ministry did not immediately respond to a request for comment.

"The market has been expecting this in terms of overall volumes. We've seen Italian, Greek and Turkish delivered prices rising against TTF and Northwest Europe delivered prices, largely because of Egyptian demand and the need for other Mediterranean buyers to compete," said Samuel Good, head of LNG pricing at commodity pricing agency Argus.

Several Egyptian chemical and fertilisers companies have preventively shut down their factories on a temporary basis, citing increased consumption-driven pressures on the natural gas network leading to fluctuations in the grid. Gas supplies will gradually resume flowing as of Thursday to fertiliser factories, the petroleum ministry said.

In 2023, Egypt's total natural gas production fell to its lowest since 2017, figures from the Joint Organisations Data Initiative (JODI) show.

Gas production in 2023 was around 59.29bn cubic metres (bcm), falling 11.5% year-on-year to the lowest production level since 2017, when it was around 50.72 bcm.

Scheduled power outages have remained in place since.

