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US rate cut expectations drive QSE key index near 10,400 points

Wednesday, September 4, 2024
Rabia I 1, 1446 AH

GULF TIMES
BUSINESS

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Amir's visit boosts economic ties between Qatar, Sweden

New businesses and employment surge lifts Qatar's non-energy private sector: QFC PMI

By Santhosh V Perumal
Business Reporter

Stronger inflows in new business and a surge in jobs signalled a stronger improvement in business conditions in Doha's non-energy private sector economy, according to Qatar Financial Centre (QFC).

The QFC purchasing managers' index (PMI) – compiled from survey responses from a panel of around 450 private sector companies – compiled by Standard and Poor's Global said demand for goods and services strengthened, driving a near-record increase in employment and another solid output expansion.

Firms also continued to deplete outstanding business, and average wages rose at the fastest rate on record, said PMI, whose panel covers the manufacturing, construction, wholesale, retail, and services sectors, reflecting the structure of the non-energy economy according to official national accounts data.

The headline PMI – a composite single-figure indicator of non-energy private sector performance and derived from new orders, output, employment, suppliers' delivery times and stocks of purchases – found that overall cost pressures were the highest in four years, while charges for goods and services fell slightly and the 12-month outlook improved notably.

The PMI rose to 53.1 in August, from 51.3 in July, which was above the long-run trend level of 52.3 (since April 2017).

Highlighting that the employment component provided the largest boost to August's headline figure, it said private sector jobs in Qatar rose strongly in August, reversing July's slight fall and the workforce growth was the second-fastest on record, a tad below the peak in January 2019.

"The PMI resumed its recent upward trajectory in August, mainly reflecting a surge in employment and stronger inflows in new business… Financial services continued to lead the way with the sharpest rise in new business in two years," said QFC Authority chief executive officer Yousuf Mohamed al-Jaida. The job boost was accompanied by record wage pressures in August, as the seasonally adjusted staff costs index rose to a new high of 55.7. Non-staff cost pressures intensified with purchase price inflation at a 15-month high. Overall input price inflation hit a four-year high. In contrast, prices charged for goods and services fell in the latest period.

QFC Authority chief executive officer Yousuf Mohamed al-Jaida.

Recruitment was influenced by a strengthening demand for Qatari non-energy goods and services. The level of incoming new orders expanded for the 18th time in 19 months, and at a strong rate that outperformed the long-run survey trend.

The faster increase in new business in August supported another robust expansion in total activity. Output has risen continuously for over four years except for two brief pauses in January and December last year. While accepting new contracts, companies continued to reduce the volume of outstanding orders, albeit at slowest rate in the current seven-month sequence of backlog depletion.

Confidence regarding the next 12 months strengthened notably in August, to the highest since March 2023, it said, adding positive sales forecasts were linked to government economic development policies, tourism, a rising expatriate population, construction and real estate projects, and Qatar's attractiveness to international investors.

The starting of new project implies higher demand for inputs in August, as purchasing activity increased for the sixth successive month, even as suppliers' lead times improved to the greatest extent since December 2022. Input stocks declined for the sixth time in 2024 so far and at the fastest rate since November 2022.

Qatari financial firms recorded booming demand for their services in August. The seasonally adjusted financial services new business index rose from 57.2 in July to 62.9, the fastest growth since August 2022. Companies were also increasingly optimistic regarding the 12-month outlook, with sentiment at the highest level since May 2023. There was also a notable boost to employment growth, which was the strongest in five years (56.4).

Goic begins evaluating 10 factories in Oman under 'Smart Production Factories' project

Doha-headquartered Gulf Organisation for Industrial Consulting (Goic) has begun evaluating 10 factories in Oman to adopt the Fourth Industrial Revolution applications and digital maturity using the Smart Industry Readiness Index (SIRI).

This is being done in collaboration with the Ministry of Commerce, Industry, and Investment Promotion in Oman, Goic said yesterday.

The initiative comes within the 'Smart Production Factories' project and to empower Omani factories towards the Fourth Industrial Revolution, which aligns with the efforts of the Ministry of Commerce, Industry, and Investment Promotion in Oman to implement the outcomes of the Industrial Strategy 2040. The current phase of the evaluation aims to enable 10 factories to adopt Fourth Industrial Revolution applications and undergo digital transformation, out of a total of 30 targeted factories in the first phase during the year 2024. The vision aims to transform 30% of factories into smart factories by 2026.

A specialised technical staff member from Goic, who is a certified assessor from the International Centre for Industrial Transformation, in collaboration with a team of specialists from the Ministry of Commerce, Industry, and Investment Promotion in Oman, will visit the targeted factories.

They will meet with the factory teams to evaluate the current status of the factories based on specific criteria in the evaluation matrix that is based on the Smart Industry Readiness Index (SIRI).

The evaluation matrix is built on three main pillars, detailed into 16 dimensions.

Each dimension provides a precise picture of the factory's readiness to adopt Fourth Industrial Revolution technologies. Additionally, each dimension includes six levels that clearly highlight gaps and opportunities for improvement, enabling factories to assess their current status, work on, and develop technical improvements. It also allows them to compare their performance with competitors on a global scale.

The initiative to enable Omani factories to adopt Fourth Industrial Revolution technologies and automation is a step towards implementing the directives of the Ministry of Commerce, Industry, and Investment Promotion in Oman, working on the outcomes of the Industrial Strategy 2040 to enhance the competitiveness of the industrial sector.

This initiative is an enabler for the manufacturing sector, aiming to shift towards Fourth Industrial Revolution applications by transforming into smart production factories to keep pace with modern technology, create new production lines, reduce costs, improve factory efficiency, and create high-quality jobs that match the outcomes of education.

The Gulf Organisation for Industrial Consulting provides the necessary technical and technological support by offering specialised staff, studies, and consultations to Omani factories to support their journey towards digital transformation and the adoption of Fourth Industrial Revolution applications, ensuring the success of this transformation.

The current phase of the evaluation aims to enable 10 factories to adopt Fourth Industrial Revolution applications and undergo digital transformation, out of a total of 30 targeted factories in the first phase during the year 2024

Public sector loans drive Qatar banks' credit growth in July: QNBFS

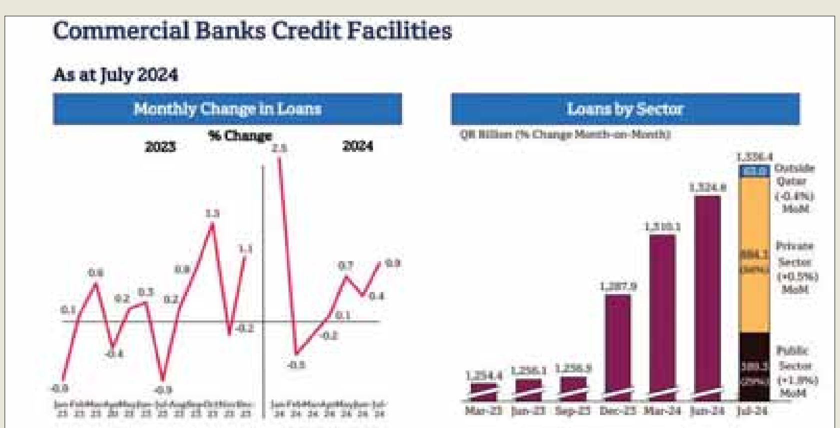
By Pratap John
Business Editor

Credit facilities extended by banks in Qatar increased by 0.9% during July to reach QR1,336.4bn, according to QNB Financial Services (QNBFS). Loans' gain in July was mainly due to a rise by 1.9% in the public sector and 0.5% in the private sector, QNBFS said in its latest 'Qatar Monthly Key Banking Indicators'.

Loans were up by 3.8% in 2024, compared to a growth of 2.5% in 2023. Loans grew by an average 6.5% over the past five years (2019-2023), it said. Loan provisions to gross loans stood at 4.0% in July, compared to 4.1% in June this year.

Total public sector loans went up by 1.9% MoM (+5.8% in 2024) in July 2024.

The government institutions' segment (represents 66% of public sector loans) was the main driver for the public sector, with an increase by 2.2% MoM (+7.0% in 2024), while the government segment (represents 29% of public sector loans) moved up by 1.3% MoM (+5.9% in 2024) and the semi-government institutions segment pushed up by 0.7% MoM (-8.5% in 2024) in July.



The real estate sector was the main driver for the rise in private sector loans in July. The real estate segment (contributes 21% to private sector loans) went up by 1.9% MoM (+6.3% in 2024), while general trade (contributes 22% to private sector loans) moved up by 0.5% MoM (+3.5% in 2024).

Deposits with commercial banks in Qatar edged up 0.1% during July to reach QR1,032.6bn.

Deposits rise in July was mainly due to an increase by 1.3% in non-resident deposits. Deposits increased 4.7% in 2024, compared to a decline by 1.3% in 2023. Deposits grew by an average 4.1% over the past five years (2019-2023), QNBFS noted.

Non-resident deposits pushed overall deposits higher during the month of July, with a gain by 1.3% MoM (+11.4% in 2024).

Public sector deposits edged lower by 0.2% MoM (+6.9% in 2024) in July 2024. Looking at segment details, the government institutions' segment (represents 56% of public sector deposits) dropped by 0.9% MoM (+5.5% in 2024), while the semi-government institutions' segment fell by 3.0% MoM (-16.5% in 2024). However, the government segment (represents 32% of public sector deposits) increased by 2.2% MoM (+22.5% in 2024) in July 2024. Private sector deposits moved lower by 0.2% MoM (+0.6% in 2024) in July 2024. On the private sector front, the companies & institutions' declined by 1.3% MoM (-5.5% in 2024).

However, the consumer segment went up by 0.6% MoM (+5.9% in 2024).

Loans to deposits ratio for commercial banks in Qatar went up to 129.4% in July, QNBFS noted. Total assets of commercial banks in Qatar declined by 0.6% during July 2024 to QR1.987tn, QNBFS said. Total assets drop in July was mainly due to a fall by 5.2% in foreign assets.

Total assets was up by 0.9% in 2024, compared to a growth of 3.4% in 2023. Assets grew by an average 6.8% over the past five years (2019-2023), QNBFS said.

Liquid assets to total assets went down to 29.9% in July, compared to 30.7% in June.

"The key highlights for July is the decline in total assets by 0.6%, which went down mainly due to the drop in foreign assets as due from banks abroad dipped 11.7% during that month," an analyst told *Gulf Times*.

The analyst said, "The 0.9% increase in the overall loan book came from a 2.2% gain from the government institutions in the public sector and from a resurgence by 1.9% from the real estate segment in the private sector.

"On the deposits side, non-resident deposits maintained an upsurge in July rising by 1.3%."

Amir's visit strengthens economic ties between Qatar, Sweden: Saab CEO

QNA
Stockholm

Micael Johansson, the President and CEO of Saab, the Swedish defence equipment and systems company, stressed the importance of His Highness the Amir Sheikh Tamim bin Hamad al-Thani's visit to the Kingdom of Sweden in strengthening co-operation relations between the two countries and pushing them to broader horizons, especially in the economic and investment fields.

In an interview with Qatar News Agency (QNA), he said that the visit of His Highness the Amir contributes to achieving more cooperation between Qatar and Sweden.

He expressed his aspiration to conclude agreements and memoranda of understanding that result in the implementation of various investments and commercial businesses between the two sides.

Saab has been present in the Middle East for a long time and has good and important relations with many countries in the region, he indicated, noting that the company worked in the State of Qatar mainly in air traffic management solutions and airport support, in terms of improving aircraft flows in and out of airports, as well as working on some training and simulation equipment in the military aspect.

The president and CEO of Saab said that air traffic control solutions are currently being discussed with the State of Qatar, noting that these discussions are moving forward in this regard.

Regarding the Qatar National Vision 2030, he said: "I have reviewed this vision, which I strongly support, as it includes social, economic and developmental pillars. Saab offers capabilities in this regard, especially concerning protecting communities and peoples and providing a safe environment to achieve a sustainable future."

He pointed out the importance of enhancing co-operation in the fields of artificial intelligence and its systems between the two sides, and starting in-depth discussions in this field, noting that Saab adopts many artificial intelligence systems.

He explained that Saab contributes to enhancing the local capabilities of countries, and works to transfer technology, expertise and co-operative efforts to the countries in which it operates, expressing his aspiration to work with the State of Qatar in these areas.

He added that there are many forms of co-operation with the State of Qatar, especially in the areas of traffic management and movement, in addition to some areas of training, affirming Saab company's openness to conducting many joint commercial businesses, whether in the air or on the ground.

The president and CEO of Saab said that the company has a lot of important equipment and platforms in its areas of specialisation, hoping that discussions with the Qatari side will result in the implementation of many joint projects and programmes.

Most Asian equity markets end lower

AFP
Hong Kong

Asian markets retreated yesterday as investors steel themselves for a high-stakes US jobs report at the end of the week while keeping tabs on China after fresh data stoked renewed worries over the world's number two economy.

In Tokyo, the Nikkei 225 ended flat at 38,686.31 points; Hong Kong – Hang Seng Index closed down 0.2% to 17,651.49 points and Shanghai – Composite ended down 0.3% to 2,802.98 points yesterday.

The Federal Reserve is widely expected to cut interest rates at its next meeting this month but close attention is being paid to Friday's non-farm payrolls (NFP) figures, which are seen as playing a major role in how big the central bank will go.

However, analysts warned that traders were sensitive to a reading that is too far above or below forecasts.

A miss to the upside could temper hopes for a series of reductions but a reading well below expectations would likely revive worries about a possible recession.

"This week's overload of labour data... will be crucial in breaking the debate between a 25 or 50 basis point cut in September," said Charu Chanana at Saxo Capital Markets, referring to the NFP as well as job openings and private hiring figures.

"If the data remains robust, a 25-basis-point cut is more likely. However, a weak NFP, particularly if it falls below 130,000 with another jump higher in unemployment rate, could push the rates market closer to pricing a 50-basis-point cut." Chanana added that investors will be paying close attention to comments from New York Fed boss John Williams and governor Christopher Waller later in the week for an idea about officials' thinking.

With Wall Street closed Monday for a public holiday, there were few major catalysts to drive business and Asia slipped.

Hong Kong, Sydney, Seoul, Wellington, Taipei, Manila, Mumbai and Jakarta all fell, with Tokyo marginally lower, though there were small gains in Singapore and Bangkok.

Nervousness over the Chinese economy was keeping buyers at bay after another round of data showed the country's manufacturing sector contracted for a fourth straight month.

A stream of indicators has highlighted weaknesses in the economy since leaders lifted painful Covid curbs at the end of 2022, but Beijing has refused to embark on the sort of big-ticket stimulus it unveiled during the global financial crisis.

With no sign that the government will give in to the calls for support, investors are left waiting nervously for the latest round of data this month, with inflation and trade due next week.

The yen strengthened after Bank of Japan chief Kazuo Ueda restated his intention to lift interest rates again if inflation and the economy meet its forecasts.

S Korea's export momentum picks up, boosting growth outlook

Bloomberg
Seoul

South Korea's export growth returned to a double-digit clip last month, an outcome that bodes well for the economic outlook and reflects the resilience of global demand for technology products.

Shipments that reflect working-day differences increased 13.7% from a year earlier, according to data released yesterday by the customs office. Without the adjustment, headline exports rose 11.4% while overall imports increased by 6%. The trade surplus came to $3.8bn.

Exports are the leading engine of South Korea's economic growth, with semiconductors, automobiles and refined oil products among key products that drive the overall performance.

Authorities expect the nation's economic growth to accelerate to the mid-2% range this year thanks in part to a resurgence in global trade.

In particular, a global frenzy for artificial intelligence development has been a boon for South Korean chipmakers including Samsung Electronics Co and SK Hynix Inc.

Semiconductor exports rose 38.8% from a year earlier in August, according to Sunday's data. South Korea accounts for the largest share of global memory-chip sales.

"A cyclical upswing in global semiconductor demand will help offset domestic sluggishness in Korea's economy into next year," Madhavi Bokil, senior vice president of strategy and research at Moody's Ratings, said in a note before the data release. "We expect external demand for AI-related chips as well as US and EU-driven investment in new sectors such as EVs and renewable energy to offset domestic weakness and support a rebound in growth to 2.5% in 2024 and 2.3% in 2025." Demand has been led by major economies such as the US, where Nvidia has pioneered the development of AI chips, and where booming demand for electric vehicles has benefited South Korea's automakers. China has also been a major buyer of the country's electronics and chips.

The Uiwang Inland Container Depot in South Korea. Export growth in South Korea returned to a double-digit clip last month, an outcome that bodes well for the economic outlook and reflects the resilience of global demand for technology products.

The US has at times outweighed China as a source of demand for South Korean products since late last year, marking a turning point in Seoul's relations with its two largest trading partners. South Korea has encouraged exporters to diversify their sales routes to reduce exposure to geopolitical risks stemming from simmering trade tensions between Washington and Beijing. China's cloudy economic outlook creates another incentive.

"There are risks to increasing trade dependence on the United States, such as possible shocks to the financial, fiscal, and business environments," Je Heon Kim, interim director at the Korea Economic Institute of America, said in a note. "South Korea must prepare and manage these risks by continuing to diversify its trade and supply chain."

South Korea's manufacturers are embedded across a wide array of global supply chains, and therefore their performance serves as a barometer of the vitality of world commerce. The country has been among the largest beneficiaries of a global trade resurgence this year, along with emerging nations including Brazil, Indonesia and Poland.

In contrast, exports from developed nations remain weak. That divergence is likely to continue in the second half of this year, according to Citigroup economists led by Cole Langlois.

South Korea's export performance has been a factor deterring the central bank from making an early policy pivot.

While the Federal Reserve is widely expected to start cutting interest rates this month, economists cautiously forecast the Bank of Korea will wait until next month or later to lower rates in a bid to address sluggish consumption.

Qatar Chamber, Swedish Trade Council sign pact to boost co-operation

Qatar Chamber and the Swedish Trade & Invest Council (Business Sweden) have signed a memorandum of understanding (MoU) to bolster co-operation relations across various areas and promote trade and investment opportunities.
The agreement was signed yesterday in Stockholm by Qatar Chamber Chairman Sheikh Khalifa bin Jassim al-Thani and Business Sweden vice-president and head of Region Sweden and MEA (Middle East and Africa) Maha Bouzeid.
The signing-ceremony was attended by HE the Minister of Commerce and Industry Sheikh Mohamed bin Hamad bin Qassim al-Abdullah al-Thani and Swedish Minister for International Development Co-operation and Foreign Trade Johan Forssell.
The agreement, which was also witnessed by Qatar Chamber acting general manager Ali Saeed Bu Sherbak al-Mansouri, aims to facilitate investment opportunities between Qatar and Sweden and seeks to help Qatari companies explore and invest in Sweden while also supporting Swedish companies in expanding their investments within Qatar.
It further aims to enable both sides to explore co-operation opportunities in trade, investment, and economic fields, enhancing trade and economic relations and promoting investment in the two friendly countries.

HE the Minister of Commerce and Industry Sheikh Mohamed bin Hamad bin Qassim al-Abdullah al-Thani and Swedish Minister for International Development Co-operation and Foreign Trade Johan Forssell witnessing the signing ceremony. **Right:** Qatar Chamber Chairman Sheikh Khalifa bin Jassim al-Thani handing over a souvenir to Swedish Minister for International Development Co-operation and Foreign Trade Johan Forssell.

Milaha achieves FSSC 22000 certification

Milaha, the leading provider of maritime and logistics solutions, has been awarded the Food Safety System Certification (FSSC 22000) by the FSSC Foundation, in recognition of its adhering to both regional warehousing regulations and global food safety standards.

The certification was granted to Milaha Logistics City (MLC), which has demonstrated exceptional capabilities and growth. Over the past year, MLC expanded its facilities to cover 430,000sq m and added storage facility spanning 36,000sq m, capable of accommodating 56,600 pallets. These enhancements reflect Milaha's commitment to providing top-tier logistics solutions that meet stringent safety and quality standards.

"This certification is not only a testament to our rigorous adherence to food safety and quality standards but also reinforces our position as a premier choice for logistics solutions.

It assures our clients that their products are handled with the highest level of safety and professionalism," said Fahad bin Saad al-Qahtani, Milaha's group chief executive officer.

The FSSC 22000 certification is a globally recognised standard that ensures comprehensive food safety management. It covers all aspects of food safety, including the receiving, storing, and transportation of refrigerated, chilled, temperature-controlled, and dry food products.

This certification will further bolster Milaha's reputation as a trusted logistics partner and is expected to attract new clients by demonstrating Milaha's adherence to the most advanced international food safety regulations.

The certification also assures current clients that their products are stored and handled in a facility that meets the highest standards of safety and quality.

MLC offers a broad array of storage solutions to cater to diverse customer needs in Qatar and the Gulf Co-operation Council. These include open yard storage, temperature-controlled environments (+18 to +22°C), chilled storage (+1 to +4°C), and frozen storage (-18 to -24°C).

Additionally, MLC provides e-commerce solutions, distribution, and delivery services and offers bonded warehouse facilities, allowing companies engaged in international business to store frequently purchased goods without incurring customs duties, further reinforcing MLC's role as a comprehensive logistics provider.

US rate cut expectations drive QSE index near 10,400 points; M-cap adds about QR1bn

By Santhosh V Perumal
Business Reporter

Expectations of the US rate cut continued to lift sentiments in the Qatar Stock Exchange (QSE), which yesterday saw its key index gain 39 points to inch towards 10,400 points.

The industrials counter witnessed higher than average demand as the 20-stock Qatar Index rose 0.38% to 10,383.42 points, recovering from an intraday low of 10,322 points.

The Gulf institutions were seen net buyers in the main market, whose year-to-date losses truncated to 4.13%.

As much as 56% of the traded constituents extended gains to investors in the main bourse, whose capitalisation added QR0.9bn or 0.15% to QR599.27bn on the back of microcap segments.

The local retail investors' weakened net profit booking had its influence in the main market, which saw 0.01mn exchange traded funds (sponsored by Masraf Al Rayan and Doha Bank) valued at QR0.11mn trade across 12 deals.

The foreign funds continued to be net buyers but with lesser intensity in the main bourse, which saw no trading of treasury bills.

The domestic institutions were increasingly net profit takers in the main market, which saw no trading of sovereign bonds.

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

The Total Return Index rose 0.38%, the All Share Index by 0.25% and the All Islamic Index by 0.31% in the main market.

The industrials sector index gained 0.42%, banks and financial services (0.35%), real estate (0.35%), consumer goods and services (0.1%) and telecom (0.1%); while insurance and transport declined 0.54% and 0.27% respectively. Major gainers in the main market included Commercial Bank, Meeza, Gulf International Services, Qatar Industrial Manufacturing, Qatar Islamic Insurance, QIIB and Industries Qatar. In the venture market, both Al Mahhar Holding and Techno Q saw their shares appreciate in value.

Nevertheless, Qatar General Insurance and Reinsurance, QLM, Inma Holding, Lesha Bank, Milaha, Zad Holding and Qamco were among the shakers in the main bourse.

The Gulf institutions turned net buyers to the tune of QR6.8mn compared with net sellers of QR3.02mn on September 2.

The Qatari individual investors' net selling declined significantly to QR15.65mn against QR43.79mn the previous day.

However, the domestic institutions' net profit booking grew substantially to QR21.27mn compared to QR8.92mn on Monday.

The foreign retail investors were net sellers to the extent of QR12.19mn against net buyers of QR4.84mn on September 2.

The Arab individuals' net selling strengthened markedly to QR2.51mn compared to QR0.83mn the previous day. The Gulf individual investors' net profit booking rose marginally to QR1.53mn against QR1.33mn on Monday. The foreign institutions' net buying declined markedly to QR46.37mn compared to QR53.04mn on September 2.

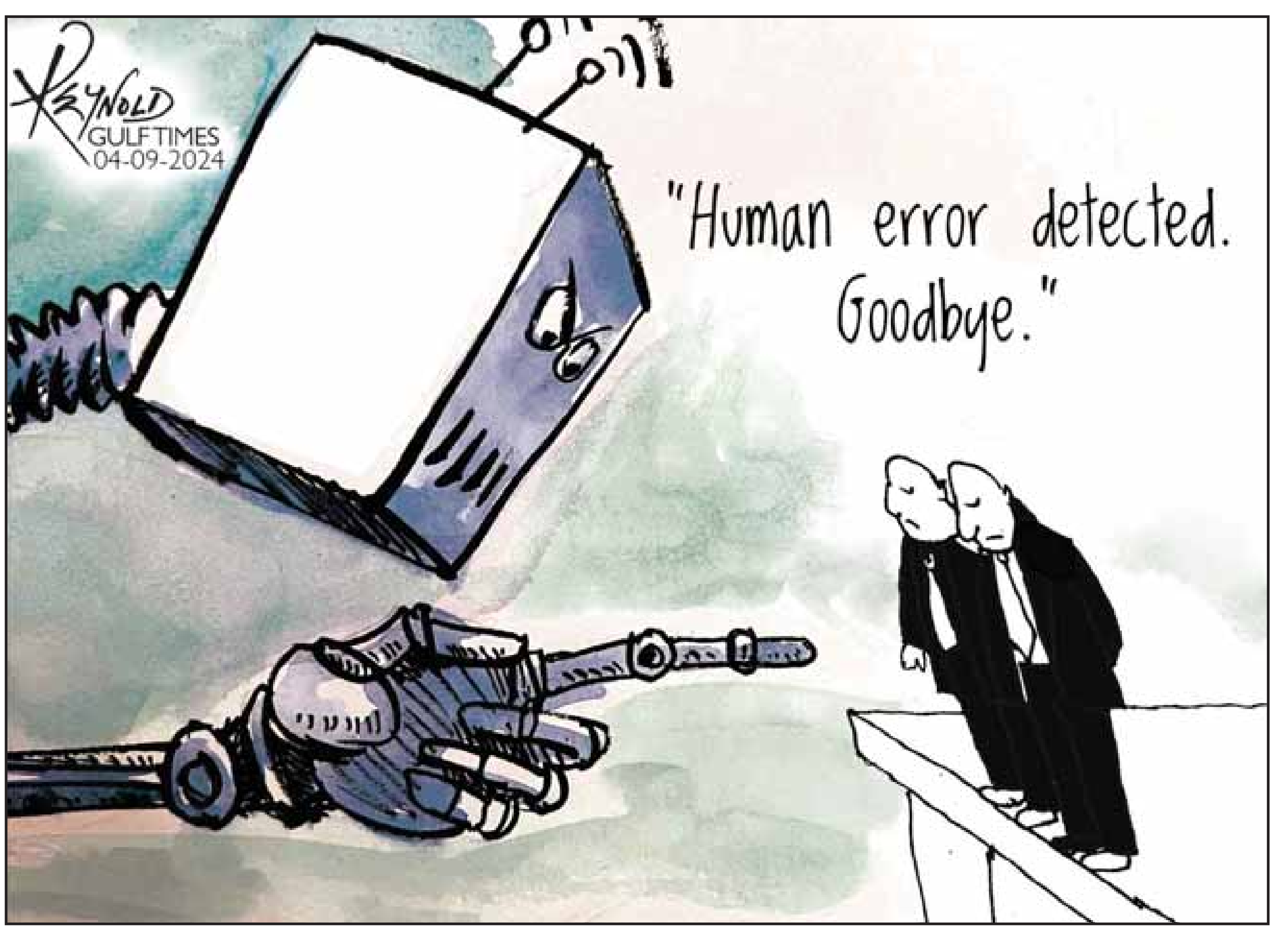
The Arab institutions had no major net exposure for the third straight session. Trade volumes in the main market was down less than 1% to 155.58mn shares, while value grew 1% to QR401.3mn and transactions by 3% to 14,575.

The venture market saw 45% surge in trade volumes to 1.03mn equities, 46% in value to QR2.33mn and 28% in deals to 86.

The industrials counter witnessed higher than average demand as the 20-stock Qatar Index rose 0.38% to 10,383.42 points yesterday, recovering from an intraday low of 10,322 points

Mulim begins third edition of GCC Smart Investor Award

The Gulf Investment Awareness Programme "Mulim" has launched the third season of the "GCC Smart Investor Award", which aims to spread investment culture, raise awareness of the importance of saving and investment, how to avoid financial fraud, and raise the financial awareness among the public.
The award, which targets citizens and residents in the GCC or Gulf Co-operation Council countries, with cash prizes exceeding QR1mn, will be received by the committee until the end of February, 2025.
As many as 44 winners, 11 winners in each track, will be chosen for the award, which is aimed at fostering competition among creative men and women, whether university students, school students, or individuals, citizens and residents of the GCC countries, through four tracks: videography, drawing, photography and writing.
This enhances their ability to plan financially, and enables them to have the right financial decision-making that achieve financial stability and enhance their ability to achieve their financial goals.
The award seeks to raise the level of financial literacy by acquiring the necessary skills and different ways that help in how to use the financial resources in the most effective manner, and with the highest possible levels of success.
The committee supervising the award, which will include a number of experts in the award tracks from various GCC countries, will sort the entries and select the winners, as well the location and date of the awards ceremony to be announced at a later date.
The previous two editions of the award witnessed successes and record numbers in terms of participations number, which exceeded 47,000; while previous seasons witnessed an increase in the value of the competition prizes from QR275,000 to QR1mn.
"Mulim" was launched under the umbrella of the General Secretariat of the Cooperation Council for the Arab States of the Gulf with the participation of GCC securities regulators, aimed at raising awareness of the culture of financial activities and investment in the financial markets, through several awareness campaigns and events provided by the programme.



Eurozone bond yields fall as risk-off mood sweeps markets

Reuters
London

Eurozone bond yields fell yesterday as cautious investors moved out of stocks, with mixed US manufacturing survey data doing little to lift the downbeat mood. Germany's 10-year yield, the bloc's benchmark, was last down 7 basis points (bps) at 2.268%, after hitting a one-month high of 2.349% on Monday. Yields fall as prices rise, and vice versa.
Closely watched US survey data showed the slowdown in the manufacturing sector eased in August, although the trend still pointed to subdued activity.
"A significant concern is highlighted by the continued decline in the new orders component," said Florian Ielpo, head of macro at Lombard Odier Investment Managers.
"It appears that the markets had already anticipated the downturn. Equity markets had shown declines prior to the release while rates (bond yields) had declined."
The survey figures kicked off a busy week for US economic data which will culminate in the release of August employment numbers on Friday.
Weaker than expected July jobs data helped spark a stock market sell-off in early August as investors fretted about flagging US growth, although markets later recovered.
Analysts struggled to pinpoint a reason for the drop in bond yields and fall in stocks yesterday, although some cited nervousness ahead of the release of the jobs numbers on Friday.
Weak manufacturing data from China over the weekend contributed to a drop in oil and metals prices.
The German 2-year yield, sensitive to expectations for European Central Bank interest rates, was last down 5 bps at 2.372%, within the range it has traded in since early August.
The size and importance of the US economy and dollar means American data often influences European markets and expectations for the European Central Bank. Italy's 10-year bond yield fell 4 bps to 3.661%, with the yield gap between Italian and German 10-year bonds widening 2 bps to 139 bps, suggesting investors were seeking out safer government debt.