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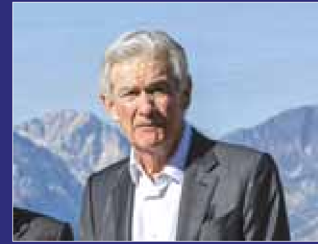

INFLATION FIGHT : Page 2

Fed adopts gradualism, a familiar policy for uncertain times

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QCB bills auction receives bids worth QR13.1bn; total allocated amount QR4.5bn

Qatar Central Bank (QCB) bills auction received bids worth QR13.1bn in place of the total allocated amount of QR4.5bn, the central bank announced yesterday.

The allocations were for six tenors ranging from seven days to 336 days, QCB said.

QR300mn was allocated for a tap issuance for seven days with a yield of 5.7815%.

QR1bn was allocated for a tap issuance for 35 days with a yield of 5.7363%.

QR1bn was allocated for a tap issuance for 91 days with a yield of 5.5390%.

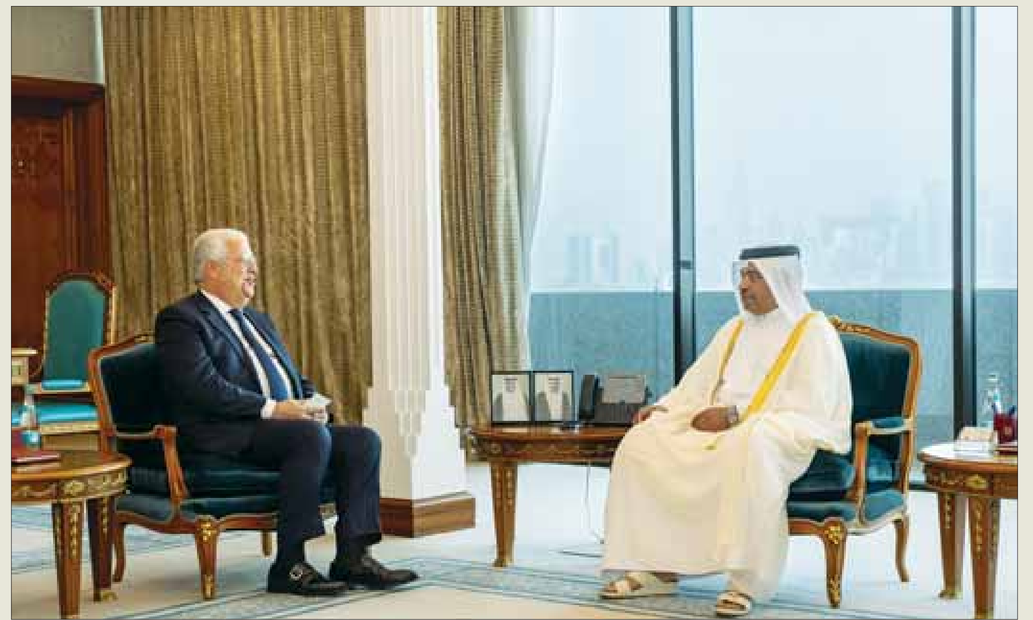
QR1bn was allocated for a tap issuance for 182 days with a yield of 5.1730%.

QR1bn was allocated for a tap issuance for 273 days with a yield of 4.8888%.

QR200mn was allocated for a tap issuance for 336 days with a yield of 4.7478%, QCB said.

The allocations were for six tenors ranging from seven days to 336 days, according to the Qatar Central Bank

Al-Kuwari holds talks with Portuguese Minister



HE the Minister of Finance Ali bin Ahmed al-Kuwari held a bilateral meeting with Pedro Reis, Minister of Economy, Portugal, at the headquarters of the Ministry of Finance in Doha. During the meeting, they discussed strengthening and expanding bilateral relations between the two countries, especially in the fields of investment, finance and economy, in addition to various topics of common interest.

Qatar positioning itself as an innovation hub

As part of diverse efforts to diversify its economy, Qatar is betting on its growing credentials as a hub of innovation, with the public and private sectors joining forces to promote new technologies and solutions. Nowhere is this more evident than in the growing metropolis of Doha. New urban developments, such as Msheireb Downtown Doha are combining the latest smart city and green building technology.

The authorities see developments, such as Msheireb Downtown Doha as key playgrounds for the implementation of new technologies and programmes. At a local level, it is transformational, but Doha also has an eye on international co-operation as it seeks dynamic economic and human development.

According to the World Economic Forum (WEF), an example of this can be found in the growing trade relationship between the GCC and China, where "the relationship between the two is centred around mutual opportunity and innovation and is paramount for investors seeking to capitalise on the intersection of tradition and transformation."

Nonetheless, further local efforts remain crucial to bolstering innovation within Qatar. Seeking to position Qatar as a global leader in innovation and scientific research, to promote the country's role as a global participant in innovation and scientific research, the Qatar Research, Development, and Innovation (QRDI) Council plays a fundamental role in the country's economic diversification efforts as well as the growth of Qatar's entrepreneurial and knowledge-generating ecosystems.

With an openness to collaboration and new ideas, the QRDI Council is at the forefront of Qatar's efforts to develop and invest in new technologies.

In July 2024, the QRDI Council partnered with Qatar Airways to create innovative solutions for the airline, now one of the region's most prestigious. The objective of this collaboration is to implement "proposals from start-ups, SMEs, and corporations for technologies that provide smart work scheduling and staff allocation [solutions]."

As part of diverse efforts to diversify its economy, Qatar is betting on its growing credentials as a hub of innovation, with the public and private sectors joining forces to promote new technologies and solutions

According to the project spokespersons, "the tool [will] enable the rapid allocation of resources and plan aircraft maintenance whilst ensuring resources match the skill, aircraft type, and job competency."

Initiatives such as these and the prospects they offer for new and stronger co-operation at a local and international level will be covered at the Qatar Investment and Innovation Conference 2024: Investing in the Future, to be held on November 20, 2024, at Barahat Msheireb.

The event will be hosted by The Business Year (TBY), a global media group providing investors, businesses, and governments with first-hand insights into the world's most dynamic markets for over 15 years.

Through the expertise of local key stakeholders such as Msheireb Properties and the experience of TBY, attendees to the event will have the opportunity to understand better the role that every player in the business ecosystem can play in cultivating innovation.

Through the insights of local and international decision-makers and leaders, the discussions and panels are set to provide first-hand knowledge on the strategic ways in which economic and human development go hand-by-hand with innovative solutions.

Adding to the partnership with Msheireb Properties, TBY has confirmed the participation of QRDI Council as the event's innovation sponsor, guaranteeing the inclusion of one of the country's innovation ecosystems' main stakeholders and driving forces.

As business leaders from Qatar and across the GCC, including Saudi Arabia, Oman, Kuwait, and the UAE, gather, the event will explore how innovation, investment, and sustainability intersect to drive regional economic development, a key focus for the event will be to emphasise the importance of cross-border collaboration and co-ordination among all regional partners.

The Qatar Investment and Innovation Conference 2024: Investing in the Future will also serve as an opener to TBY's upcoming tenth annual economic report, The Business Year: Qatar 2025.

With a focus on Qatar's third National Development Strategy, the event will deepen the business ecosystem's understanding of where the current opportunities lie, new ways to foster collaboration and innovative methods to implement sustainable measures within its operations while transcending borders.

Mannai Infotech and Businessnext to drive digital transformation in Qatar's banking sector

Mannai InfoTech, a leading information and communication technology (ICT) solutions provider in Qatar, has formed a strategic partnership with India-based Businessnext to drive digital transformation in Doha's banking sector.

This partnership is set to transform Qatar's banking industry as it not only enhances customer experiences, operational efficiencies and business growth but also increase cross-selling opportunities and reduce customer servicing costs.

The alliance between Mannai InfoTech and Businessnext marks a significant blend of modern technology, domain expertise, business consultation and implementation services to deliver high-impact customer experience and relationship management solutions for the banks in Qatar.

The alliance seeks to bring unparalleled benefits to Qatar's banking sector with specialised AI (artificial intelligence) capabilities like personalised customer intelligence, onboarding journeys, risk rating models, accelerate back-office operations, product recommendations, smart bots, next-best actions, and much more.

It has specialised offerings covering all lines of business for banks including retail banking, corporate banking, and Islamic banking. In addition, it specialises in delivering modern lending experience with new age UI/UX, automated parameterised smart credit engine, and ready ecosystem integrations.

"This alliance will empower banks in Qatar to navigate the complexities of digital transformation and achieve remarkable growth and efficiency," said Vishal Khurana, Region Head – Middle East and Africa, Businessnext, with a user base of over a million bankers globally servicing more than a billion banking customers on its platform.

Mannai InfoTech's extensive regional expertise and robust market presence in Qatar banking industry will be instrumental in the successful deployment of Businessnext's solutions.

This collaboration ensures that financial institutions can integrate these cutting-edge technologies seamlessly, resulting in enhanced customer engagement, improved service delivery, and greater operational agility.

"The synergy between Businessnext's technological prowess and Mannai InfoTech's domain expertise is expected to drive significant advancements in technology, improving customer loyalty and business growth across the banking industry. Together, we aim to set new benchmarks in customer engagement, operational efficiency, and business growth, reinforcing our commitment to driving the future of banking in Qatar," said Mannai InfoTech's senior vice-president, Binu M R.

Unemployment rate is now Fed's undisputed lodestar

By Jamie McGeever
Orlando, Florida

Jerome Powell's Jackson Hole speech has turned September 6 and September 18 into the two most important dates for US monetary policy in years, as events on both days centre on the Fed's new guiding light: the unemployment rate. The first marks the release of the August non-farm payrolls report, and the second will see the Fed's much-anticipated interest rate decision and, just as crucially, its updated Summary of Economic Projections (SEP).

The Fed will almost certainly cut rates on September 18, as Powell signalled at Jackson Hole and as other officials have effectively confirmed since. The only questions now are whether the easing cycle starts with a 25- or 50-basis-point cut, and how much policy is loosened in the coming months.

After these two pivotal days in September, investors should have their answers.

Powell essentially made two pivots in Jackson Hole. The first, as expected, is his clear signalling that a rate cut is forthcoming. The second, perhaps less anticipated, is his equally clear emphasis that unemployment, not inflation, is now the number one determinant of upcoming policy decisions.

Powell's warning that the Fed does "not seek or welcome further cooling in labour market conditions" basically means the current unemployment rate of 4.3% — which is still fairly low by historical standards — is now a "line in the sand" that, if crossed, will likely trigger a policy response.

"The unemployment rate is now around 90% of the Fed's dual mandate, inflation is about 10%," said John Silvia, founder of Dynamic Economic Strategy, adding that Powell's pivot to unemployment from inflation is remarkable considering the economy isn't in recession. Of course, there's more than one way of measuring the strength or otherwise of the labour market and, by extension, the economy. They include nominal job growth, the ebb and flow of the labour force, and one of the Fed's favourites since the Covid-19 pandemic: The JOLTS estimates of outsized quits and job openings.

But for the public, markets at large and politicians, the unemployment rate offers the clearest picture of how well the labour market is holding up. This figure is doubly important now the US presidential election is in full swing. The unemployment rate rose two-tenths of a percentage point in July to 4.3%, the highest level since October 2021. It triggered the so-called Sahm rule, which states that a 0.5-percentage point rise in the three-month average unemployment rate from the low of the past year typically signals recession.

While economist Claudia Sahm, the rule's creator, has poured cold water on claims that recession is now inevitable, she does note that the rise in unemployment is concerning. When it comes to rising unemployment, momentum typically cannot be slowed easily, much less reversed quickly.

What's more, the current unemployment rate is now above Fed officials' median long-term projection of 4.2%, published in the June SEP. And since the Fed began including median projections in its quarterly SEPs in 2015, major policy shifts have always coincided with the two crossing over.

This happened in late 2016 when the Fed started raising rates in earnest, in early 2020 when the pandemic prompted rates to be cut to zero, and in early 2022 when the Fed began its last hiking cycle.

So that's why it's so significant that both the unemployment rate and the Fed's long-term outlook will be updated within days of each other. Changes in either will go a long way in determining the Fed's path for the rest of this year and early 2025.

Traders expect 100 basis points of easing by year end, and at least another 100 bps next year. And even though futures markets are still betting on the Fed delivering a quarter-point cut in September, the probability of a half-point move has a one-in-three chance.

So what happens if we see another solid rise in the unemployment rate on Sept. 6? This could seal the deal for a 50-basis-point cut on September 18 and boost the case for similarly bold moves in the coming months. A cutting cycle of that size and speed wouldn't be easy for the Fed to navigate or communicate. Just as importantly, it will likely only occur if the US truly is in the early stages of a recession, blowing apart the market's "soft landing" narrative once and for all.

■ *Jamie McGeever is a columnist for Reuters. The opinions expressed here are those of the author.*

Fed adopts gradualism, a familiar monetary policy for uncertain times

Bloomberg
Washington

With a September interest-rate cut all but certain and attention turning to the pace of future reductions, Federal Reserve officials are coalescing around a gradual approach to the last mile of their inflation fight.

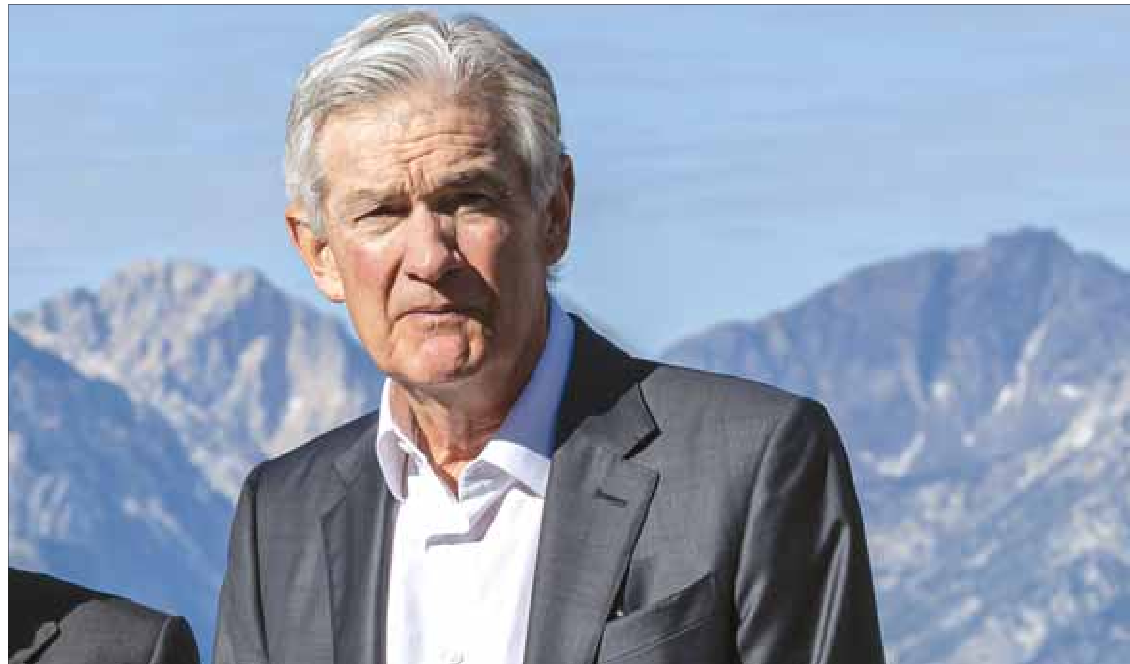
A handful of policymakers at the Fed's annual research symposium in Jackson Hole, Wyoming, last week made the case for lowering rates in a "gradual" or "methodical" manner. That pushed back against investor expectations for at least one outsized cut this fall. Inflation hasn't yet fully cooled to their 2% target, the Fed officials argued, and while the labour market shows signs of fragility, the absence of widespread layoffs means aggressive action isn't yet called for.

"Methodical, gradual, careful — those are the types of words you hear policymakers throw around when they're turning the ship," said Brett Ryan, senior US economist at Deutsche Bank AG. "It's going to be sort of a feeling-out process that they're going to want to take a slower approach."

Gradualism is a strategy that the Fed has deployed before in uncertain times. It suggests they hope to cut rates by 25 basis points at a time. Yet notably absent from the chorus backing this approach was Chair Jerome Powell.

The Fed chief has staked his legacy on bringing down inflation without causing severe pain in the job market. In his closely watched speech in Jackson Hole, Powell never described how quickly or slowly he expects the Fed to move after September. He also sounded more open than several of his colleagues to taking a more aggressive approach should things deteriorate rapidly on the employment front.

"We will do everything we can to support a strong labour market as we make further progress toward price stability," Powell said. "We do not seek or welcome further cooling in labour market conditions."



Jerome Powell, chairman of the US Federal Reserve.

The Fed, like many other central banks, has taken a gradual approach during most easing and tightening cycles in the modern era, with a few exceptions.

At the onset of the financial crisis and during the Covid pandemic, policymakers rapidly drove interest rates to zero. Former Chair Paul Volcker was famously unflinching in his strategy for quashing inflation in the late 1970s and early 1980s. Otherwise, monetary policy has more typically been adjusted by just a quarter percentage point at a time.

This approach, as detailed by then-Governor Ben Bernanke in a 2004 speech on gradualism, gives policymakers time to gauge the economy's response to its actions.

Applied now, gradualism would provide some relief from the Fed's current level of restrictiveness, but also take into account that the inflation target hasn't yet been achieved. After underestimating the surge in prices in 2021 and starting to tighten too late, some policymakers are still wary of reigniting inflation. At least one worries that cheaper borrowing costs will release pent-up demand from consumers and businesses awaiting lower rates.

But at the same time, the labour market is finally beginning to look normal again, and by some measures a bit weak. Unemployment unexpectedly rose to 4.3% in July. Employers aren't firing workers en masse, but they've slowed hiring dramatically.

To some, like Richmond Fed President Thomas Barkin, that's a combination that is unlikely to continue for long.

"They have a significant question around them now in terms of labour market weakening," said Claudia Sahm, chief economist at New Century Advisors, an investment management firm. "They need to start removing the restriction." Powell and his colleagues long argued the hot jobs market was stoking inflation by driving wages higher and giving US consumers more spending power. But Powell made clear that effect has faded. "Powell appears to be more dovish than his peers," said EY-Parthenon economists Gregory Daco and Lydia Boussour. "Still, unless labour conditions deteriorate materially in the coming weeks, we continue to expect a majority of policymakers will favour a 25 basis-point cut in September."

As Fed officials embark on this next phase, they face another question besides how fast to go: If all goes smoothly, how far can they eventually cut rates?

The so-called neutral rate of interest, where the central bank is neither holding down the economy nor stimulating it, is an estimate rather than an exact scientific calculation.

Canada's big banks still lag on renewable energy investment

Bloomberg
Toronto

Canada's financial institutions are falling short when it comes to the investment levels in renewables needed to reach net zero emissions, according to a new report.

Between 2016 and 2024, only three of the country's largest banks, insurance providers, investment firms and pension boards hit a 2030 International Energy Agency target of having renewable energy account for 71% of power-sector financing and investment, according to the report released on Wednesday by Investors for Paris Compliance. The IEA target is part of a broader pathway to limit global warming to 1.5C per the 2015 Paris Agreement, and to reach net zero by 2050.

Canada's pension boards were some of the leaders in renewables: Caisse de Dépôt et Placement du Québec (CDPQ) and the Canada Pension Plan Investment Board met the IEA's target for power-sector financing, and both have plans for a transition to net zero.

Big banks didn't fare as well. Of Canada's six largest banks, Bank of Nova Scotia ranked the lowest on renewable energy investing, the study found. National Bank of Canada, which in 2020 had 93% of its electricity credit in renewables, has since seen those levels fall under the IEA threshold. Across Canada's big banks, renewable credit financing increased by just 1 percentage point per year, on average.

"Despite all the banks assessed having made long-term, net zero commitments in 2021, and [having] adopted power sector-specific interim targets since, most have shown no real progress," Investors for Paris Compliance wrote.

As of 2023, Canada had the world's fourth-largest oil reserves and ranked as the fourth-largest petroleum producer, according to the US Energy Information Administration, making banks' commitment to renewables more challenging. The country's five biggest banks each underwrote bonds for coal-powered utility companies last year, according to the report. The majority of coal and oil produced in the country is exported.

The Investors for Paris Compliance report highlighted some recent points of progress. Brookfield Asset Management is raising funds to invest in coal assets and transition them to clean power, for example, while Royal Bank of Canada plans to triple its lending to renewable energy to C$35bn ($26bn) by 2030 and Manulife Financial Corp committed C$690mn ($512mn) for energy-transition investments.

But the organisation, which represents investors and makes investments in Canadian companies to advocate for a transition to net zero, also noted that it would like to see more government measures to improve renewable-energy financing. "Weak power-sector policies by financial institutions, as well as the great variation in how these policies are applied, highlights the need for stronger voluntary guidelines as well as financial-sector regulations," it wrote.

Earlier this year, Investors for Paris Compliance filed a complaint to Canadian securities regulators, urging them to investigate green financing claims from the country's largest banks.

Nvidia pays price of lofty expectations, stoking fear for rivals

Bloomberg
New York

Nvidia Corp's earnings report needed to be perfect for a stock that's added nearly $2tn in market value in the past year. In the end, a broad beat still sparked a selloff.

At issue is Nvidia's revenue forecast. While easily exceeding the average analyst estimate, the beat was far narrower than investors have grown to expect over the past five earnings reports. That, and an acknowledgment that the new Blackwell chip hit production snags, was enough to send Nvidia shares tumbling in post-market trade on Wednesday.

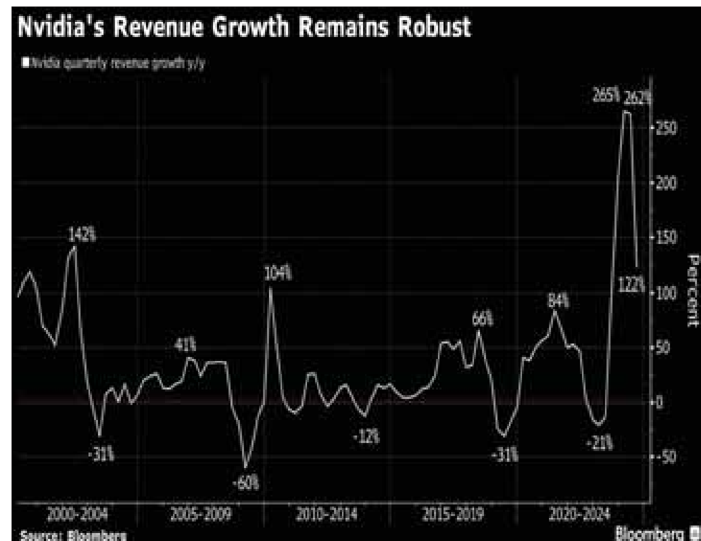
The concern is that if Nvidia — the biggest beneficiary of AI spending and a stock central to the S&P 500's gains this year — is having trouble living up to lofty expectations, that doesn't bode well for other gear makers. Broadcom Inc, Advanced Micro Devices Inc and Micron Technology Inc also slipped in pre-market.

"It's not entirely surprising to see it trade down on these results because it is the smallest beat that we've seen in a while," said Ivana Delevska, founder and chief investment officer of Spear Invest.

The reaction to the report signals that the AI giant's valuation may have topped out for the time being, at least until more is known about the availability of the Blackwell chip. Chief Executive Officer Jensen Huang said supplies will be plentiful when manufacturing picks up, but his comments did little to quell concerns.

After rallying back from a steep selloff earlier this month amid macroeconomic worries and concerns about the longevity of big spending on AI, Nvidia shares closed on Wednesday priced at 37 times forward earnings. That's down from a recent high of 44 times in June, according to data compiled by Bloomberg.

Nvidia's forecast for third quarter revenue to be about $32.5bn exceeded the average analyst estimate by $600mn. Still, that was the narrowest beat since February 2023, back when Nvidia's market value was around $500bn. It closed on Wednesday with a market value of about $3.1tn.



"AI is still there, but I think people got a little too excited, a little too over-hyped in terms of what we can expect in the near term," said Michael Matousek, head trader at US Global Investors Inc.

The report capped off a volatile earnings season and showed just how high expectations have become. In the weeks leading up to Nvidia's results, the chipmaker helped drag the S&P 500 down more than 8% from a July peak before rallying back as concerns about AI spending subsided and readings on the health of the US economy quelled recession fears.

The results will also do little to reset the company's valuation. In previous quarters, Nvidia's large beats on guidance, signalling bigger revenue growth to come, compressed the multiple. After this report, it looks like the ratio relative to projected profits should stay about the same as shares fall and earnings estimates tick up only slightly.

That may calm some fears about a bubble, at least for now.

"People say these AI hardware stocks are in a radical bubble, but they're trading under 40 times estimated earnings," said Tony Kim, lead portfolio manager and head of the global technology team at BlackRock, noting that this contrasted with the more than 100 times forward earnings seen during the dot-com era.

Still, there was still plenty for Nvidia investors to like, with some analysts viewing the share slump as likely short-lived. On top of handily beating second quarter estimates for revenue and profits, the company authorised an additional $50bn for share repurchases.

"Expectations become more challenging as the superlative becomes mundane," Morgan Stanley analysts led by Joseph Moore noted. "This was still a very strong quarter given the transitional nature of the current environment."

OpenAI is getting closer to raising funding at a valuation of more than $100bn in a round led by Thrive Capital, people with knowledge of the matter said.

Huawei Technologies Co's revenue grew for the sixth straight quarter after its smartphones gained market share in China at Apple Inc's expense.

Meituan's stock gained its most in about six months after China's meal delivery leader beat quarterly results estimates and unveiled a $1bn buyback, positive signals for investors increasingly worried about domestic consumer malaise.

Tata Group has shelved plans for an initial public offering of its entertainment content distribution platform after buying out minority investors, according to people familiar with the matter.

Brazil's top judge threatened to block Elon Musk's X if the social media platform doesn't appoint a legal representative in the country within 24 hours, escalating a clash between the mercurial billionaire and Latin America's largest economy.

China's 5% growth target faces rising doubt as UBS cuts outlook

Bloomberg
Beijing

China's annual growth target looks increasingly out of reach to economists, with UBS Group AG adding to a string of recent forecast cuts as consumer spending slows and President Xi Jinping's government avoids major stimulus.

With economic momentum held back by a real estate downturn and tight fiscal policy, the Swiss bank now expects China's gross domestic product to expand 4.6% this year — compared with an earlier forecast of 4.9%. For 2025, UBS sees growth at 4%, down from 4.6% previously.

The downgrade, coming after weak earnings reports from several top Chinese consumer companies this month, reflects an emerging consensus among the world's biggest banks that the country might not meet its growth aim of around 5% in 2024. By contrast, the Politburo — comprising the ruling Communist Party's top 24 officials — has remained committed to achieving this year's "economic and social development targets" that include the GDP goal.

But the real estate downturn is weighing heavily on domestic demand and confidence. China last missed its annual growth target in 2022, when Covid lockdowns and abrupt policy changes put that goal out of reach. "We expect weaker property activities to have a bigger drag on the overall economy than earlier expected, including through household consumption," UBS economists including Wang Tao wrote in a note Wednesday.

Many analysts have slashed their projections for China's $17tn economy after it slowed to its weakest pace in five quarters from April to June. Other banks sceptical about Beijing achieving its growth target include JPMorgan Chase & Co — which also predicts a 4.6% increase — and Nomura Holdings Inc, whose forecast is even lower at 4.5%.

They are among 51 of the 74 analysts tracked by Bloomberg that estimate the growth rate may come under 5% this year.

While China has been easing its policies since the end of 2022 to revive the property market — with steps including reduced down-payment requirements, lower mortgage rates and fewer restrictions on home purchases — the implementation of the measures has been slow and has had limited impact, according to UBS.

"China's property demand and supply fundamentals have changed in recent years, market confidence is low amid weak household income growth, and inventory levels are high while destocking implementation has been slow," the economists wrote. The bank downgraded its outlook for the real estate sector, and now expects a bottoming out of new starts only in mid-2026.

The nation's housing slump has shown little sign of reversing. New-home sales fell almost 20% in July from a year earlier, while first-hand home prices dropped at their fastest pace on an annual basis in nine years. New home starts also continued to plunge at a clip of around 20%.

The crisis has dragged down everything from the job market to consumption and household wealth over the past two years.

The economic difficulties have contributed to a prolonged rout in the world's second-largest stock market, despite various efforts by authorities to restore investor confidence. The CSI 300 Index, which tracks onshore Chinese equities, has fallen 4.2% in 2024 and is on track for an unprecedented fourth consecutive annual loss. In contrast, a broader index of Asian shares has risen nearly 10%.

The repercussions have spread to the broader financial market and swept up individual investors.

Nearly half of the 27 closed-end, three-year mutual funds launched in 2021 are facing losses of at least 40% as they near the end of their cycle, according to a report by the state-run *China Securities Journal* on Thursday.

Shoppers and pedestrians walk past stores on Nanjing Road in Shanghai (file). China's annual growth target looks increasingly out of reach to economists, with UBS Group adding to a string of recent forecast cuts as consumer spending slows and government avoids major stimulus.

Tech firms weigh on Asian markets after Nvidia results

AFP
Hong Kong

A sell-off in tech firms dragged Asian markets down yesterday after investors were left disappointed by earnings from chip titan Nvidia that stoked concerns about the outlook for all things artificial intelligence.

In Tokyo, the Nikkei 225 closed flat at 38,362.53 points; Hong Kong — Hang Seng Index ended up 0.5% to 17,786.32 points and Shanghai — Composite closed down 0.5% to 2,823.11 points yesterday.

While the report beat expectations in many areas, it took the wind out of the sails for traders, who had been enjoying a run-up on the prospect of US interest rates coming down from next month.

Investors had been keenly awaiting the release from California-based Nvidia, which has become a bellwether for the tech sector owing to its huge role in the development of AI chips.

Analysts had warned ahead of the event that even a forecast-busting reading might not be enough to satisfy markets, which have grown used to outsized profits and revenues.

Nvidia's share price is up about 160% year-to-date, and has accounted for a third of the broad-based S&P 500 index's gains this year.

The firm — now with a market capitalisation of more than $3tn — said revenue and profits more than doubled in the fiscal second quarter, while it also announced an extra $50bn in stock buybacks. However, the growth in sales was slower than the furious pace seen in previous quarters.

Dealers were also spooked by snags in the company's new generation Blackwell line of technology, the successor to the best-selling Hopper line of AI chips that thrust the company onto the world stage.

Nvidia's share price fell more than 8% in after-hours trading. All three main indexes on Wall Street fell ahead of the release, which came after the market closing bell.

In Asia tech was among the worst performers, with chipmakers taking a hit. SK Hynix fell more than 5% in Seoul, where Samsung was also down more than 3%.

Taipei-listed TSMC, a key producer of semiconductors, sank more than 2% and Tokyo Electron was down 1.8% in Tokyo.

That weighed on broader markets, with Seoul, Shanghai, Sydney, Taipei, Manila, Bangkok and Wellington all in the red. Tokyo was marginally lower, though Hong Kong, Singapore, Mumbai and Jakarta edged up.

London, Paris and Frankfurt rose in the morning.

"As the bellwether for the tech industry, which now touches nearly every aspect of global business and our daily lives, Nvidia's performance is scrutinised like a crystal ball for the broader market and the US economy," said independent analyst Stephen Innes. "So when this flagship takes a hit, it has the potential to drag the entire fleet down with it.

China accelerates coal mining to ensure winter power supply

By John Kemp
London

China has boosted domestic coal production and imports to record highs, even as surging power from hydro dams and solar farms has trimmed thermal generation during the summer heatwave.

Coal-fired generation remains critical to ensuring the reliability of electricity supplies — especially in the winter, when hydro and solar output is much lower and the system depends far more heavily on fossil energy.

Despite a record deployment of wind and solar resources, coal still provides the largest share of generation at all times of year, rising to more than 75% in the winter months.

Sufficient stocks are therefore critical to ensure thermal generators have enough fuel on hand to run flat out in the coldest part of winter.

Generators are accumulating inventories to lay in adequate fuel and avoid a repeat of power shortages that plagued the country in the autumn and winter of 2021.

China's mines boosted production to a seasonal record 390mn tonnes in July 2024, up from 378mn in the same month a year earlier and 373mn in 2022.

Domestic miners have ramped up output over the summer to make up for relatively slow production in the first five months of the year.

Cumulative production in the year to July was just 15mn tonnes behind the same period a year earlier but the deficit had fallen from 54mn tonnes in the year to May. So far in 2024, Inner Mongolia, Shaanxi and Xinjiang, three of the four top provincial-level producers, have all reported record seasonal output.

Only Shanxi, where production is broadly flat compared with a year earlier, failed to set a seasonal record in the first seven months.

Shanxi has "voluntarily" adjusted output after seven years of rapid growth to optimise capacity and increase the proportion of advanced mines, according to the government-run news agency Xinhua.

The four top producers account for more than 80% of the country's output and are the critical suppliers to generators in all regions, except in the far south.

At the same time, imports surged to a seasonal record of 296mn tonnes in the first seven months from 261mn tonnes in 2023 and 139mn in 2022.

Imports have been used as a substitute for the lower output from Shanxi, creating breathing space to restructure the sector.

But they are also crucial in Guangdong and other southern areas, since it is cheaper to bring coal in by sea than on long rail journeys from the far north.

China's annual electricity consumption exhibits what the government terms a "double peak" in summer and winter.

The primary peak occurs between June and August, driven by airconditioning and refrigeration, which accounts for 30% of maximum nationwide load, rising to more than 40% in some provinces.

But summer is also when precipitation is highest because of the East Asian monsoon and hydro generation is maximised, easing some of the strain of the transmission network, except in drought years.

In July 2024, record output from hydro and solar parks trimmed thermal generation, mostly from coal, by 25bn kilowatt-hours (kWh) compared with a year earlier, the first seasonal decline for at least a decade.

But the secondary peak occurs between December and February, driven by heating and lighting, not much lower than in the summer.

Winter coincides with the dry season, when hydro generation declines sharply, typically by around 50% compared with the summer.

Solar generation is also somewhat less, given shorter daylight hours across the plains of northern China, where most solar parks are located.

The result is that the electricity system is much more reliant on coal during the winter peak than in the summer one.

In the five years between 2019 and 2023, thermal generators supplied 75% of electricity between December and February compared with under 70% between June and August.

In the summer, the marginal generator is sometimes a hydroelectric station or a solar park; in winter it is always a coal-fired power plant.

The gap between summer and winter patterns is likely to widen over the next few years as the government accelerates deployment of solar parks.

Ensuring electric reliability will continue to depend on building up enough coal stocks during the spring and autumn shoulder seasons to meet peak winter demand.

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

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Turkiye economy grew 3.2% in Q2; seen cooling to 3.35%

Reuters
Istanbul

Turkiye's economic growth is expected to have fallen to 3.2% in the second quarter of this year as tighter economic policies weighed, a Reuters poll showed yesterday, with the rate seen cooling to 3.35% for the year as a whole.
The economy grew 5.7% in the first quarter of this year with strong domestic demand pushed up by a minimum wage hike and households bringing purchases forward in expectation of higher inflation ahead.
For the second quarter, the median estimate in a Reuters poll of 11 economists was for GDP growth of 3.2%, with forecasts ranging between 1.6% and 4.2%.
The economy grew an annual 4.5% in 2023 and 3.9% in the second quarter of that year despite a slowdown in main trading partners and devastating earthquakes in February.
Economists expect tight monetary policies and fiscal measures will continue to slow domestic demand through year end.
GDP growth in 2024 is expected to be 3.35%, based on the median estimate in the Reuters poll. Predictions ranged from 3% to 3.5%.
In the minutes of its rate-setting meeting, released on Tuesday, the central bank said that data suggests second-quarter annual and quarterly GDP growth rates will cool compared to the previous quarter.
The bank raised its policy rate by a total 4,150 basis points in a tightening cycle since June last year. It has held rates at 50% since March to head off inflation risks.
The government has pledged to cool inflation, change the composition of economic growth and attain sustainable levels.
It will announce new economic forecasts as soon as next week. The Turkish Statistical Institute will release the second quarter growth data on September 2.

Middle Eastern carriers see 14.7% y-o-y air cargo demand growth in July: IATA

By Pratap John
Business Editor

Middle Eastern carriers have seen 14.7% year-on-year demand growth for air cargo in July, according to the International Air Transport Association (IATA). The Middle East-Europe trade lane performed particularly well surging 32.2%, ahead of Middle East-Asia which grew by 15.9% year-on-year. July capacity increased 4.4% year-on-year, IATA noted.

Asia-Pacific airlines saw 17.6% year-on-year demand growth for air cargo in July – the strongest of all regions. Demand on the Within-Asia trade lane grew by 19.8% year-on-year, while the Europe-Asia, Middle East-Asia, and Asia-Africa trade lanes rose by 17.9%, 15.9% and 15.4% respectively. Capacity increased by 11.3% year-on-year, IATA said.

Total demand, measured in cargo tonne-kilometres (CTKs), rose by 13.6% compared to July 2023 levels (14.3% for international operations). This is the eighth consecutive month of double-digit year-on-year growth, with overall levels reaching heights not seen since the record peaks of 2021.

Capacity, measured in available cargo tonne-kilometres (ACTKs), increased by 8.3% compared to July 2023 (10.1% for international operations). This was largely related to the growth in international belly capacity, which rose 12.8% on the strength of passenger markets and balancing the 6.9% growth of international freighter capacity.

"It should be noted that the increase in belly capacity is the lowest in 40 months whereas the growth in freighter capacity is the highest since an exceptional jump was recorded in January this year," IATA said.

Several factors in the operating environment should be noted, IATA said.

These include Purchasing Managers Index (PMIs) for global manufacturing output, industrial production and inflation.

In July, the Purchasing Managers Index (PMIs) for global manufacturing output indicated expansion at 50.2. Meanwhile, the global new export orders PMI continued to hover below the 50-mark at 49.4, a marker for contraction.

Industrial production stayed level in July month-on-month and global cross-border trade increased 0.7%.

Inflation remained relatively stable in July in the US, Japan, and the EU, with inflation rates of 2.9%, 2.8%, and 2.8%, respectively.

Meanwhile, China's inflation rate increased 0.3 percentage points to 0.6%, the highest level in five months.

IATA's Director General Willie Walsh said, "Air cargo demand hit record highs year-to-date in July with strong growth across all regions. The air cargo business continues to benefit from growth in global trade, booming e-commerce and capacity constraints on maritime shipping.

"With the peak season still to come, it is shaping to be a very strong year for air cargo. And airlines have proven adept at navigating political and economic uncertainties to flexibly meet emerging demand trends."

Foreign funds lift QSE 66 points as index crosses 10,200 levels

By Santhosh V Perumal
Business Reporter

Strong buying interests of foreign institutions yesterday lifted the Qatar Stock Exchange (QSE) more than 66 points and its key index crossed the 10,200 levels.

A higher than average demand especially in the insurance, banks and real estate sectors led the 20-stock Qatar Index gain 0.65% to 10,203.04 points, recovering from an intraday low of 10,119 points.

More than 67% of the traded constituents extended gains to investors in the main market, whose year-to-date losses were at 5.79%.

However, the Arab funds were increasingly bearish in the main bourse, whose capitalisation however added QR4.25bn or 0.72% to QR591.64bn on the back of large and midcap segments.

The domestic institutions were seen net profit takers in the main market, which saw 2,760 exchange traded funds (sponsored by Masraf Al Rayan and Doha Bank) valued at QR0.02mn trade across four deals.

The local retail investors turned net sellers in the main bourse, which saw no trading of treasury bills.

The foreign individuals were seen net profit takers in the main market, which saw no trading of sovereign bonds.

The Islamic index was also seen gaining slower than the other indices in the main bourse, whose trade turnover grew amidst lower volumes.

The Total Return Index rose 0.65%, the All Share Index by 0.7% and the All Islamic Index by 0.64% in the main market.

The insurance sector index gained 1.46%, banks and financial services (1.09%), realty (0.88%), transport (0.64%) and industrials (0.49%); while consumer goods and services declined 1.04% and telecom 0.44%.

Major gainers in the main market included Dukhan Bank, Qatar Insurance, Masraf Al Rayan, Mannai Corporation, Mesaieed Petrochemical Holding, QNB and Barwa. In the junior bourse, Al Mahhar Holding saw its shares appreciate in value.

Nevertheless, Woqod, Qatari Investors Group, Al Faleh Educational Holding, Widam Food, Dlala and Qatar Cinema and Film Distribution were among the losers in the main bourse. In the venture market, Techno Q saw its shares depreciate in value.

The foreign institutions turned net buyers to the tune of QR58.7mn compared with net sellers of QR53.97mn on August 28.

However, the Gulf institutions' net selling increased substantially to QR26.54mn against QR1.08mn the previous day.

The domestic funds were net profit takers to the extent of QR14.67mn compared with net buyers of QR29.64mn on Tuesday.

The Qatari individuals turned net sellers to the tune of QR8.74mn against net buyers of QR17.16mn on August 28.

The foreign retail investors were net sellers to the extent of QR5.2mn compared with net buyers of QR2.19mn the previous day.

The Arab individual investors turned net profit takers to the tune of QR2.78mn against net buyers of QR4mn on Tuesday.

The Gulf individuals were net sellers to the extent of QR0.79mn compared with net buyers of QR2.13mn on August 28.

The Arab institutions had no major net exposure against net profit takers to the tune of QR0.09mn the previous day.

Trade volumes in the main market shrank 15% to 153.07mn shares, while value shot up 36% to QR586.08mn and transactions by 1% to 16,054.

The venture market saw 36% surge in trade volumes to 0.75mn equities, 43% in value to QR1.77mn and 1% in deals to 84.

A higher than average demand especially in the insurance, banks and real estate sectors led the 20-stock Qatar Index gain 0.65% to 10,203.04 points

US economy expands at revised 3% rate on resilient consumer

Bloomberg
Washington

The US economy grew at a slightly stronger pace in the second quarter than initially reported, reflecting an upward revision to consumer spending that more than offset weaker activity in other categories.

Gross domestic product rose at a 3% annualised rate during the April-June period, up from the previous estimate of 2.8%, according to Bureau of Economic Analysis figures published Thursday. The economy's main growth engine — personal spending — advanced 2.9%, versus the prior estimate of 2.3%.

A separate government report out on Thursday showed initial applications for unemployment benefits were little changed at 231,000. Treasury yields rose and S&P 500 index futures remained higher while the dollar strengthened.

The other main gauge of economic activity — gross domestic income — rose a more moderate 1.3% in the government's first estimate for the period, matching the first-quarter gain. Whereas GDP measures spending on goods and services, GDI measures income generated and costs incurred from producing those same goods and services. The average of the two growth measures was 2.1%.

Growth has cooled so far this year after accelerating the second half of 2023. Forecasters see further moderation for the remainder of 2024 as high borrowing costs continue to filter through the economy. At the same time, the Federal Reserve is set to begin lowering interest rates next month as inflation slows, which may provide some relief to sector heavily impacted by borrowing costs like housing and manufacturing.

The upward revision to consumer spending reflected both stronger advances in purchases of goods and services. The leading contributors were increased outlays for health care, housing and utilities and recreation. At the same time, the BEA revised down business spending, inventories, net exports, residential investment and government outlays.

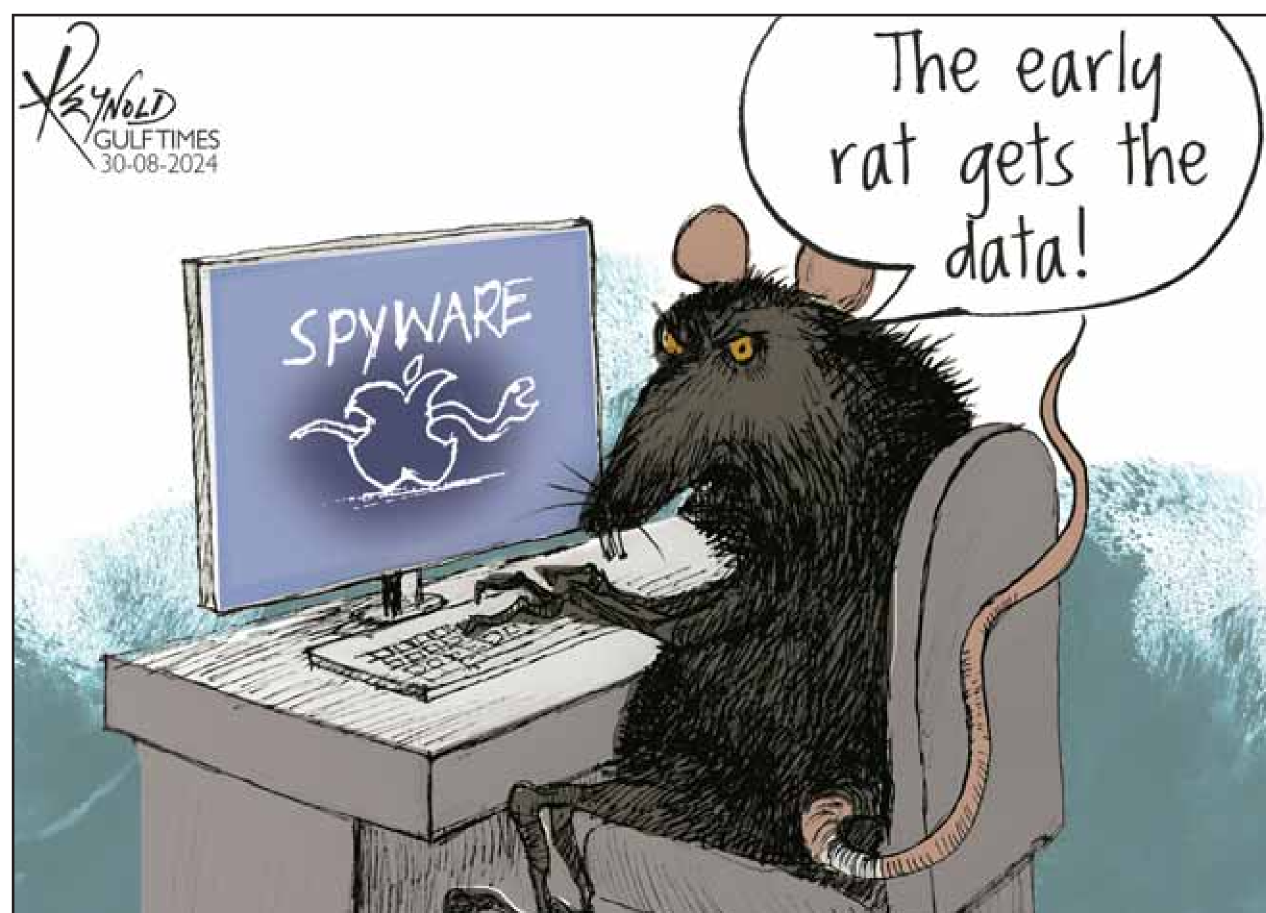
The GDI data include figures on corporate profits. In the second quarter, adjusted pre-tax profits rose 1.7%. After-tax profits as a share of gross value added for non-financial corporations, a measure of aggregate profit margins, edged up to 15.4% in the second quarter from 15.2% in the prior three-month period.

The discussion around corporate profits has taken centre stage on the campaign trail, with Vice-President Kamala Harris, the Democratic presidential candidate, pitching sweeping new household measures at the expense of margins. She is seeking large tax increases on corporations and high-income individuals while former President Donald Trump has pledged fresh tax cuts to bolster the economy.

On the inflation front, the Fed's preferred metric — the personal consumption expenditures price index — rose at a 2.5% annualised rate in the second quarter, down slightly from the initial projection. Excluding food and energy, the core PCE gauge climbed 2.8%, versus 2.9% in the previous estimate.

Economists are looking ahead to the Friday release of monthly PCE data for July. It's currently projected to show the metric, excluding food and energy, rose 2.7% from the same month last year.

Fed officials have recently indicated they're more focused on the labour market side of their dual mandate now that inflation has largely receded.



German inflation plunges to 2% as ECB prepares to cut rates

Bloomberg
Frankfurt

German inflation slowed to the European Central Bank's target in August — supporting the case for another cut in interest rates next month.
The 2% reading — the lowest since 2021 — was down from 2.6% in July and less than all but one economist surveyed by Bloomberg had estimated. A report showed that price pressures also eased significantly in Spain, reaching a one-year low.
The disinflation trend is expected to play out in the eurozone's other two biggest economies — France and Italy — when numbers are published on Friday. There'll also be figures for the bloc itself, where analysts see a retreat to 2.2% and a nowcast from Bloomberg Economics predicts a return to the 2% target.
With price gains moderating in line with ECB projections, wage pressures easing and economic momentum faltering, officials in Frankfurt led by President Christine Lagarde have warmed to a September rate cut. That would be the second reduction after an initial step in June began unwinding the spate of hikes enacted to tame record inflation.
Policymakers, though, have also cautioned that there may be setbacks in the months ahead, stressing that their fight isn't yet won. Underlying price growth remains strong, and increases in services costs in particular are still a big concern.
"Today's drop in German inflation is the result of lower energy prices and favourable base effects as well as lower prices for goods," Carsten Brzeski, ING's global head of macro, said in an e-mailed note. Even so, "it's too early to give the all-clear on inflation both in Germany and the entire eurozone."
The ECB hasn't yet secured the return to the 2% goal, Chief Economist Philip Lane warned last week, saying monetary policy must remain restrictive for now. He did, though, say on Thursday that wage gains — a key factor steering consumer prices — are set to slow sharply in the next two years.
While one more quarter-point cut in the deposit rate next month — to 3.5% — won't challenge that objective, the debate in the Governing Council about subsequent steps may soon become more heated.