

Download the App

Download on the App Store

GET IT ON Google Play

★★★★★ 4.8

New Year,
New Drive

selfdrive

qa

Saturday, January 11, 2025
Rajab 11, 1446 AH

GULF

TIMES

BUSINESS

OFFICIAL DATA : Page 4

Strong US jobs report backs case for pause in interest rate cuts

البنك التجاري
COMMERCIAL BANK

50 YEARS 1975-2025
50th Anniversary
50 GOLDEN YEARS

You get 2 Zero fee transfer and a chance to win an iPhone 16

You friend gets 1 zero fee transfer

Refer a friend for digital remittances and earn zero transfer fees on international transfers and a chance to win a brand-new iPhone 16

This offer is valid from 31 October 2024 until 31 January 2025. Terms and conditions apply. The electronic draw will be held on 5 February 2025

Qatar, Saudi Arabia helped GCC issue record high sukuk in 2024: Kamco Invest

By **Santhosh V Perumal**
Business Reporter

Higher Islamic debt issuances by Qatar and Saudi Arabia supported the growth in aggregate sukuk in the GCC or Gulf Co-operation Council in 2024, according to Kamco Invest, a regional economic think-tank.

Total sukuk issuances in the GCC stood at a record high of \$82.1bn in 2024 against \$56.1bn in 2023 whereas non-GCC global sukuk issuances stood at \$50.4bn in 2024 compared to \$65.1bn in 2023, Kamco said in its latest report.

Within the Middle East and North Africa region, the GCC was the key driver of higher bond issuances in 2024, accounting for more than 73% of the total issuances.

Total bond issuances by GCC countries reached a record high

at \$103.4bn in 2024, an increase of 71% or \$42.9bn. The UAE witnessed the biggest growth in issuances during the year reaching \$49.7bn compared to \$31.2bn in 2023, followed by Qatar that recorded a growth of \$13.4bn.

The UAE was also the biggest bond issuer in the region followed by Saudi Arabia and Qatar with aggregate issuances of \$30.8bn and \$16.8bn, respectively. In terms of type of issuers in the GCC, both government and corporates in the region registered higher year-on-year issuances in 2024.

Total sovereign bond issuances in the GCC stood at \$33.3bn in 2024 against \$20.2bn in 2023; while the GCC corporates saw issuances of \$70.1bn in 2024 compared to \$40.3bn in 2023, Kamco said. Highlighting that the outlook for 2025 remains clouded by a number of factors, most important one being the expected policies of

the new incoming government in the US; it said the likely change in policies in the US is forecasted to be inflationary, further adding to US Fed's worries about fighting sticky inflation.

In terms of GCC fixed income issuances, maturities are elevated in 2025 at \$89.8bn and the refinancing of these instruments are expected to account for the bulk of the issuances by corporates and governments in the region this year, it said.

"We are seeing a fund raising spree in the US as treasury yields are trending upwards," the report said. The recent issuance of \$12bn bonds by Saudi Arabia and the \$1bn sukuk issuance by Kuwait's KFH are seen as following similar strategies.

Issuances in 2025 would be further supported by a strong pipeline of projects across the GCC related to the respective diversification

goals, according to Kamco. "We expect fresh issuances to come during the second half of 2025 as more clarity emerges in terms of interest rates and inflation," it said.

A fear that some of the rate cuts may be reversed in 2026 could also trigger higher issuances to lock in lower rates, it said, adding fiscal deficits by some sovereigns in the region, including Saudi Arabia's forecasted \$27bn, is another factor supporting issuances by GCC sovereigns.

"The outlook for sukuk issuances is also positive with GCC expected to dominate the market once again, in line with the last few years," it said.

A rising demand for sukuks as well as sustainable financing is expected to drive growth in global issuances of sukuks and ESG or environmental, social and governance-compliant sukuk instruments, according to Kamco.

US 30-year yield hits 5% as traders push back next Fed rate cut

Bloomberg
Washington

US Treasuries plunged as evidence of a resilient labour market pushed traders to shift their expectations for the Federal Reserve's next interest-rate cut to the second half of the year.

The selloff pushed yields higher across the curve yesterday after US employment in December advanced by the most in nine months, sending the yield on the 30-year above 5% for the first time in more than a year. Ten-year yields rose to the highest since 2023, while those on notes maturing in two to seven years all rose by more than 10 basis points.

"Looks like a really strong report across the board, pushing yields higher and the curve flatter," said Zachary Griffiths, head of investment-grade and macroeconomic strategy at CreditSights. "It's causing a more material repricing of near-term Fed expectations, resulting in the more conventional bear flattener."

Swaps traders are pricing in about 30 basis points of total Fed cuts this year, compared to about 38 basis points before the data release. A full quarter-point reduction isn't seen until around September, from around June before the report. It was briefly pushed out to as far as October.

US yields have climbed some 100 basis points since the Fed began cutting interest rates in September, with policymakers in December making clear they were eager to slow down the pace of reductions.

"This is pricing out any need for the Fed to be cutting," Jeffrey Rosenberg, portfolio manager at BlackRock Inc said on Bloomberg Television. "Financial conditions are really undermining the Fed's view that their policy is really that tight."

Friday's report confirms the labour market held up last year despite high borrowing costs, lingering inflation and political uncertainty.

The data raises the stakes for inflation gauges to be released next

week. December consumer price index data to be released January 15 are forecast to show a third straight month of acceleration, to a rate of 2.9%.

Inflation-protected Treasuries suffered smaller losses, resulting in higher market-implied expectations for the CPI growth rate over the next five years. The yield differential between five-year inflation-protected and regular Treasuries – which represents the expected average CPI rate – topped 2.5% for the first time since April.

The 30-year yield's breach of 5% marks an important milestone for the \$28tn Treasury market, which has been under pressure alongside global bonds as investors grow uneasy about the prospect of persistent inflation and rising debt loads.

Longer-maturity bonds have been hit hardest, resulting a steeper yield curve. The 20-year bond, a laggard on the US government debt curve since its re-introduction in 2020, topped the 5% level earlier this week for the first time since 2023.

President-elect Donald Trump's tariff and tax-cut vows meanwhile have fanned concern about global trade and the US's ability to keep rolling over its swelling debt load without investors demanding higher payouts. And the UK 10-year yield recently hit the highest since 2008 in an echo of the rout that ended Liz Truss's brief stint as prime minister in 2022.

Firms including Amundi SA, T Rowe Price and ING are warning that 10-year notes could be the next to hit the 5% level. Some options traders are already targeting a move toward that key threshold. Ten-year yields rose more than nine basis points yesterday to as high as 4.79%.

"We are unequivocally in the buy zone," Michael Collins, executive portfolio manager at PGIM Fixed Income, said on Bloomberg Television just before the job figures were reported. "Rates have backed up a lot. The long-term value in the fixed-income markets is in the government bond component."

Oil sanctions concern spurs Asian buyers to seek alternatives

Bloomberg
London

Oil refiners in India and China have increased crude purchases from the Middle East and other regions amid concern that further restrictions on imports from Russia and Iran may crimp access to supplies. This week, two Indian state refiners bought up to 6mn barrels of Oman and Abu Dhabi's Murban crude for prompt loading in February, according to traders, who attributed

the purchases to a shortfall of Russian spot cargoes. Meanwhile, Chinese buyers, including state-owned Unipet, as well as private refiners in Shandong, lifted imports of Angolan. Traders also said a local processor picked up prompt supplies of Abu Dhabi oil.

The surge in buying interest from Indian and Chinese buyers has stemmed not only from fewer and pricier offers of Urals, ESPO and Iranian Light crude, but also from fears of more sanctions on tankers used to transport these cargoes and the implications on refiners and

others in the supply chain, traders said.

The apparent shift in purchasing patterns comes at a time when global crude futures have been advancing as Washington continues to tighten curbs on Tehran and Moscow, as well as companies offering logistical and financial assistance to the nations. The Trump administration has threatened to further tighten curbs on Iranian flows, before the US government changeover happens, while outgoing Biden officials have added to restrictions on tankers and pledged to take a tougher stance on Russia.

QSE sentiments weaken as key index declines 130 points

By **Santhosh V Perumal**
Business Reporter

The Qatar Stock Exchange (QSE) saw strong profit booking from foreign funds, leading to 130 points plunge in key index this week, which otherwise saw the Ministry of Commerce and Industry unveil the 2024-30 strategy, targeting 3.4% growth in non-hydrocarbon gross domestic product (GDP) and \$100bn foreign direct investment. The real estate and banking counters experienced higher than average selling pressure as the 20-stock Qatar Index shed 1.23% this week which saw the global credit rating agency Standard and Poor's view Qatar banks as profitable and seen benefitting from strong capitalisation and adequate liquidity. The local retail investors were seen bearish this week which saw the World Travel & Tourism Council forecasts that travel and tourism share to Qatar GDP may account for 13% in 2034. The domestic institutions' substantially weakened net buying had its influence in the main market this week which saw the Qatar Central Bank's stress results indicate that all Qatari banks have "sufficient cushion" available to withstand liquidity risks. The Arab institutions turned net sellers, albeit at lower levels, in the main bourse

WEEKLY REVIEW

this week which saw a total of 0.09mn AIRayan Bank-sponsored exchange-traded fund QATR worth QR0.19mn trade across 28 deals.

However, the Gulf institutions were seen bullish in the main market this week which saw as many as 0.01mn Doha Bank-sponsored exchange-traded fund QETF valued at QR0.05mn change hands across six transactions. The Arab retail investors turned net buyers in the main bourse this week which saw container, RORO and livestock movements through Qatar's ports saw brisk growth in 2024.

The Islamic index was seen declining slower than the other indices in the main market this week, which saw market capitalisation decline QR7.05bn or 1.14% to QR613.81bn on the back of large and midcap segments.

Trade turnover and volumes were on the increase in the main market, while the junior bourse saw lower turnover and volumes this week which saw no trading of treasury bills and sovereign bonds. The Total Return Index shed 1.23%, the All Share Index by 1.17% and the All Islamic Index by 0.85% this week. The realty sector index tanked 2.44%, banks and financial services (2.04%), transport (1.06%), industrials (0.84%) and



The real estate and banking counters experienced higher than average selling pressure as the 20-stock Qatar Index shed 1.23% this week

insurance (0.53%); while telecom gained 4.37% and consumer goods and services (0.65%) this week. As much as 69% of the traded constituents were in the red with major losers being Ezzdan, Meeza, United Development Company, Qatar Islamic Bank, Milaha, QNB, Commercial Bank, QIIB, Qatar Oman Investment, Leshia Bank, Baladna, Al Faleh Educational Holding, Gulf International Services, Mesaieed Petrochemical

Holding and Estithmar Holding. In the venture market, Techno Q saw its shares depreciate in value this week. Nevertheless, Zad Holding, Qatar Cinema and Film Distribution, Ooredoo, Qatar National Cement, Qatari Investors Group, Doha Bank, Aamal Company, Qatari Investors Group and Vodafone Qatar were among the gainers in the main market. In the junior bourse, Al Mahhar Holding saw its shares appreciate in value this week.

The foreign institutions' net selling increased drastically to QR99.17mn against QR18.44mn the week ended January 2. The Qatari individual investors were net sellers to the tune of QR4.66mn against net buyers of QR1.98mn the previous week. The Arab funds turned net sellers to the extent of QR0.1mn compared with net buyers of QR0.01mn a week ago. The domestic institutions' net buying declined substantially to QR22.53mn against QR66.02mn the week ended January 2. However, the Gulf funds were net buyers to the tune of QR50.5mn compared with net sellers of QR7.85mn the previous week. The Arab retail investors turned net buyers to the extent of QR16.57mn against net profit takers of QR18.58mn a week ago. The foreign individuals were net buyers to the tune of QR12.09mn compared with net sellers of QR15.97mn the week ended January 2. The Gulf retail investors turned net buyers to the extent of QR2.25mn against net sellers of QR7.17mn the previous week. The main market saw trade volumes more than double to 642.35mn shares and value more than double to QR1.85bn on more than doubled deals to 69,685 this week. The venture market saw 49% contraction in trade volumes to 1.8mn equities, 47% in value to QR4.54mn and 4% in transactions to 208.



Tariff fears spark disconnect in silver and copper markets

Bloomberg
New York

Copper and silver futures in New York are surging above rival international price benchmarks as traders ramp up bets that Donald Trump will impose hefty import tariffs on the metals as part of a broader escalation of his global trade war.

Front-month Comex silver futures traded at above a \$0.90-an-ounce premium over spot bullion prices set in London on Thursday, nearing a peak seen in December as traders reacted to Trump's pledges to apply universal tariffs on all goods from all countries. That would include key economic adversaries like China and trading partners such as Canada and Mexico.

The fresh spike in premiums comes as uncertainty and anxiety over the likely scope of Trump's trade policies ramps up across financial markets ahead of his Jan 20 inauguration. The Washington Post reported his team are planning narrower import tariffs on critical goods, potentially including copper, though Trump denied the story. And on Wednesday, CNN said Trump is weighing declaring a national economic emergency to provide legal ground for universal tariffs, citing people familiar with the matter.

"Investors around the world have started the year looking for protection against sticky and potentially rising inflation, fiscal debt worries and the unpredictability of Trump," said Ole Hansen, head of commodities strategy at Saxo Bank. The blowout in Comex prices is "is definitely part of the Trump unpredictability story."

Front-month Comex copper also traded at a \$623-a-tonne premium over equivalent futures set on the London Metal Exchange, nearing record levels seen during a historic short squeeze that rocked the global copper market last year.

Traders have been rushing to ship copper into US warehouses to cash in on the spike in prices since last

year, and similar efforts have been underway since New York silver prices started to take off.

But while the price dislocations present big opportunities for traders with metal on hand to deliver into Comex warehouses, they also create huge risks for investors who don't.

Prices in the New York and London metals markets normally trade in near lockstep, and many algorithmic traders and hedge funds seek to make money with wagers that any pricing gaps that do appear will close up again quickly.

In copper, that could involve buying London copper contracts and simultaneously selling Comex futures, and typically, those so-called arbitrage trades bring prices quickly back into line. Investors can face huge losses if the price gap keeps getting wider.

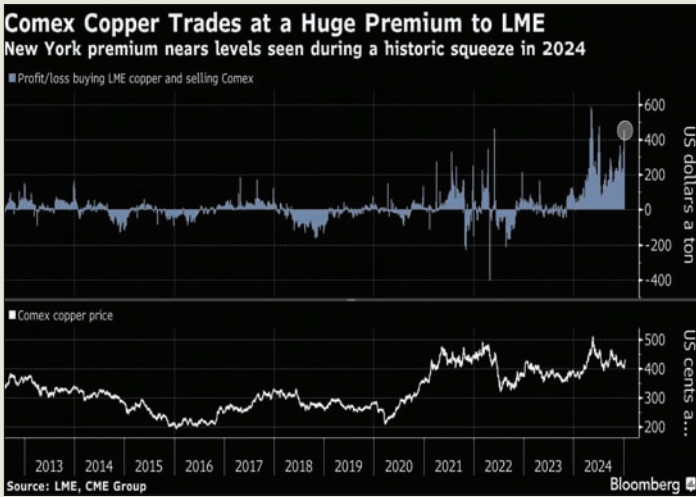
That dynamic was a key factor behind last year's copper squeeze, when arbitrage traders faced spiralling losses on their bets that Comex prices would fall relative to LME futures. Now, some traders and analysts say there's a risk of a redux in the silver market, due to the limited availability of metal that can be readily delivered against Comex futures.

"The market is sleepwalking into a squeeze right now," Daniel Ghali, senior commodity strategist at TD Securities, said in an interview. "People are completely disregarding this risk."

In the silver market, major dealers can ship metal from London to New York warehouses to close out arbitrage trades, and 15mn ounces of silver have been added in Comex silver warehouses during the past five weeks. Typically, silver is transported by ships and the usual lead time is 30 to 45 days.

But stockpiles in the London market have been drained heavily following four years of severe shortfalls in global mined silver production, and further outflows risk creating a knock-on spike in prices, Ghali said.

"We expect the drain to be significant in scale," he said. "This is the silver squeeze that you can buy into."



The Blackrock headquarters in New York. BlackRock is parting ways with one of the world's biggest climate-investor groups after being targeted by Republican politicians for its efforts on global warming.

BlackRock leaves major climate group amid Wall Street exodus

Bloomberg
New York

BlackRock Inc is parting ways with one of the world's biggest climate-investor groups after being targeted by Republican politicians for its efforts on global warming.

The money manager said on Thursday in a letter to clients that it decided to leave the Net-Zero Asset Managers initiative. Membership in the group "caused confusion regarding BlackRock's practices and subjected us to legal inquiries from various public officials," the New York-based firm said.

BlackRock, which oversees more than \$11tn, has been the subject of attacks from GOP lawmakers for embracing what conservatives call "woke" policies.

Most recently, BlackRock was among a group of asset managers singled out in a lawsuit led by Texas, alleging breaches of antitrust laws due to the adoption of pro-climate strategies that suppress coal

production. BlackRock also was mentioned, along with firms including State Street Corp and Vanguard Group Inc, in a report last month from the House Judiciary Committee that said it found "evidence of collusion and anticompetitive behaviour" by the financial industry to "impose radical ESG-goals" on US companies.

"Our participation in NZA-Mi didn't impact the way we managed client portfolios," BlackRock said in the letter signed by vice-chairman Philipp Hildebrand and Helen Lees-Jones, global head of sustainable and transition solutions. "Therefore, our departure doesn't change the way we develop products and solutions for clients or how we manage their portfolios."

BlackRock added that it managed more than \$1tn in sustainable and transition investment strategies as recently as September and "our commitment to helping our clients achieve their investment goals remains unwavering."

NZAMi is a group of roughly 325 asset managers, overseeing about \$50tn, that are commit-

ted to achieving net zero alignment by 2050. State Street Global Advisors, the world's third-biggest asset manager, said in an emailed statement on Thursday that it remains a member of NZAMi. Vanguard, the second biggest, left the group in 2022.

Over the past month, an equivalent coalition for lenders, the Net-Zero Banking Alliance, has seen a mass exodus of US members.

Since early December, NZBA lost Goldman Sachs Group Inc, Wells Fargo & Co, Citigroup Inc, Bank of America Corp, Morgan Stanley and JPMorgan Chase & Co.

The moves reflect Wall Street's desire to shield itself from increasing political pressure as Donald Trump returns to the White House.

Earlier this week, Texas Attorney-General Ken Paxton dropped his threat to cut off the lenders from municipal-bond deals after they quit NZBA.

In its statement, BlackRock said its fund managers "continue to assess material climate-related risks, along-

side other investment risks, in delivering for clients." About two-thirds of the firm's largest clients, including all of its biggest customers in Europe, have made net-zero commitments, the money manager said.

BlackRock Chief Executive Officer Larry Fink had been a champion of environmental, social and governance strategies, devoting large parts of his annual letters to urging corporate bosses to pay attention to climate change and other societal issues.

But then he came under attack from Republicans and some states collectively pulled billions of dollars from BlackRock.

In response, Fink has said he no longer uses the ESG label because it's become too politicised.

"BlackRock is under political pressure to exit climate groups and from shareholders who are unhappy with the loss of business from state investment funds that object to the agendas of climate groups," said Erik Gordon, a professor at the University of Michigan's Ross School of Business.

UK bond strife risks derailing Bank of England interest rate cuts

Bloomberg
London

Britain's market upheaval has put the spotlight on its Labour government this week, but economists say the Bank of England (BoE) will also have to rise to the occasion by slowing interest rate cuts.

While the BoE is not expected to intervene in the market volatility, it may have to demonstrate a renewed commitment to tackle inflation — despite signs of rising unemployment and stagnant growth. It threatens bad news for hundreds of thousands of British homeowners whose mortgage repayments could end up being higher than they were expecting just a few days ago.

"It is going to be increasingly difficult for the bank to have confidence in reducing interest rates further to the extent that the market had previously been pricing," JP Morgan global economist Nora Szentivanyi said on Bloomberg TV on Thursday. "The wiggly room for the bank is now much narrower, especially if we don't get further fiscal consolidation."

Gilt yields have surged and sterling fallen since the start of the year as weak growth and sticky prices rekindle fears of stagflation. Investors have dumped UK assets, wary that inflation has yet to be tamed and the government's plans to boost GDP will fail to put the national debt on a sustainable setting.

Labour's £26bn (\$32bn) budget tax hike on business and rising minimum wage has fanned those flames as companies warn they will pass on the costs. A survey of businesses published by the BoE this week showed that companies plan to lift prices for the coming year by 4%, the highest reading since April.

Furthermore, growing energy and



The Bank of England building in the City of London. Britain's market upheaval has put the spotlight on its Labour government this week, but economists say the BoE will also have to rise to the occasion by slowing interest rate cuts.

food costs threaten to push inflation even higher. Catherine Mann, the most hawkish of the BoE rate-setters, stressed the UK's weak supply side during a podcast on Thursday, which makes the economy particularly vulnerable to price pressures.

"The bank hasn't dealt with inflation yet," said Fathom Consulting managing director Erik Britton, a former BoE economist. "Inflation has fallen but the second round effects are still in play. Private sector wage growth is unsustainably high, bond markets are saying that longer-term inflation has slipped from the bank's grasp. They must address that to restore the credibility of inflation targeting."

The BoE faces a tricky balancing act as it weighs its inflation fighting credibility against pressure to ease policy fast enough to prevent a sharp economic slowdown. Deputy Governor Sarah Breen said Thursday that "recent evidence further supports the case to withdraw policy restrictiveness." Addressing students in Edinburgh, she emphasized

weakening activity and the prospect of cooling wage growth. BoE Governor Andrew Bailey signalled last month that four quarter point reductions would be about right for 2025, as policy would remain restrictive at that level. Markets are currently pricing just two cuts, however, to 4.25% by December, and there is some scepticism over the speed of cuts.

Martin Weale, a former BoE ratesetter who is now an economics professor at King's College London, said policymakers should push back against any expectation of faster rates cuts following the gilt market moves. "Cutting rates when the long end of the curve is rising sharply does not seem to be a good way to restore the confidence needed to bring the long end down. And weakness in sterling would raise inflation fears," Szentivanyi said she still expects the BoE to cut rates by a quarter point at its meeting on February 6 to 4.5% but is less sure about the rest of the year. Britton predicted a February cut would be "one and done for this year."

Fidelity, Pimco stick with UK gilt bets after market turmoil

Bloomberg
London

Pacific Investment Management Co (Pimco), Franklin Templeton and Fidelity International are among investors sticking to their bets on UK government bonds after this week's slump, with some looking to buy more.

Pimco, the world's biggest bond investor, said it continues to take a positive view of UK debt, while Fidelity portfolio manager Mike Riddell said the retreat appeared to be driven by hedge funds rather than by traditional asset managers.

"We haven't changed our gilts positions in this selloff," Riddell said. While it was easy to blame the UK government, "it is mainly a global fixed income story", he said. "We have a small long in gilts, with room to add if things blow up any more."

Market sentiment toward the UK is brittle and optimism after Labour's election win has dimmed amid flatlining growth, sticky inflation and a poorly received budget. While the declines this week came amid broader global concern about Donald Trump's tariff threats, swelling debts and inflation, the milestones for UK assets were brutal nonetheless.

The yield on 30-year debt hit the highest since 1998 and the pound sank to a one-year low, evoking memories of the meltdown during Liz Truss's short-lived tenure in 2022. The Treasury was forced to issue a statement insisting it had an "iron grip" on the country's finances.

But some of the world's biggest investors and banks downplayed the moves. Viewed over recent months, they said, the rise in UK yields is correlated with that of other countries grappling with the familiar challenges of persistent price growth and record bond issuance. Stumbling economic expansion means more interest-rate cuts are only a matter of time, which will put a floor under the gilt market,

they said. "Given the yield levels, I think it's very attractive compared to other developed markets," said David Zahn, head of European fixed income at Franklin Templeton. If anything, the Bank of England will deliver more easing because higher yields will "choke the economy off," he said. Fund flows tracked by BNY — the world's largest custodian bank — backed up investors' willingness to look through the latest volatility. While institutional investors have been offloading more gilts in the early part of 2025, they remain well within selling ranges seen last year, the data showed.

"Surging gilt yields and a plunging pound have drawn comparisons with the financial meltdown that followed the mini-budget delivered during Liz Truss's premiership in 2022. We think the parallels are limited so far. The selloff in global bond markets is the dominant factor now," say Bloomberg economists Ana Andrade and Dan Hanson.

Still, the volatility seen this week was a reminder that the case for holding UK government bonds is far from clear-cut. The debt has traced a rocky path since Labour's October budget, which boosted spending, taxes and borrowing. A Bloomberg index tracking gilt returns saw gains of almost 2% in the month after the budget, only to more than erase them in December. The gauge is down 1.8% this month compared with a 0.9% loss for the equivalent US index.

Orla Garvey, senior fixed income portfolio manager at Federated Hermes, closed her gilt position after the budget because the government failed to deliver the fiscal tightening she'd expected.

"The outcome left almost no fiscal headroom, which poses a significant problem in an environment of weak growth and higher yields," she said. "This has made gilts susceptible to the kind of price action we are currently witnessing."

PBoC halts bond buying to defend currency as economic gloom worsens

Bloomberg
Beijing

China's central bank said it will suspend buying government bonds, its latest attempt to temper investor bets on weak economic growth that have undermined the currency and sapped confidence among businesses and consumers.

The People's Bank of China (PBoC) will halt purchases of sovereign debt this month as the supply of the bonds has fallen short of demand, it said in a statement yesterday. The central bank will pick a time to resume buying depending on market conditions, it added.

Benchmark bond yields had slumped to an all-time low, driven by bets on aggressive policy easing to reignite a sluggish economy and demand for haven assets. Investors have turned to bonds amid a prolonged property crisis, weak consumption and concerns over deflation. China's currency has fallen toward a record low offshore.

The move reflects "the authorities' discomfort with plummeting government bond yields and increasing yuan depreciation pressure," said Ken Cheung, chief Asian foreign-exchange strategist at Mizuho Bank Ltd. "The yield level should already have aggressive pricing of PBoC easing this year, while the yuan will remain under pressure on a firm dollar and tariff threats."

China government bond yields rose across the curve following the announcement, with the five-year rate climbing as much as eight basis points and the 10-year rate gaining four basis points to 1.675%. The offshore yuan edged 0.1% higher.

The PBoC overhauled its policy



The People's Bank of China headquarters in Beijing. China's central bank said it will suspend buying government bonds, its latest attempt to temper investor bets on weak economic growth that have undermined the currency and sapped confidence among businesses and consumers.

framework last year and added government bond trading as a tool to manage liquidity in the economy, a step to make it operate more like global peers. But its use of the tool has been challenged by the bond rally, a problem for the PBoC due to concerns over financial risks and the pessimistic signal it sends on the outlook for growth.

Bond investors have never been so bearish about the world's second-largest economy, with some now piling into bets on a deflationary spiral. The contrast with the US is stark, where Treasury yields are climbing higher by the day, powered by seemingly unstoppable economic growth stateside.

That's a dynamic that favours the dollar and the yuan has fallen to trade near the weak edge of its permitted band versus the US currency,

despite efforts by authorities to stabilise the exchange rate.

"This marks another move by the PBoC to support the yuan FX rate," said Serena Zhou, an economist with Mizuho Securities Asia Ltd.

Yesterday, the PBoC issued yet another daily reference rate for the managed currency that was significantly stronger than the market's forecast. It also plans to issue a record amount of bills in the Hong Kong this month to soak up liquidity and support the yuan.

The statement may cool down speculation on aggressive monetary easing that emerged since top leaders pledged "moderately loose" monetary policy in December, a term unseen in 14 years. Bank of America estimated the PBoC would purchase a net 3tn yuan (\$409bn)

of government bonds this year as a supplementary policy tool.

Signals from China's money markets already suggested some traders are betting that authorities will delay easing measures in order to support the beleaguered currency.

The PBoC has purchased a net 1tn yuan of sovereign notes for five straight months through December, after starting regular bond transactions with primary dealers in August. The benchmark 10-year yield hit a record low 1.60% earlier this week.

For Lynn Song, chief greater China economist at ING Bank in Hong Kong, the move looks like a short-term reaction to market conditions rather than a policy shift. He still expects an interest rate cut or other easing measures in the first quarter.

Most Asian equity markets decline

AFP
Hong Kong

Asian equities fell yesterday as traders prepared for the release of US jobs data that could play a key role in the Federal Reserve's decision-making on interest rates, with several officials indicating the cutting has finished for now.

In Tokyo, the Nikkei 225 closed down 1.1% to 39,190.40 points; Hong Kong — Hang Seng Index ended down 0.9% to 19,064.29 points and Shanghai — Composite closed down 1.3% to 3,168.52 points yesterday.

Markets have started the year cautiously, with the optimism that characterised most of the past three months dented by concerns about Donald Trump's coming presidency and the US central bank's hawkish pivot on monetary policy.

With Wall Street closed for a national day of mourning for late former president Jimmy Carter, there were few major catalysts to drive business at the end of a broadly dull week in Asia.

Tokyo, Hong Kong, Shanghai, Sydney, Singapore, Seoul, Taipei, Wellington, Bangkok and Manila fell, while Mumbai and Jakarta edged up.

The non-farm payrolls report is expected to show a slowdown in jobs creation in December, though still at a healthy enough pace to suggest the labour market remains in rude health.

Still, the Fed indicated last month it will cut rates just twice this year — down from the four previously flagged — owing to sticky inflation.

That came as speculation began swirling that Trump's plans to slash taxes, regula-

tions and immigration, and impose harsh tariffs on imports, would reignite prices.

And several Fed officials have since lined up to warn they would be keen to take it easy on easing policy this year.

Boston Fed president Susan Collins said "considerable uncertainty" meant a slower pace of reduction would be warranted, adding that borrowing costs were in the right place for now and could be held for longer "if there is little further progress on inflation".

And Fed Governor Michelle Bowman acknowledged that while she backed last month's reduction, she could have been persuaded against it.

"Given the lack of continued progress on lowering inflation and the ongoing strength in economic activity and in the labour market, I could have supported taking no action at the December meeting," she said.

Kansas City boss Jeff Schmid said policy could already be at its ideal zone, while his Philadelphia counterpart Patrick Harker wanted to base his decision on incoming data.

Regan Capital chief investment officer Skyler Weinand said the Fed was "worried about the incoming administration".

He told Bloomberg Television that the growing US fiscal deficit and healthy consumer spending could result in "higher interest rates for the next five to 10 years".

On currency markets, the pound remained under pressure after Thursday saw it hit levels not seen since late 2023, although it remains under pressure on worries about the UK economy amid talk the government might have to make spending cuts or hike taxes.

Chinese developers begin new year with deepening debt woes

Bloomberg
Shanghai

Chinese property developers are starting 2025 facing liquidation petitions, sliding share prices and mountains of debt, as the nation's real estate crisis enters its fifth year with little sign of improvement.

Yesterday, shares of defaulted Chinese builder Sunac China Holdings Ltd fell as much as 30% in Hong Kong, the most since October 8.

That was after the company, a white knight to a major peer a few years back, received another winding-up petition.

Sunac, whose projects including high-end residential complexes in Beijing, restructured its offshore debt in 2023, but has been hit by

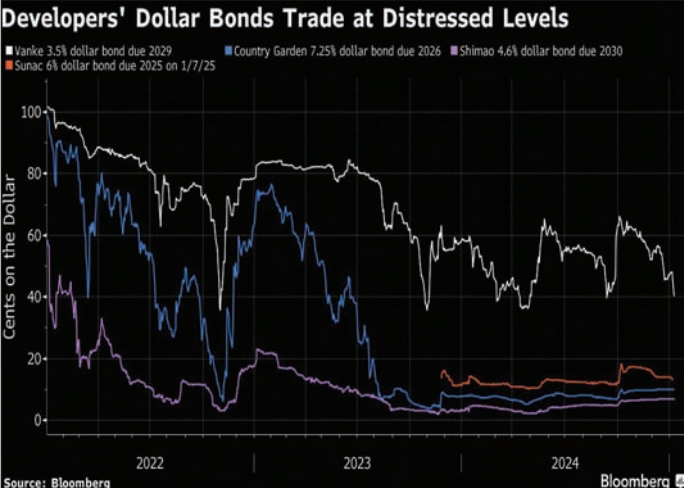
concerns about its ability to meet new repayment obligations.

Meanwhile, China Vanke Co, one of the country's largest property developers, has \$4.9bn of debt coming due this year as worries grow about its liquidity and whether it will be able to find new financing to avoid defaults.

Vanke's 3.5% dollar bond due 2029 is down about 7 cents year to date, falling to its lowest level since September, Bloomberg-compiled data show.

In another signal of gloom for the sector, a Bloomberg Intelligence gauge of Chinese property developers is down about 12% so far this year, far more than the 4% drop for both the benchmark Hang Seng Index and CSI 300 index.

The financial deterioration of many developers comes despite Beijing's efforts to stabilise the housing



market. The government has cut borrowing costs on existing mortgages, relaxed buying curbs in big cities and lowered taxes on home purchases. It also trimmed purchasing costs for people

seeking to upgrade dwellings in some big cities. Even so, the overall housing sector has shown minimal signs of recovery, with sales from the top 100 builders slumping 28.1% last year compared with a 16.5% drop in 2023.

"Unless home sales recover quickly, the phantom of weak cash flows can continue to haunt China's high-yield property developers," said Gary Ng, senior economist at Natixis SA. Improvements in the sector have been concentrated in Tier-1 cities so far, but the problem is much bigger in smaller cities, he added.

On Friday, a key offshore subsidiary of China Evergrande Group was ordered to liquidate by a Hong Kong court.

Three other major developers including Country Garden Holdings Co and Times China Holdings

Ltd are also set to defend against liquidation petitions in Hong Kong this month.

Many of the builders are still working on restructuring. Country Garden just proposed new terms with key banks that would slash its debt and lower borrowing costs, but a key bondholder group isn't on board, people familiar with the matter said.

Defaulted developer Logan Group Co also recently unveiled a revised term sheet for its \$8bn offshore restructuring.

But without a significant recovery in the sector, developers will continue to struggle meeting repayment deadline.

Chinese builders who were previously affected by the property crisis will be the biggest source of defaults in Asia in 2025, according to analysts at JPMorgan Chase.

AT YOUR SERVICE

**ACCOUNTING SERVICES**

GULF FINOVATE - Financial Planning / Website / ERP/ IT Support.
U-301, B-72, D-Ring Rd. T: 44335164, E: info@gulf-finovate.com / W: www.gulf-finovate.com

**BUS RENTAL / HIRE**

Q MASTER W.L.L. 15/26/30/65 Seater Buses with / W-out Driver
Contact # 55853618, 55861541 (24 Hours) F: 44425610 Em: qataroffice@yahoo.com

THOUSANDS TRANSPORT 60/67 Seated A/C non AC Buses w/ w-out driver
T: 4418 0042...F: 4418 0042...M: 5587 5266...Em: sales@thousandstransport.com

TRAVELLER TRANSPORT - 13/22/26/36/66 Seater Bus With & Without Driver.
Tel: 44513283 Mob: 30777432 / 55899097, Email: info@travellertransport.com

HIPOWER TRANSPORT: 13/22/26/66 Seater Buses & Pickups with & without driver.
Tel: 4468 1056, Mob: 5581 1381, 7049 5406, Em: hipower@safarigroup.net

**BUSINESS SOLUTION**

QATAR ASPECT WLL Business Setup, Local Sponsor, CR License, PRO Service
Call..... T: 77912119Em: info@qataraspect.com

**CARGO SERVICES**

GOODWILL CARGO Air, Sea & Land Cargo Services Worldwide Door to Door
Packing & Moving T: 4462 6549, 4487 8448...M: 3318 8200, 3311 2400...Em: sales@goodwillcargopqatar.com

**CAR HIRE**

AL MUFTAH RENT-A-CAR Main office D-Ring Rd. T: 4463 4444, 4401 0700
Airport 4463 4433, Al khor 4411 3344...Leasing 5589 1334...Em: reservations@rentacardoha.com...www.rentacardoha.com

AL SAAD RENT A CAR Head Office-Bldg: 242, C-Ring Road T: 4444 9300
Branch-Barwa village, Bldg #17, shop #19.....T: 4415 4414, ...M: 3301 3547

AVIS RENT A CAR Al Nasr Holding Co. Building, Bldg. 84, St. 820, Zone 40
T: 4466 7744 F: 4465 7626 Airport T: 4010 8887 Em:avis@qatar.net.qa, www.avisqatar.com

THOUSANDS RENT A CAR
Bldg No 3, Al Andalus Compound, D-ring Rd..T. 44423560, 44423562 M: 5551 4510 F: 44423561

BUDGET RENT A CAR Competitive rates for car rental & leasing
Main Office T: 4432 5500...M: 6697 1703. Toll Free: 800 4627, Em: info@budgetqatar.com

**CLEANING**

CAPITAL CLEANING CO. W.L.L. All type of Cleaning Services-Reasonable Rates
T: 44582257, 44582546 F: 44582529 M: 33189899 Em: capitalcleaningwll@gmail.com

**ISO / HACCP CONSULTANTS**

QATAR DESIGN CONSORTIUM - ISO 9001, 14001, 45001, 39001, 27001, 22301, 41001, etc.
T: 4419 1777 F: 4443 3873 M: 5540 6516Em: jenson@qdcqatar.net

**PEST CONTROL & CLEANING**

QATAR PEST CONTROL COMPANY
T: 44222888 M: 55517254, 66590617 F: 44368727, Em:qatarpest@qatar.net.qa

DOHA PEST CONTROL & CLEANING CO. W.L.L.
T: 4470 9777 . M: 5551 3862, 5551 4709 .F: 4436 0838...Em: sales@dohapest.com

**REAL ESTATE**

AL MUFTAH GENERAL SERVICES www.rentacardoha.com
T: 4463 4444/ 4401 0700...M: 5554 2067, 5582 3100...Em:reservations@rentacardoha.com

**SCHOOL LAB SUPPLIES**

SLS SCIENTIFIC LABORATORY SUPPLIES-QATAR, Turnkey solution, direct source from UK,
Mob:51080075 | email: slsqatar@scientific-labs.com | www.science2education.co.uk

**TRANSLATION SERVICES**

ASIA TRANSLATION SERVICES www.asiatranslationcenter.com
Sofitel Complex, 1st Floor...T: 44364555, 4029 1307, 44440943 Em:asiatranslation@gmail.com

Updated on 1st & 16th
of Every Month

QRS.
1500/-
AT YOUR SERVICE
DAILY FOR THREE MONTHS

ECB weighs tougher risk model approach that may hit bank capital

Bloomberg
Frankfurt

The European Central Bank (ECB) is considering pushing banks to use loan data from the region's historic banking crisis when predicting future credit defaults, a move that could result in lower capital strength for some of the affected lenders.

Europe's top financial regulator floated the idea at a presentation in November, when it announced how it seeks to enforce a new piece of regulation ordering banks to use credit data that includes times of stress in their risk models, people familiar with the matter said.

The ECB proposal was to define that as the period between 2008 and 2018, during which much of European banking and particularly Southern European countries went through deep crises, the people said. Some of the affected banks are irritated by the proposal as it could require them to ignore loan data from the most recent

years, which were much more benign for the industry, several of the people said. Plugging the older data into their risk models would likely result in more pessimistic default predictions and potentially even reductions in regulatory capital ratios for them, they said. All asked not to be identified discussing the private information.

An ECB representative declined to comment.

Adoption of the ECB plan would likely stoke existing frictions between the regulator and the banks. While some officials at the regulator have grown frustrated with a perceived lack of responsiveness in parts of the industry to its supervisory demands, some of the banks under its jurisdiction have become weary of an approach they see as overly bureaucratic, Bloomberg has reported.

The spectre of laxer financial regulation in the US under the incoming Trump administration has added to the feeling among many EU banks that the financial regulation they're facing has become a

competitive disadvantage. Several large European banks are hiring advisers to estimate how their capital would be impacted if they used the suggested reference period for the calculation of credit risk, some of the people familiar with the matter said.

The lenders are also trying to soften the ECB plan through their lobby associations, the people said.

Guidelines laid down in 2017 by the European Banking Authority, an EU standard-setter, call on banks to consider a "mix of good and bad years" when modelling default probabilities. The EU has added that wording to an existing piece of regulation known as CRR3.

The ECB now intends to issue an interpretation of these rules around the middle of this year, which could include a definition of what period counts as an appropriate mix, the people familiar with the matter said.

The ECB signalled during a November presentation to banks that it considers the period from 2008-2018 as suitable,

the people said. The regulator argued that these years would cover a full economic cycle, which would help to avoid excessive optimism on the part of lenders, they said.

But some bankers don't think the potential reference period is fit for purpose as it would omit the most recent years, some of the people said.

There was also irritation over what some banks see as another ECB attempt to change criteria for internal risk models shortly after the regulator carried out a long probe into the same matter, known as Targeted Review of Internal Models, those people said.

The planned ECB update will implement existing law and the period mentioned in the presentation was just a first suggestion, other people said. Even if the ECB ends up adopting it, banks would likely be able to obtain an exemption if they can show it's unsuitable for them, one said.

The implications from including earlier periods into credit risk models are likely to be of particular relevance for

banks in Southern European countries such as Spain, Italy and Greece. Their financial industries have seen dramatic improvements in balance sheet health over the recent years as levels of non-performing loans have plunged.

The ECB has previously called out banks for allegedly using credit default data that's too optimistic. The regulator has argued that loan data in recent years has been distorted by massive state support to companies and consumers.

While loan books remain strong among EU banks, there are signs of weakening asset quality, ECB banking supervision head Claudia Buch said last month.

The currently low levels of credit risk partly reflect public aid during the Covid pandemic and the subsequent energy price crises, she said.

Using harsher assumptions to calculate default risks can drive up the amount of capital that banks need to hold as a backstop. That may leave them with a lower ability to make investments or pay out money to investors.

Strong US jobs report in December backs case for pause in Fed rate cuts

Bloomberg
Washington

The US economy in December added the most jobs since March and the unemployment rate unexpectedly fell, capping a surprisingly strong year and supporting the case for a pause in Federal Reserve interest-rate cuts.

Nonfarm payrolls increased 256,000, exceeding all but one forecast in a Bloomberg survey of economists. The unemployment rate fell to 4.1%, while average hourly earnings rose 0.3% from November, a Bureau of Labor Statistics report showed yesterday.

The data confirm the labour market held up last year despite high borrowing costs, lingering inflation and political uncertainty.

While demand for workers moderated and the unemployment rate rose in 2024, the economy still added 2.2mn jobs — below the 3mn increase in 2023 but above the 2mn created in 2019.

What's more, the report included annual revisions to the unemployment rate. Notably, the peak rate in July — which was initially reported as 4.3% and helped lay the groundwork for a full percentage point of rate cuts by the Fed later in the year — was revised lower, suggesting the labour market was somewhat more resilient over the summer than previously thought.

"Worries about the risk of a sharp deterioration in labour-market conditions back in September — when the Fed started cutting rates — have more or less evaporated, and it seems pretty certain that the pace of Fed rate cuts is now going to slow down," Brian Coulton, chief economist at Fitch Ratings, wrote in a note after the report.

The figures are likely to support policymakers' intent to move cautiously this year amid an apparent



Workers assemble vehicles at a Chicago Assembly Plant. The US economy in December added the most jobs since March and the unemployment rate unexpectedly fell, capping a surprisingly strong year and supporting the case for a pause in Federal Reserve interest-rate cuts.

stalling in progress toward their 2% inflation goal. Traders pushed back expectations for the next rate cut to later in the year following the release. Reports on consumer and wholesale prices due next week will offer more clues on the direction inflation is headed ahead of the Fed's next policy meeting on Jan. 28-29.

Separate data published yesterday by the University of Michigan fuelled concerns about stubborn price pressures, with consumers' longer-term inflation expectations rising to the highest level since 2008 in preliminary survey results.

December's advance in payrolls was led by health care and social assistance, retail trade and leisure and hospitality. Government employ-

ment also rose. Manufacturing was a notable weak spot — the sector reduced headcount for the fourth time in five months, bringing total job losses in 2024 to 87,000.

The participation rate — the share of the population that is working or looking for work — was unchanged at 62.5%. Fewer people permanently lost their jobs and more workers left positions voluntarily, while the median duration of unemployment ticked lower.

Central bankers are paying close attention to how labour supply and demand dynamics are impacting wage gains. The report showed average hourly earnings increased 3.9% from a year ago. Earnings for nonsupervisory employees, who

make up the majority of workers, advanced 0.2% from November and 3.8% from a year earlier, marking the slowest annual pace since mid-2021.

Chicago Fed President Austan Goolsbee, speaking on CNBC after the release, said the strength in hiring wasn't an indication of an overheating economy and that he still expects interest rates to be "a fair bit lower" over the next 12-18 months as long as inflation doesn't move higher.

The jobs report is comprised of two surveys — one of businesses and the other of households. The report included revisions to the household survey, which left the overall picture of the labour market largely intact.

Apollo weighs \$9.5bn stake in Seven & i buyout

Bloomberg
New York

Apollo Global Management Inc is considering taking a substantial stake in a bid by Seven & i's founding Ito family to take the Japanese convenience store operator private, people familiar with the matter said.

The US private equity giant is discussing a commitment of as much as ¥1.5tn (\$9.5bn) for an equity stake in the plan, said the people, who asked not to be identified as the information isn't public.

Under the current proposal, which is subject to change, Apollo would join the Ito family and Itochu Corp, the operator of FamilyMarts in Japan, as key investors. The Ito family is weighing a commitment of around ¥500bn and Itochu more than ¥1tn. Other partners are still negotiating stakes.

The present proposal sees equity stakes making up about ¥4tn combined, although that doesn't necessarily mean Apollo will secure majority control because the terms are still being negotiated. The rest of the financing coming from Japan's top banks, the people said. Sumitomo Mitsui Financial Group Inc, Mitsubishi UFJ Financial Group Inc and Mizuho Financial Group Inc are set to participate in the deal.

The valuation of the buyout effort was originally planned for ¥9 trillion — trumping the ¥7.5tn takeover bid from Alimentation Couche-Tard Inc — but may be lowered as the Japanese company's market value remains well below the proposals, the people said. Seven & i's market valuation on Friday hovered around ¥6.3tn after stocks dipped over third quarter earnings.

Shares of Seven & i extended gains yesterday, climbing 4.9% at the close in after

Bloomberg reported news of the discussions.

"The current MBO proposal is already high, so the fact that they've found another source of funding is a big positive for shareholders," said Shun Tanaka, a senior analyst at SBI Securities Co, adding that it raises the possibility of a buyout happening or higher offers by others. "Investors' expectations will be heightened by this."

Details of the deal, such as the investment structure, the ratio of voting rights and the composition of the board members, are still being negotiated, the people said.

The management buyout consortium is racing to finalise a proposal ahead of Couche-Tard, whose unsolicited interest in Seven & i set off a frenzy at the staid Japanese retail giant last year. Besides the take-private plan, Seven & i has also announced a radical restructuring to separate its convenience store business from the weaker retail operations, pledging to raise the value of the former.

The Ito family-led bid would be among the biggest buyouts on record, and reflect a successful unified effort by corporate Japan to keep one of the country's most famous companies from falling into foreign hands.

On Thursday, Seven & i's chief financial officer Yoshimichi Maruyama said that a special committee of the company's board is still considering takeover proposals by Couche-Tard and Ito family, although it doesn't have enough information to evaluate them.

"We are considering all options, and whether they are feasible," Maruyama said. "Both proposals have hurdles to make an acquisition possible. We haven't received details of those solutions, so the ball is on the side of those proposing buyouts."

Canada job surge spurs traders to pare bets on interest rate cut

Bloomberg
Ottawa

Canada's biggest job gains in two years capped off 2024 on a high note before the economy is potentially thrown into a tariff war with the US.

Employment rose by 91,000 in December, the most since January 2023, bringing the jobless rate down 0.1 percentage points to 6.7%, Statistics Canada reported yesterday. Economists in a Bloomberg survey were expecting a small increase of 25,000 jobs with the unemployment rate rising to 6.9%.

The better-than-expected gains are a stark contrast from much of last year, when hiring couldn't keep pace with population growth and joblessness surged.

Over the past year, the economy added jobs in nine of 12 months, with average monthly job increases of about 47,000. The labour market softness had convinced the Bank of Canada to cut borrowing costs by half a percentage point at two straight meetings at the end of last year.

The report came at the same

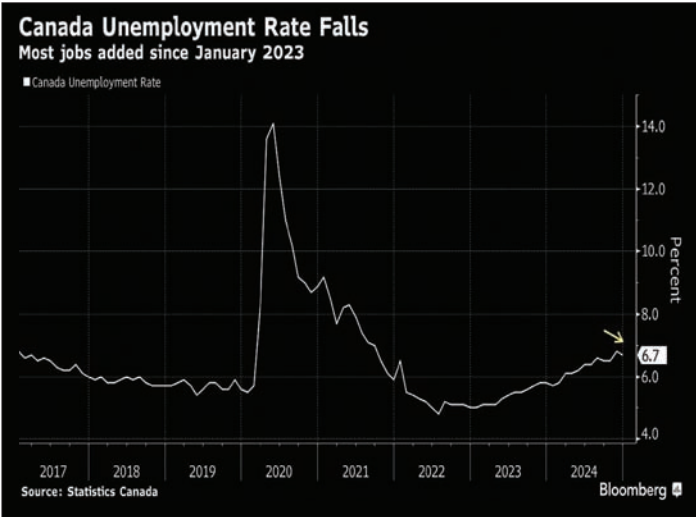
time as US data showed nonfarm payrolls increased by 256,000 and the unemployment rate fell to 4.1%. The loonie maintained the day's loss against the US dollar, trading at C\$1.4410 in Ottawa. Canada's two-year yield rose 10 basis points to 3.04%, the highest in nearly three weeks, tracking a move higher in US and developed market yields.

Traders in overnight swaps pared expectations of a quarter percentage-point cut from the Bank of Canada later this month, putting the odds at about 60%, from three-quarters before the data was released.

In Canada, policymakers have signalled they're ready to return to a more gradual pace of rate cuts, and a stronger job market will likely make a case that they're closer to the end point of their easing campaign.

Despite the threat of 25% tariffs on Canadian goods by President-elect Donald Trump and souring consumer confidence, businesses still added jobs in an economy fuelled by aggressive rate cuts since June.

Yearly wage growth for permanent employees decelerated to



3.7%, the slowest pace since April 2022, versus economist expectations of 3.8% and down from 3.9% in November.

Total hours worked rose 0.5% last month, also ending the year on a relatively solid note.

The data suggest the Canadian economy is beginning to find its footing, Karl Schamotta, chief market strategist at Corpay, said in a report to investors.

"But we suspect the Bank of Canada's dovish stance will remain intact for now, with officials continuing to push rates into neutral territory — and perhaps beyond — as they attempt to build a firewall against further weakness, particularly if Donald Trump follows through on his threats to apply tariffs against Canadian goods," Schamotta said.

Given the still-elevated unem-

ployment rate and the cooler wage readings, the data still leave the Bank of Canada in a position to cut rates, said Royce Mendes, managing director and head of macro strategy at Desjardins Securities.

"With more aggressive tariff threats weighing on business confidence and the recent rise in global bond yields tightening domestic financial conditions since the last policy decision, our rates outlook remains intact. We still see the Bank of Canada cutting rates later this month, but then pausing in March," Mendes said in a report to investors.

Governor Tiff Macklem and his officials next set rates on January 29, when they will also update their economic forecasts as Canada braces for broad tariffs on its products destined for the US, which could potentially plunge the economy into a recession.

Last year, 1.8mn workers, or 8.8% of total employment, were in industries where 35% or more of jobs depended on US demand for Canadian exports.

Oil and gas extraction, pipeline transportation, primary metal manufacturing and transportation equipment manufacturing

are among the most dependent industries on US demand. Statistics Canada reported the population rose by 67,100 people in December.

That marked the smallest monthly growth in two years and suggests the governments' efforts to curb immigration are beginning to have an effect, said Bradley Saunders of Capital Economics.

"While weakness in private-sector hiring still gives reason to think the Bank of Canada will cut rates by 25 basis points at this month's meeting, the odds of a pause have now clearly increased," Saunders said in a report to investors.

Employment increases spread across several industries, with educational services, transportation, real estate, health care and manufacturing leading the gains. The employment rate — the proportion of the working-age population that's employed — rose 0.2 percentage points to 60.8% in December, the first increase since January 2023.

Regionally, employment increased in Alberta, Ontario, British Columbia, Nova Scotia and Saskatchewan. Manitoba was the only province to see job losses.