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Qatar, India joint working group in investment holds its first meeting



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TIMES

BUSINESS



NET-ZERO REGULATIONS: Page 2

Global banks start targeting a new kind of real estate risk

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# Potential Qatar-Sweden joint projects seen in emerging technologies

By **Peter Alagos**  
Business Reporter

Emerging technologies, particularly in areas such as artificial intelligence (AI), large language models (LLMs), and digitalisation, present significant opportunities for joint innovation projects between Qatar and Sweden. These collaborations align with the vision of both nations to develop knowledge-based economies.

Håkan Buskhe, the CEO of Swedish private holding company, FAM, emphasised how Sweden and Qatar, both being small export-driven economies, recognise the importance of continuous innovation to remain competitive globally.

“Because Sweden and Qatar are smaller nations, we must be innovative; we need to stay at the forefront of development and

sustainability, particularly in AI and digitalisation, among many other specialised fields. Because when you cease to innovate, you risk being bypassed by others. The competitive landscape is significantly tougher now compared to just two years ago, or even a decade ago, for everyone.”

“What I learned during our visit to Qatar is the mindset: innovation is at the forefront of change for the better and is essential to providing good living standards for the people of the country. I believe this is the way forward to remain competitive over time. Both Qatar and Sweden rely heavily on exports, so it’s crucial that we ensure that we are innovative in a sustainable way,” Bushke told *Gulf Times* in an exclusive interview.

Recently, Bushke led a high-level delegation of prominent Swedish companies to Qatar, including CEOs from IPCO Sweden, Munters Group, GreenIron, and



Håkan Buskhe, CEO of Swedish private holding company, FAM.  
**PICTURE:** Shaji Kayamkulam

Moving Floor, who engaged with high-level Qatari stakeholders.

Bushke noted that both countries could

reinforce complementary strengths, particularly Qatar’s resources and Sweden’s technical expertise, to foster productive innovation partnerships. Asked how Swedish companies could benefit from Qatar’s strategic location in the region and role in global trade, Bushke said: “Likely, we will see an increased presence of our companies in Qatar. Additionally, I believe this region is becoming more significant in terms of financial and economic development overall.”

“Similarly, with substantial investments in research, life sciences, and other specialised areas, countries like Qatar are gaining significant interest. This includes a focus on digitalisation and smart city initiatives. Companies such as Ericsson and Saab, among others, have devoted considerable effort towards developing sustainable and digital cities.”

Bushke also highlighted the role that

Swedish agriculture and food processing technologies could play in supporting Qatar’s focus on food security and self-sufficiency. He noted that Swedish companies have developed a broad array of solutions to ensure that farm animals are well-cared for, which leads to “better products”

He said: “For example, we utilise AI in chicken breeding. This technology can identify, from thousands of other chickens, which ones are healthy or not, and pinpoint any other issues that need to be addressed.”

Bushke added: “At the same time, part of Qatar’s national security strategy is to be capable of producing its own food. Being overly dependent on external sources is something I would not recommend, given the current global climate and geopolitical tensions in various regions. Therefore, efficient and high-quality food production is crucial.”

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Techno Q

Your Dedicated Partner

Qatar Electronic Systems Company (Techno Q) QPSC announces the first day of trading of its shares on the Venture Market of the Qatar Stock Exchange

Following the publication of its Listing Prospectus on 6 June 2024, Doha-based Qatar Electronic Systems Company (Techno Q) QPSC has received confirmation from the Qatar Stock Exchange regarding the first day of trading of its shares on the Qatar Stock Exchange Venture Market.

As the region’s leading systems integrator specializing in audiovisual and lighting systems and business solutions, Techno Q will see its first shares trade on the Qatar Stock Exchange Venture Market on the 26 June 2024.

The Company will be listed with the ticker TQES. The ISIN code will be QA0004J80UC0.

**The Company offers the following key services:**

- AV/ELV services:** Supply, installation and commissioning of audiovisual (AV) and extra low voltage systems. (ELV)
- Business solutions:** Servicing all industries predominantly the hospitality sector including hotels, catering and restaurants through ERP implementation and technical services agreements.
- Lighting systems:** Lighting iconic projects helping to identify lighting needs, problems and opportunities for improvement leading to significant energy saving and cost reduction.
- Support:** Maintenance of AV, ELV and Lighting Systems through short and long-term agreements with private and government entities.

In the financial year 2023, the Company realized consolidated revenues of QAR 269.4 million, at a CAGR of 17.1% over the past 3 years, and net income of QAR 19.7 million.

Some of the key projects the Company achieved over the past 28 years include the design and execution of cutting-edge race electronics for a premier international racing competition in Qatar, the creation and setup of sophisticated security access control systems for a number of football stadiums for a globally recognized sporting event, and the supply and installation of a comprehensive CCTV and Access Control Systems for Qatar’s largest hospital.

For further information and respective details on the Company and its listing, together with the risk factors, please read the Qatar Financial Market Authority approved listing prospectus on [www.technoq.com](http://www.technoq.com) or email [investorrelations@technoq.com](mailto:investorrelations@technoq.com)

Summary of Techno Q’s listing terms

The Company	Qatar Electronic Systems Company (Techno Q) QPSC
Share capital	QAR 84,500,000 comprising 84,500,000 shares with a nominal value of QAR 1.00 per share
Principal activity	Systems integrator specializing in audiovisual, building controls, fire and security systems, lighting, information technology, broadcast, business solution and security system solutions.
Market capitalization	84,500,000 shares at listing price of QAR 2.9 resulting in market capitalization of QAR 245,050,000
Listing terms	84,500,000 shares being listed, representing 100% of the share capital of the Company, at a listing price of QAR 2.9 per share
Reasons for listing	The Founders deem that the listing of the Company’ shares on the Qatar Stock Exchange Venture Market will support their vision of growth and expansion all the while adhering to regulatory requirement and ensure market leading compliance
Pre-conversion shareholding	Al Jaidah Brothers Co. WLL 51.33%, Zeyad Mohamed I Al Jaidah 6.4%, A.latif Mohd I Jaidah 6.4%, Tariq Mohd I Al Jaidah 6.4%, Salah Mohd I Al Jaidah 6.4%, Mohamed Ibrahim M I Al Jaidah 6.4%, Abdulla Mohdshafeea M H Al Ansari 16.67%
Post conversion shareholding	Al Jaidah Brothers Co. WLL 50.0%, Zeyad Mohamed I Al Jaidah 5.0%, A.latif Mohd I Jaidah 5.0%, Tariq Mohd I Al Jaidah 5.0%, Salah Mohd I Al Jaidah 5.0%, Mohamed Ibrahim M I Al Jaidah 5.0%, Abdulla Mohdshafeea M H Al Ansari 15.0%, Other shareholders 10.0%
Lock-up period	Founders may trade in a percentage of shares not exceeding 30% of their shares, so that the tradable shares in the first year after Listing shall not exceed 40% of the total issued and paid-up capital, whereas, the Founders and major Shareholders are prohibited to collectively reduce their percentage of ownership to less than 40% of the issued and paid-up capital until two years have elapsed from the date of Listing.
Ownership limits	Except for the Founders, a shareholder may not own either directly or indirectly mor than 5% of the total shares of the Company. Non-Qatari investors together may not own more than 49% of the total of the Company’s share capital.
Advisors	<b>Listing Advisors:</b> Consulting HAUS LLC <b>Legal Advisors:</b> Eversheds Sutherland (international) LLP and Sharq Law Firm <b>Financial Evaluators:</b> Deloitte & Touche (Qatar) WLL <b>External Auditors:</b> KPMG LLC



# US oil and gas production shows signs of flattening

By John Kemp  
London

US oil and gas production is finally showing signs of flattening out as drilling rigs and well completion crews have been idled in response to the retreat in prices since the middle of 2022. Nationwide crude and condensates production was running at almost 13.2mn barrels per day (bpd) in March 2024 according to the latest data from the US Energy Information Administration (EIA). However, there had been no net growth since October 2023, indicating the surge in production after the end of the coronavirus pandemic and Russia's invasion of Ukraine had ended. Production from the Lower 48 states excluding federal waters in the Gulf of Mexico was up by less than 0.5mn bpd in March compared with the same month a year earlier. Growth had slowed from 0.9mn or 1.0mn

bpd in the second half of 2023 as the impetus from the previous high prices in 2022 faded. US futures prices retreated to around \$81 per barrel by December 2022 (50th percentile for all months since the start of the century) from a high of \$124 in June 2022 (83rd percentile). Production started to stabilise or retreat about 10-12 months later, in line with the historic relationship between price and output changes. Clear evidence that US oil production was turning over was masked by unusual weather in December 2023 and January 2024 distorting year on year comparisons. But with the return of more normal weather in March 2024 the lack of net growth over the last six months has become apparent. US futures prices have averaged \$73-78 per barrel in May and June 2024, putting them in the 45-50th percentiles in real terms for all months since 2000. At these prices, there is no strong signal

to increase or decrease production. The number of rigs drilling for oil fell to an average of just 497 in May 2024 from a cyclical peak of 623 in December 2022. If futures prices remain around current levels, US production is likely to remain basically flat for the rest of 2024 through at least the middle of 2025. Lower prices and limited growth in US output would create space for Saudi Arabia and its Opec allies to reverse some of their own production cuts later this year and into 2025. The decline in gas prices since the middle of 2022 has been even more severe and has brought all growth in production to a halt. Dry gas production averaged 102.6bn cubic feet per day (bcf/d) in March 2024 compared with 102.9 bcf/d in March 2023. Dry gas production appears to have peaked at the end of 2023 and has since been trending gently but steadily lower. Inflation-adjusted futures prices collapsed to an average of \$1.75 per million British thermal units in March 2024, the lowest

for more than three decades, slumping from more than \$9 in August 2022. In consequence, the number of rigs drilling for gas had fallen to an average of just 115 in March 2024 from a cyclical high of 162 in September 2022, according to oilfield services company Baker Hughes. The number of active rigs has since fallen even further to an average of just 101 in May 2024 as major producers have scaled back drilling programmes in response to ultra-low prices. Unless there is an unexpected rebound in prices, production is likely to remain broadly flat throughout the rest of 2024 and 2025, helping rebalance the market. Flat or falling output, combined with strong gas combustion by generators this summer, colder weather next winter, and an increase in LNG exports, should eliminate surplus inventories before the end of winter 2024/25.

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

# Bondholders sue Switzerland in US over Credit Suisse AT1s

Bloomberg  
New York

A group of investors in Credit Suisse Group AG bonds that got wiped out when UBS Group AG rescued the bank in a Swiss government-brokered deal are suing the country in New York as they take their fight abroad.

The lawsuit, filed on Thursday in federal court in New York, seeks more than \$82mn plus interest. More strategically, it's an attempt to move the battle to a jurisdiction their lawyers argue offers both a more sympathetic hearing and more scope to uncover possible evidence during a discovery process that Switzerland lacks.

"It's always been my client's belief that it's best to provide a litigation hedge against the home-court advantage that the Swiss government is certainly likely to have in their own Swiss courts," Dennis Hranitzky said in a TV interview with Bloomberg. The "injury" happened in New York "so it makes New York a logical place to bring the suit."

Holders of Credit Suisse's additional tier 1 (AT1s) bonds effectively saw about \$17bn of their notes written down to zero after the sale. Meanwhile, the bank's common shareholders were paid billions of francs when Credit Suisse was sold to UBS, a move that many investors saw as upending a capital markets convention that stockholders are the first to absorb losses.

Spokespeople for the Swiss finance ministry and the banking regulator Finma declined to comment.

Switzerland's direction to write down the value of the AT1s to zero as part of the sale of Credit Suisse to UBS was "an unlawful encroachment on plaintiffs' property rights," lawyers at Quinn Emanuel Urquhart & Sullivan, representing the bondholders, wrote in the complaint.

The writedown, made possible by a clause in the fine print of the high-risk bonds, has spawned more than 100 claims but those in Switzerland face an uphill battle in the Swiss courts. That in part has prompted bondholders to file separate cases elsewhere in Europe and the US.

"We generally think bondholders face headwinds in these cases given the language of the bond documentation," BI litigation analyst Elliott Stein said. "And in this case, the Swiss government will also likely have sovereign immunity and forum non conveniens arguments."

The lawsuit in New York comes at a time when investors, in a rush to lock in higher yields before the Federal Reserve starts cutting rates potentially later this year, are willing to buy riskier credit. Bond titans, including Pacific Investment Management Co, Invesco Ltd and JPMorgan Asset Management, have been loading up on the bonds lately.

Bondholders are also betting that any potential slowdown of economic growth won't be severe, and the global banking industry is in a much better position.

AT1s, the riskiest type of debt banks can sell, were introduced after the financial crisis to ensure bondholders take losses first when a bank is in trouble while taxpayers are off the hook. The market shut down for months following the historic Credit Suisse write-down.

Since then, however, AT1s have come roaring back. In the first three months of 2024 the asset class clocked up its busiest quarter of issuance since before the pandemic and outperformed almost every other part of the corporate credit market.

The case is Creditincome Ltd vs The Swiss Confederation, 24-cv-04316, US District Court, Southern District of New York.

# Global banks start targeting a new kind of real estate risk

Bloomberg  
Brussels

At some of the world's biggest banks, loans to commercial real estate face new litmus tests that promise to shape the sector's access to financing.

At issue is the carbon emissions of buildings and the expected cost of upgrades needed to stay on the right side of new green regulations. The European Union just passed its Energy Performance of Buildings Directive (EPBD), which forms part of a growing array of net-zero regulations. And too-big-to-fail banks are starting to react.

BNP Paribas SA, the European Union's largest bank, now targets cuts that could be as deep as 41% of the emissions intensity of its commercial real estate portfolio through 2030. Others, including Banco Santander SA, Barclays Plc, ING Group NV and NatWest Group Plc, have either already taken – or are exploring – similar measures.

The development marks a new frontier in how banks handle the risks in their loan books. CRE portfolios, already battered by higher interest rates and volatile post-pandemic occupancy rates, are now emerging as a fresh headache for banks whose books are overloaded with old properties badly in need of investments to meet new green requirements.

Roxana Isaiu, chief product officer at ESG data and benchmarking provider GRESB, says her firm has recently started meeting with bankers eager to navigate new green requirements for buildings. "The signals from the regulators are clear," said Isaiu, who has so far focused mostly on equity investors.

While the EU's rollout of EPBD is likely to play out over



Commercial real estate in Rotterdam, Netherlands. At some of the world's biggest banks, loans to commercial real estate face new litmus tests that promise to shape the sector's access to financing.

several years, it's already clear that buildings that fall behind risk turning into stranded assets that can no longer be sold or rented.

The EU estimates that about 85% of buildings in the bloc were built before 2000, with 75% of these having a "poor energy performance."

The risks vary from country to country, with the Netherlands standing out as an example of a place whose commercial real estate is more energy efficient than most, according to Isaiu. But even there, one-third of the market doesn't meet the energy performance certificate level (EPC) of C, which is a minimum requirement that's been in place since the start of 2023, she said.

And European initiatives to help tackle the issue are "coming much slower than anybody would have expected," Isaiu said.

Banks that find they're saddled with CRE assets that are too costly to retrofit may turn to private markets to offload such risk. There's also evidence that some banks are starting to explore so-called synthetic securitisations that shield them from the potentially higher capital costs associated with emissions, by transferring that risk to outside investors.

Unlike private equity or private credit investors, banks often have less access to relevant energy-performance data for their CRE portfolios, making it harder for them to manage such risks.

The commercial real estate sector's ability to keep up with the planned transition to a lower-carbon economy is "heavily reliant" on retrofitting the existing building stock, BNP said in an emailed response to questions. For the roughly 80%

of existing buildings that are expected to be around in 2050, there needs to be a "significant acceleration in renovations," the bank said.

That has implications for the kinds of loans BNP is willing to provide, and the types of bond underwriting it takes on. For example, the bank now says its origination desks will include climate impact as "a decision criterion" before providing debt financing for CRE. BNP, which ranks as the world's biggest underwriter of green bonds, says it's also exploring ways to increase its share of financing of green assets.

Santander, Spain's biggest bank, started analysing the emissions risk of its CRE assets last year, and is still figuring out how it might go about decarbonising the portfolio, a spokesperson told Bloomberg. The bank

has yet to make its conclusions public. In the UK, Barclays now targets a 51% reduction in emissions intensity in the CRE portfolio of its home market by 2030. A spokesperson for the bank said Barclays is working closely with clients to address risks tied to financed emissions, but notes that the situation requires "systemic change" to policies that are often beyond Barclays' control.

The EU estimates that buildings in the region guzzle more than 40% of the energy consumed, which makes their environmental risk hard for banks to ignore.

The bloc has set a goal of cutting greenhouse gas emissions in the building sector by 60% through 2030, and bank finance will inevitably play a key part in that process.

Banks that fall behind not only risk being reprimanded by regulators, but increasingly face the threat of climate litigation. BNP, for example, is grappling with an ongoing climate lawsuit alleging the bank has failed to live up to its so-called duty of vigilance, which under French law is an obligation that companies ensure their business doesn't have a negative impact on a number of parameters, including the environment.

BNP says it's also looking at its portfolio of residential real estate loans, but has stopped short of setting explicit targets for financed emissions due to the sheer complexity of the area. That complexity is in large part driven by the myriad of differing national regulations across EU member states.

Local regulations are still evolving and the national implementation of the European directive on the energy performance of buildings remains unclear, BNP says. It wants policymakers to do more to help the finance industry cope with such challenges.

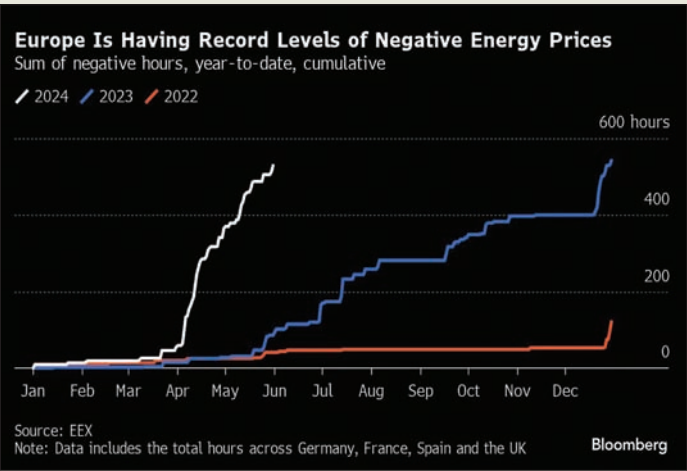
# Bursts of free power raise red flags for green tech investors

Bloomberg  
London

Something strange is going on in Europe's power markets: Prices keep dropping below zero. Solar parks on Spanish plains and wind turbines above Norwegian fjords were so productive in May that a record share of clean electricity flooded the grid. At times, supply vastly exceeded demand, and producers needed to do something with all that energy. For more than a million consumers, that meant getting free electricity to heat their homes or charge their vehicles. While good for them, the phenomenon is happening so frequently it's raising concerns among investors about how much more renewable power they can build into an \$800bn market before returns start to suffer. "Negative pricing is going to slow down the deployment of renewable capacity for most players," said Axel Thiemann, chief executive officer for solar developer Sonnedix. "That affects your ability to invest at reasonable levels." Electricity is traded on wholesale markets in a similar fashion to oil and gas. Negative prices aren't new, first occurring in Germany

in 2008 as the nation ramped up wind and solar production. But they were rare, until now. There was a twelvefold increase in the occurrence of negative wholesale prices last year, according to the European Union market monitor known as ACER. An agency report from March called it "an explosion," with the highest number of instances in the Nordic region. Germany, Europe's biggest power market, had about 300 hours with prices below zero last year. That may double in 2024, according to energy analytics firm EnAppSys Ltd.

In the UK, the number of negative hours will grow fivefold by 2027 to surpass 1,000, industry consultant Modo Energy said. "It's a dynamic that we'll continue to see," Anna Borg, chief executive officer at Sweden's Vattenfall AB utility, said in an interview. "We have to live with that." So what's the solution for producers and investors? The obvious one is to build more batteries – ranging from freezer-sized installations at someone's home to rows of freight containers in a field. They would store the excess electricity for distribution at times when the wind isn't blowing or the sun isn't shining. "We need to manage the



intermittency in the market," Statkraft AS CEO Birgitte Ringstad Vartdal said in an interview with Bloomberg Television. "Negative prices are also an opportunity to create value." The phenomenon is spreading quickly outside Europe, as well. In Australia, prices across the National Electricity Market fell below zero a record 14% of the time last year, according to BloombergNEF. That percentage has increased steadily since 2018, and capacity issues are projected to worsen with the continued building of new renewable sources

and the uptake of rooftop solar. Parts of California saw prices fall deeper into negative territory amid a burst of new solar projects and low gas prices. Through April, there were 592 hours during which electricity cleared below zero – already more than last year's total. The irony is that building solar and wind farms fosters conditions that can discourage the building of more – something called power price cannibalisation. Operators may be reluctant to make future investments because they're not getting paid enough for the clean

energy they're churning out now. "The effect is now so strong that interest in investing in solar parks is declining sharply," said Alexander Hauk, a spokesman for the German Association of Local Public Utilities, or VKU. The group represents more than 700 firms nationwide. The regular occurrence of subzero prices may become the new normal, BNEF says, as Europe will generate more than two-thirds of its power from renewable sources by 2030. "We continue to have to look for differentiated plays that are not taking that exposure," said Scott Mackin, who co-leads Denham Capital's sustainable infrastructure team. Producers with coal, gas and nuclear plants – including Electricite de France SA, RWE AG and Vattenfall – are at times reducing their output or even turning them off to make room on the grid for renewables. Meanwhile, consumers are taking advantage. A growing number of suppliers are attracting people who realise there are savings to be had by being more proactive and adjusting their consumption to times when prices are lower. Tibber's app tracks the wholesale

market – hour by hour. When prices dip below zero, some of its 1 million clients get paid. The firm expanded beyond the Nordics last year, and its biggest growth markets are Germany and the Netherlands, co-founder and CEO Edgier Vardal Aksnes said. More traditional utilities are increasingly offering the same service, too. "When you get negative prices, you charge your car to the max, heat the house 1-2C extra as well as ramp up the water heater," said user Kim Poulsen, who lives north of Gothenburg, Sweden. The growth in subzero prices won't tail off until the mid-2030s, said Ed Porter, a Modo Energy director. That's when Europe's energy storage systems should be big enough to absorb the excess and make a meaningful impact on prices. There may be a sevenfold increase to more than 50 gigawatts in capacity connected to transmission networks by decade's end, according to Aurora Energy Research Ltd. The UK, Italy and Ireland are the top three markets for storage investment. The UK is forecast to quintuple energy storage capacity by 2030 through auctions and accelerated battery connections to the network.



# China's exports rise solidly, but slower imports temper outlook

Reuters  
Beijing

China's exports grew more quickly and for a second month in May, suggesting factory owners are managing to find buyers overseas and providing some relief to the economy as it battles to mount a durable recovery.

The jury is still out, however, on whether the export sales are sustainable while a protracted property crisis has led to persistent weakness in domestic demand — a factor highlighted again in last month's imports figures.

"China's exports maintained strong year-to-date growth momentum in May, which mainly reflects the continuing large global market share of Chinese goods and renminbi (yuan) exchange advantage, as well as exporters shipping early ahead of tariff increases in export markets," said Bruce Pang, chief China economist at Jones Lang LaSalle.

Outbound shipments from the world's second-largest economy grew 7.6% year-on-year in value in May, customs data showed yesterday. But imports increased at a slower 1.8% pace, from a 8.4% jump in the previous month, highlighting the fragility of domestic consumption.

The export figure beat a forecast 6.0% increase in a Reuters poll of economists and a 1.5% rise seen in April, though growth was likely also aided by a lower base of comparison, after rising interest rates and inflation in the US and Europe



An aerial view shows the container Port in Lianyungang, in eastern China's Jiangsu province. China's exports grew more quickly and for a second month in May, suggesting factory owners are managing to find buyers overseas and providing some relief to the economy as it battles to mount a durable recovery.

squeezed external demand in the previous year. Over recent months, a flurry of data has shown different parts of the \$18.6tn economy recovering at varying speeds, heightening uncertainty about the outlook.

While first quarter growth blew past forecasts and strong March export and output data suggested improving global demand might aid officials' efforts to get the economy back on an even keel, more recent indicators reflecting soft domestic consumption have eroded much of that earlier optimism.

Indeed, separate data for May on commodities imports also released

yesterday highlighted a mixed picture of demand conditions at home, with purchases of crude oil and soybeans down year-on-year, while copper and iron ore saw a solid uptick.

A protracted property sector crisis remains the biggest drag on China's economy, with low investor and consumer confidence hurting domestic consumption and undermining business activity.

However, yesterday's trade data should give authorities some breathing space as they continue their efforts to foster a broad-based economic recovery. Analysts expect China to roll-out more policy sup-

port measures in the short term, while a government pledge to boost fiscal stimulus is seen helping shore up domestic demand.

The International Monetary Fund last month upgraded its China growth forecast for 2024 in line with Beijing's growth target of "around" 5%, but warned of risks to the economy from the property sector troubles.

China's stocks slipped as the better export numbers were eclipsed by a report that US lawmakers pushed to ban Chinese battery firms with ties to Ford and Volkswagen from exporting to the US.

## Hong Kong's property rally proves short-lived as sales decline

Bloomberg  
Hong Kong

Hong Kong's property market is falling again, just three months after government tax breaks propelled a brief rally.

New home sales plunged by 46% in May from a month earlier even as the city's developers offered discounts on apartments to lure buyers. In the secondary market, sales in the first weekend of June dropped by 40% from the previous one.

The dip underscores the challenges that Hong Kong's residential market faces.

It's a reversal of the three-year high transactions seen in March after the government removed all buying curbs to aid the sector.

With interest rates staying high longer than expected, buyers are staying on the sidelines, said Sam Wong, an equity analyst at Jefferies LLC.

"Everyone expected that the momentum would slow," said Wong. "There is no way that we will have HK\$10bn (\$1.3bn) worth of sales every week forever."

The weak economy and dimmed prospects for salary growth are also deterring buyers and weighing down prices, he added. Wong expects residential values to decrease by low single-digits in the second half of the year.

**Expensive rates:** Used-home prices are down 2.3% since the beginning of the year, Centaline data show.

The average mortgage rate in Hong Kong was 4.16% in March, more than double the 1.72% rate two years ago, according to data from mReferral

Mortgage Brokerage Services.

Banks have pulled back cash incentives, with HSBC Holdings Plc and Bank of China Ltd nearly eliminating cash rebates on home mortgages as yields from the business decrease, according to Eric Tso, chief vice president at mReferral. Borrowers received rebates of about 3% on home loans last year, he added.

To rein in risks, lenders are also scrutinizing mortgage applications from mainland Chinese buyers, who accounted for 57% of new home sales by value in April, according to Midland Realty.

**Ample supply:** Longer term, Hong Kong's uptick in housing supply will put a lid on prices.

The city is expected to see about 19,000 private units completed annually between 2023 and 2027, compared with 9,900 units from 200-2012, according to data from Our Hong Kong Foundation.

It's not possible for the market to surge as it did in the past two decades because of an increase in land and housing, said Mark Leung, an analyst with UBS Group AG.

To lift housing prices in the early 2000s, the government halted land sales and paused the conversion of areas for housing development.

The subsequent price jump made Hong Kong's properties unaffordable for many, leading to social grievances. Since then, the government has ramped up the development of residential land to ensure sufficient home supply.

"Things are different now," Leung said. "It's difficult for prices to rise as much as they did."

## Asian markets fluctuate as investors remain cautious

AFP  
Hong Kong

Asian markets fluctuated yesterday and investors trod cautiously ahead of US jobs data that could play a key role in the Federal Reserve's plans for cutting interest rates, with the bank's next policy decision looming next week.

The mood on trading floors has ebbed and flowed for weeks as dealers try to read the tea leaves on the Fed, with the latest data suggesting the labour market was finally softening, giving decision-makers room to begin loosening monetary policy.

Figures on Tuesday showed job openings had fallen more than expected, while Wednesday's ADP private-sector gauge also came in below forecasts. Preceding both of them was news that the US factory sector contracted in May

for a second successive month, indicating the world's top economy was slowing down.

But topping the bill this week is the non-farm payrolls report, which is closely watched by the Fed for an idea about health of the labour market. Bank officials have long argued that a softening on the jobs front and lower inflation were their main tests when deciding on when to cut rates.

Numerous policymakers have lined up to say they will only make their choice based on the incoming data — and most have warned they are happy to stay higher for longer to meet their goals.

"We expect the overall message from the non-farm payrolls report to be one of strength, albeit ebbing," Commonwealth Bank of Australia's Joseph Capurso said. "Consequently, market pricing for the (policy board's) first rate cut in September may be pushed



An electronic ticker displays share prices at the Tokyo Stock Exchange. The Nikkei 225 closed down 0.1% to 38,683.93 points yesterday.

out." The jobs reading will be followed by the Fed's next decision on Wednesday, which will be accompanied by its latest "dot

plot" of rate expectations. Its previous guidance in March was for three cuts, but many are preparing for that to be whittled

down to two at most in light of recent data showing inflation remains sticky and decision-makers' reluctance to move too early.

Still, cuts by the European Central Bank and Canada's central bank provided hope the Fed will eventually follow.

HSBC's Ryan Wang said at May's policy meeting that "Fed chair Jerome Powell emphasised that the inflation data so far in 2024 had not provided the policymakers with that 'greater confidence'.

"It will be important to see if Chair Powell expresses any more optimism about the inflation outlook at the June press conference." A mixed performance on Wall Street, where the S&P 500 and Nasdaq came off Wednesday's record highs, was matched by a tepid performance in Asia, with markets swinging in and out of positive territory through the day.

There was little reaction to data showing Chinese exports surged far more than expected but imports were slower, highlighting the uneven recovery in the world's number two economy.

Tokyo, Hong Kong, Wellington, Taipei and Jakarta fell, while Shanghai, Sydney, Singapore, Seoul, Mumbai, Bangkok and Manila were in the green.

London edged up at the open, while Paris was flat and Frankfurt dipped.

Martin Whetton, of Westpac Banking Corp, said: "The non-farm payrolls data is on the horizon and it's unlikely, given moves seen, that fresh risk appetite would appear."

In Tokyo, the Nikkei 225 closed down 0.1% to 38,683.93 points; Hong Kong — Hang Seng Index ended down 0.5% to 18,379.15 points and Shanghai Composite closed up 0.1% to 3,051.28 points yesterday.

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## Qatar, India joint working group in investment holds its first meeting

QNA

New Delhi

The first meeting of the joint working group in the field of investment between the State of Qatar and the Republic of India was held in New Delhi, with the aim of promoting and strengthening investment relations between the two countries.

The meeting was co-chaired by the Undersecretary of the Ministry of Commerce and Industry Mohamed bin Hassan al-Maliki, and the Undersecretary of the Department of Economic Affairs at the Ministry of Finance of the Republic of India Ajay Seth. Several government officials from the two countries attended the meeting. The Undersecretary of the Ministry of Commerce and Industry explained that the total volume of trade exchange between the two countries reached about \$13.46bn in 2023, making India the second largest trading partner of the State of Qatar. Qatari corporates and private sector are active investors



The meeting was co-chaired by the Undersecretary of the Ministry of Commerce and Industry Mohamed bin Hassan al-Maliki, and the Undersecretary of the Department of Economic Affairs at the Ministry of Finance of the Republic of India Ajay Seth. Several government officials from the two countries attended the meeting.

in the Indian market, he added. He pointed out that economic diversification is an essential pillar of Qatar National Vision 2030. In a related context, the Undersecretary of the Ministry of Commerce and Industry said that the main sectors outlined in the third national development strategy will provide promising

avenues for partnership and bilateral investment between the two countries, noting that these sectors include industry, logistics services, information technology, digital and financial services, health services, education, and other vital sectors. He also expressed his confidence that the joint efforts of the two



countries will lead to greater success and prosperity and an increase in the volume of mutual investments. The joint working group is a platform for promoting and strengthening investment relations between the two countries, by developing a strategic roadmap to increase economic and investment

interaction, and its scope of work includes building an investment partnership to enhance long-term strategic co-operation, and supporting the partnership by mobilising financial resources towards priority sectors and sectors of interest as well as joint co-operation, enhancing co-operation between startup

systems, supporting innovators, and directing companies to benefit from co-operation opportunities such as "Made in India" and "Made in Qatar," in addition to exploring new investment sectors that contribute to enhancing investor confidence by facilitating investment procedures.

## AM Best affirms Qatar Islamic Insurance's credit ratings

By Santhosh V Perumal  
Business Reporter

International insurance rating agency AM Best has affirmed Qatar Islamic Insurance Group's financial strength rating at 'A- (Excellent)' and the long-term issuer credit rating at 'a-' (Excellent) with "stable" outlook. The ratings reflect the insurer's balance sheet strength, which AM Best assesses as "very strong", as well as its strong operating performance, limited business profile and appropriate enterprise risk management.

Qatar Islamic Insurance is a takaful insurer and operates through a hybrid model, whereby the shareholders' fund charges the policyholders' fund (PHF) a Wakala fee based on gross written contributions (GWC) and a Mudaraba fee based on investment income.

The insurance company's balance sheet strength is underpinned by its risk-adjusted capitalisation at the strongest level, as measured by Best's Capital Adequacy Ratio (BCAR).

The rating agency assesses the company's risk-adjusted capitalisation on a combined basis, including its policyholders' and shareholders' funds, due to the strength of domestic regulation and requirement that the shareholders' fund would have to support the PHF. Other positive factors include the company's track record of internal capital generation through the retention of earnings and its ability to accumulate surpluses within the PHF whilst distributing surplus back to policyholders.

In 2023, it saw capital and surplus of QR702.8mn (including QR173mn of accumulated policyholder surplus), a 0.3% year-on-year increase.

While maintaining sufficient liquidity to support its insurance operations, Qatar Islamic Insurance's investment portfolio carries exposure to higher risk real estate assets and investments in associates, which accounted for 37.8% of its total investments as at year-end 2023.

The insurer's operating performance as strong on robust consistent technical performance with a five-year (2019-23) weighted average combined ratio of 72%, AM Best said. Whilst a small component of overall earnings, investment returns have continued to be positive in each of the past five years, it added.

The company has good diversification by line of business, offering a range of Shariah-compliant insurance products. In 2023, Qatar Islamic Insurance wrote GWC of QR523.5mn.

## ECB officials get cautious on more cuts as wages pick up

Bloomberg  
Frankfurt

European Central Bank (ECB) officials offered wary views on further interest-rate cuts at a time when pay pressures are proving stubborn, with one even raising the prospect that another move won't materialise.

A day after the Governing Council delivered on its promise to lower rates but revealed a consumer-price forecast that left investors querying where policy is headed next, data showed accelerating wage increases – and governors signalled that they're now back in a watchful phase.

"The central bank needs to make its decisions rather cautiously and not to rush too much with cutting the interest rate," Estonia's Madis Muller told Aripaev radio yesterday, while his Irish colleague, Gabriel Makhoulouf, said policymakers don't know "how fast we're going to carry on, or if at all."

The remarks underscore how the aftermath of a bold move to diverge eurozone monetary policy from the path of the US Federal Reserve has left the ECB in a tentative and hesitant mood about its next step.

The decision on Thursday was only the second so far by a Group-of-Seven central bank to lower borrowing costs after the Bank of Canada's move on Wednesday, but was also easily the most awkward of the two.

ECB President Christine Lagarde unveiled forecasts that showed officials will now take longer to bring inflation back to their 2% target, prompting questions from journalists on why she went through with the move.

She fell back on the central bank's mantra that it will take "data dependent" decisions on a "meeting-by-meeting" basis. Paying full heed to that would preclude clear signals on the next step, an approach hawkish policymakers particularly agree with.

One datapoint they're focusing on is wages. Yesterday, the ECB's preferred



A sign outside the headquarters of the European Central Bank in Frankfurt. ECB officials offered wary views on further interest-rate cuts at a time when pay pressures are proving stubborn, with one even raising the prospect that another move won't materialise.

measure showed acceleration at the start of 2024, with compensation per employee rising by 5.1% from a year ago in the first quarter, up from a revised 4.9% in the previous three months.

"Domestic price pressures remain strong," Latvian central bank chief Martins Kazaks said in a blog post earlier in the day. "The labour market is tight and unemployment is low, which keeps upward pressure on wages."

Traders pared wagers on the extent of rate cuts from the ECB, with just 33 basis points seen for the remainder of this year – equivalent to one more quarter point move and a one-in-three chance of a further reduction.

Three quarter-point reductions were virtually fully priced as recently as late May. German bonds fell modestly for a second day, sending the 10-year yield two basis points higher to 2.57%, which is still below the recent high of 2.71%.

Austria's Robert Holzmann, the sole

dissenter against the rate decrease, said on Friday that the move this week was a hawkish cut, meaning that the Governing Council will be "somewhat more cautious in the future." Many colleagues seem to conform to that description. "We're now confident that the disinflation process is working," Makhoulouf told Irish radio. "It doesn't mean, incidentally, that we know how fast we're going to carry on or if at all because – this is the phrase we've been using – 'the road is bumpy.'"

While Finnish central bank chief Olli Rehn insisted that inflation is predicted to reach its 2% target in the next year, Kazaks cautioned that "victory is not yet in hand."

Bundesbank chief Joachim Nagel said the ECB shouldn't be "on autopilot" about lowering rates, Slovenia's Bostjan Vasle and Mario Centeno of Portugal repeated that officials won't precommit to a particular path for bor-

rowing costs, a point echoed by Executive Board member Isabel Schnabel.

Vice-President Luis de Guindos told Spanish radio that the Governing Council faces a huge level of uncertainty and will act depending on data and its own forecasts.

France's Francois Villeroy de Galhau also stayed non-committal, saying that "we will adapt the precise rhythm of our next rate cuts without hurrying or procrastinating as the outlook for disinflation is confirmed."

"Maintaining optionality is key to successfully steering inflation to its medium-term targeted level," Christodoulos Patsalides of Cyprus told Bloomberg.

That may be so, but officials are already all but excluding a second cut in July, and some also question if such a step would be wise at the following meeting in September, according to people familiar with the matter.

## Domestic funds lift QSE 213 points; M-cap gains QR11.19bn

By Santhosh V Perumal  
Business Reporter

### WEEKLY REVIEW

Expectations of rate cut by Federal Reserve as well as the Bank of Canada, the European Central Bank, and the Central Bank of Denmark's decision to cut the policy rates had their reflection on the Qatar Stock Exchange (QSE), which saw its index gain 213 points and capitalisation enhance in excess of QR11bn this week. The domestic institutions were seen increasingly net buyers as the 20-stock Qatar Index surged 2.29% this week which saw Qatar's purchasing managers' index in May 2024 find that non-energy private sector signalled strongest improvement since September 2023.

The consumer goods and transport counters witnessed higher than average demand this week which saw Nakilat to up its stake in Qatar Shipyard Technologies by 20%. The Gulf institutions' weakened net profit booking had its influence in the main market this week which saw Moody's, an international credit rating agency, affirm Qatar Electricity & Water Company's 'A'

long-term issuer ratings. More than 67% of the traded constituents extend gains in the main bourse this week which saw Qatar's maritime sector saw brisk business year-on-year this May with more vessels calling on Hamad, Doha and Al Ruwais ports, leading to higher cargoes, container handling, vehicles and livestock through the three ports. The foreign institutions' lower net selling had its say in the main market this week which saw strong inflows of visitors – especially from the Americas, Europe and the Gulf regions – reflect in an overall improved room yield in the country's hospitality sector as average room rate and occupancy grew this April. However, the local retail investors were seen net sellers this week which saw a total of 1.46mn Masraf Al Rayan-sponsored exchange-traded fund QATR worth QR3.16mn trade across 120 deals. The Arab individuals turned bearish in the main bourse which saw as many as 0.03mn Doha



The domestic institutions were seen increasingly net buyers as the 20-stock Qatar Index surged 2.29% this week

Bank-sponsored exchange-traded fund QETF valued at QR0.28mn change hands across 41 transactions. The Islamic index was seen gaining slower than the other indices in the main market this week which saw the consumer goods and banks together constitute about 57% of the total trade volumes. Market capitalisation shot up QR11.19bn or 2.07% to QR553.03bn on the back of large and midcap segments this week, which saw

no trading of sovereign bonds. Trade turnover and volumes were also on the decline in the main market this week which saw no trading of treasury bills. In the case of venture market, trade turnover and volumes were also on the decrease this week, which saw Techno Q announce its listing date as June 26. The Total Return Index zoomed 2.29%, the All Share Index by 2.07% and the All Islamic Index by 1.81% this week.

The consumer goods and sector index soared 7.68%, transport (3.79%), industrials (1.7%), banks and financial services (1.51%), realty (1%) and telecom (0.97%), while insurance declined 0.49% this week.

Major gainers in the main market this week included Al Meera, Ahlibank Qatar, Woqod, Medicare Group, Nakilat, Qatar Islamic Bank, QNB, Dala, Salam International Investments, Industries Qatar, Qamco and Ooredoo. Nevertheless, Qatar General Insurance and Reinsurance, Gulf Warehousing, Doha Insurance, Estithmar Holding, Qatari Investors Group, Qatar Oman Investment and Milaha were among the losers in the main bourse.

In the venture, Al Mahhar Holding saw its shares depreciate in value this week. The domestic funds' net buying grew considerably to QR402.12mn compared to QR228.37mn the week ended May 30. The foreign institutions' net selling declined significantly to QR234.32mn against QR351.1mn the previous week. The Gulf institutions' net profit booking shrank perceptibly

to QR81.77mn compared to QR88.89mn a week ago. However, the local individuals were net sellers to the tune of QR48.32mn against net buyers of QR168.32mn the week ended May 30.

The Arab retail investors turned net sellers to the extent of QR21.71mn compared with net buyers of QR27.09mn the previous week.

The foreign individual investors were net profit takers to the tune of QR10.66mn against net buyers of QR10.66mn a week ago.

The Gulf retail investors turned net sellers to the extent of QR5.34mn compared with net buyers of QR4.35mn the week ended May 30. The Arab institutions had no major net exposure against net buyers to the tune of QR1.21mn the previous week.

The main market witnessed 17% contraction in trade volumes to 728.37mn shares, 30% in value to QR2.2bn and 15% in deals to 78,572 this week.

In the venture market, trade volumes zoomed plummeted 69% to 0.3mn equities, value by 70% to QR0.48mn and transactions by 41% to 44.