BULLISH TURN | Page 4

Foreign funds lift QSE above 10,900 levels; M-cap adds QR1.72bn

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GULF TIMES
BUSINESS

CRASH CONCERNS: Page 2

Why fears of a trillion-dollar AI bubble are growing

QatarEnergy's Mesaieed fertiliser complex to position Qatar as 'largest' urea exporter, post-2030

By Pratap John
Business Editor

QatarEnergy's world-scale urea fertiliser complex in Mesaieed Industrial City "will position Qatar as the largest urea exporter, post-2030", the energy major said in its 'Sustainability Report 2024'.

The initiative aligns with Qatar's vision of becoming a leader in sustainable energy and addressing agricultural and environmental challenges, QatarEnergy noted.

"QatarEnergy is contributing to global food security by expanding its urea production capacity," it said.

According to QatarEnergy's 'Sustainability Report 2024', urea is a critical nitrogen-based fertiliser that boosts crop yields and soil fertility, making it indispensable for global food security.

It provides plants with an easily accessible form of nitrogen.

Widely applied in growing cereals, vegetables, and fruits, urea supports sustainable agriculture by addressing the rising demand for food and challenges of limited arable land.

Urea produced in Qatar is made from natural gas. Natural gas is reacted with steam in the presence of catalyst at high temperature to produce hydrogen.

"QatarEnergy is contributing to global food security by expanding its urea production capacity"

This hydrogen is then combined with nitrogen (which comes from the air) in a high-pressure reactor to produce ammonia and CO_2. The ammonia is subsequently recombined with CO_2 to produce urea.

In relation to food security, the report noted urea fertiliser enhances agricultural yields and food production to address global food security.

As one of the world's leading exporters of urea, QatarEnergy plans to significantly expand its production.

"In 2024, we announced the decision to build a new, world-scale urea production complex to boost our current annual urea production of 6mn tonnes to more than 12.4mn tonnes annually," QatarEnergy said.

In respect of QatarEnergy's contributions to UN's Sustainable Development Goals (UN SDGs), the report noted that there are 17 goals collectively providing a universal framework for addressing poverty, reducing inequalities, tackling climate change, fostering economic growth, and ensuring peace and prosperity for people and the planet.

QatarEnergy said it aims to align its activities, operations, and sustainability contributions with the UN SDGs.

"While we contribute directly and indirectly to all SDGs, we address the ones that are most relevant to our business activities, focusing on areas where we can potentially have the greatest impact," QatarEnergy noted in its 'Sustainability Report 2024'.

Qatar participates in 7th GCC ministerial meeting of Standing Preparatory Committee at EDA in Kuwait

HE Ali bin Ahmed al-Kuwari, Minister of Finance, headed the delegation of Qatar participating in the seventh meeting of the Standing Preparatory Committee at the ministerial level of the Economic and Development Affairs Authority (EDA), held in Kuwait with the participation of the ministers of finance and economy of the Gulf Co-operation Council (GCC) member states. The meeting discussed a number of important topics related to strengthening co-operation among the GCC countries in the implementation of national economic visions as well as the activation of the roles and responsibilities of the EDA. The roadmap for initiatives and projects aimed at achieving Gulf economic unity was also reviewed, along with the associated timeline, with an emphasis on ensuring alignment with the requirements of the coming phase.

Qatar-Slovenia Business Forum in Doha next month

Ali Bu Sherbak al-Mansouri, Acting General Manager of Qatar Chamber, yesterday met Natalia al-Mansour, Slovenia's non-resident ambassador to Qatar. During the meeting, both sides discussed bilateral relations and ways to enhance co-operation in the trade and economic fields, as well as the role of the Qatari private sector in promoting trade exchange between the two countries. The meeting also touched on the arrangements for holding the Qatar-Slovenia Business Forum in Doha in November, with the participation of a high-level Slovenian delegation, alongside a number of Qatari and Slovenian businessmen and investors. Al-Mansouri affirmed the Chamber's readiness to co-operate with the Slovenian side to further develop trade and investment relations between the two countries. He noted that bilateral trade between the two countries amounted to about QR138mn in 2024, highlighting the mutual desire to enhance the role of the private sector in stimulating investments and boosting bilateral trade.

QICDRC hosts legal seminar on fraud claims and asset recovery

The Qatar International Court and Dispute Resolution Centre (QICDRC), in partnership with Gatehouse Chambers and LexisNexis Middle East, has hosted a legal seminar titled 'Fraud Claims, Missing Assets, and Effective Techniques for Their Preservation and Recovery'.

The event explored the latest developments in fraud litigation and asset recovery, drawing on the expertise of members of Gatehouse Chambers involved in landmark cases before the courts of England and Wales. The panel examined how these cases are influencing global commercial courts, including the Qatar Financial Centre (QFC) Civil and Commercial Court and Regulatory Tribunal.

Participants gained practical insight into applications for asset preservation, as well as innovative approaches to freezing injunctions and the examination of witnesses in interim proceedings.

The discussion also highlighted key lessons from recent high-profile cases.

The session was moderated by Umar Azmeh, Registrar at QICDRC, with contributions from Andrew Grantham and Emily Betts, both barristers at Gatehouse Chambers; Jonathan Brooks, Senior Counsel from Al Tamimi and Co, and QICDRC Case Progression Officer, Muna al-Kaabi.

"Fraud and asset recovery cases are increasingly international in scope, and it is vital for practitioners in the region to understand the evolving techniques and judicial approaches shaping these disputes. QICDRC is delighted to provide a platform for knowledge exchange on such a critical topic," said Azmeh. Grantham said the recent cases it would be discussing demonstrate how courts are responding to the complexities of fraud claims across jurisdictions.

"We look forward to sharing insights that will support practitioners in Doha and the wider Middle East and North Africa region in navigating these challenges," he added.

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ICC Qatar Environment Commission showcases private sector role at QNDCC

International Chamber of Commerce (ICC) Qatar's Environment and Energy Commission — a strategic collaboration between ICC Qatar and the Al-Attiyah Foundation — participated in a high-level panel discussion on Wednesday at the International Capacity Pavilion, as part of the Qatar National Dialogue on Climate Change (QNDCC).

Moderated by Axel Threlfall, editor-at-Large at Reuters, the session brought together the Commission's leadership and working group chairs to showcase its mandate, roadmap, and priority working groups, and explored how Qatar's private sector can accelerate the nation's energy transition and environmental initiatives.

The discussion featured the Commission Co-Chairs; Colman Hands, Sustainable Energy Programmes Manager at the Al-Attiyah Foundation, and Howard Bevan, Director of Energy at the Al-Attiyah Foundation.

Working group chairs presented their thematic areas were Elena I Athwal on the low-carbon energy transition, Dr Marwa al-Ansary on emissions and carbon markets, and Samer Malaeb on desalination and the energy nexus.

Aligned with Qatar National Vision 2030 and the National Environment and Climate Change Strategy, the Commission aims to reinforce business leadership in sustainability while contributing to international frameworks, including the Paris Agreement and the UN Sustainable Development Goals.

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The panel covered key topics such as renewable energy integration, carbon pricing and emissions reduction, and innovations in water and desalination technologies.

It will also outline the Commission's roadmap for capacity building, policy engagement, knowledge sharing, and international collaboration.

"The Environment and Energy Commission provides a unique platform to bring together private sector expertise, innovation, and investment for meaningful climate action," said ICC Qatar Environment & Energy Commission's Co-Chair Howard Bevan. "Through this initiative, businesses will play a central role in shaping a low-carbon, resilient future for Qatar and the region."

The session convened senior representatives from government, industry, and international organisations, setting the stage for deeper collaboration and the Commission's upcoming initiatives.

BUSINESS

Why fears of a trillion-dollar AI bubble are growing

Bloomberg
New York

For almost as long as the artificial intelligence boom has been in full swing, there have been warnings of a speculative bubble that could rival the dot-com craze of the late 1990s that ended in a spectacular crash and a wave of bankruptcies.

Tech firms are spending hundreds of billions of dollars on advanced chips and data centres, not just to keep pace with a surge in the use of chatbots such as ChatGPT, Gemini and Claude, but to make sure they're ready to handle a more fundamental and disruptive shift of economic activity from humans to machines. The final bill may run into the trillions. The financing is coming from venture capital, debt and, lately, some more unconventional arrangements that have raised eyebrows on Wall Street.

Even some of AI's biggest cheerleaders acknowledge the market is frothy, while still professing their belief in the technology's long-term potential. AI, they say, is poised to reshape multiple industries, cure diseases and generally accelerate human progress.

Yet never before has so much money been spent so rapidly on a technology that, for all its potential, remains somewhat unproven as a profit-making business model. Tech industry executives who privately doubt the most effusive assessments of AI's revolutionary potential — or at least struggle to see how to monetise it — may feel they have little choice but to keep pace with their rivals' investments or risk being out-scaled and sidelined in the future AI marketplace.

What are the warning signs for AI?

When Sam Altman, the chief executive of ChatGPT maker OpenAI, announced a $500bn AI infrastructure plan known as Stargate alongside other executives at the White House in January, the price tag triggered some disbelief. Since then, other tech rivals have ramped up spending, including Meta's Mark Zuckerberg, who has pledged to invest hundreds of billions in data centres. Not to be outdone, Altman has since said he expects OpenAI to spend "trillions" on AI infrastructure.

To finance those projects, OpenAI is entering into new territory. In September, chipmaker Nvidia Corp announced an agreement to invest up to $100bn in OpenAI's data centre buildout, a deal that some analysts say raises questions about whether the chipmaker is trying to prop up its customers so that they keep spending on its own products.

The concerns have followed Nvidia, to varying degrees, for much of the boom. The dominant maker of AI accelerator chips has backed dozens of companies in recent years, including AI model makers and cloud computing providers. Some of them then use that capital to buy Nvidia's expensive semiconductors. The OpenAI deal was far larger in scale.

OpenAI has also indicated it could pursue debt financing, rather than leaning on partners such as Microsoft Corp and Oracle Corp. The difference is that those companies have rock-solid, established businesses that have been profitable for many years. OpenAI expects to burn through $115bn of cash through 2029, The Information has reported.

Other large tech companies are also relying increasingly on debt to support their unprecedented spending. Meta, for example, turned to lenders to secure $26bn in financing for a planned data centre complex in Louisiana that it says will eventually approach the size of Manhattan. JPMorgan Chase & Co and Mitsubishi UFJ Financial Group are also leading a loan of more than $22bn to support Vantage Data Centers' plan to build a massive data-centre campus, Bloomberg News has reported.

So how about the payback?

By 2030, AI companies will need $2tn in combined annual revenue to fund the computing power needed to meet projected demand, Bain & Co said in a report released in September. Yet their revenue is likely to fall $800bn short of that mark, Bain predicted.

"The numbers that are being thrown around are so extreme that it's really, really hard to understand them," said David Einhorn, a prominent hedge fund manager and founder of Greenlight Capital. "I'm sure it's not zero, but there's a reasonable chance that a tremendous amount of capital destruction is going to come through this cycle."

Construction of the first Stargate AI data centre, in Abilene, Texas. The data centre spending spree is overshadowed by persistent scepticism about the payoff from AI technology. In August, investors were rattled after researchers at the Massachusetts Institute of Technology found that 95% of organisations saw zero return on their investment in AI initiatives.More recently, researchers at Harvard and Stanford offered a possible explanation for why. Employees are using AI to create "workslop," which the researchers define as "AI generated work content that masquerades as good work, but lacks the substance to meaningfully advance a given task." The promise of AI has long been that it would help streamline tasks and boost productivity, making it an invaluable asset for workers and one that corporations would pay top dollar for. Instead, the Harvard and Stanford researchers found the prevalence of workslop could cost larger organisations millions of dollars a year in lost productivity.

In a sign of the times, there's also a growing number of less proven firms trying to capitalise on the data centre goldrush. Nebius, an Amsterdam-based cloud provider that split off from Russian Internet giant Yandex in 2024, recently inked an infrastructure deal with Microsoft worth up to $19.4bn. And Nscale, a little-known British data centre company, is working with Nvidia, OpenAI and Microsoft on build-outs in Europe. Like some other AI infrastructure providers, Nscale previously focused on another frothy sector: cryptocurrency mining.

"AI probably will have profound consequences on the way we all work. But Schumpeterian creative destruction being what it is, there will be some pain ahead before we all enjoy the businesses that are being built" says John Authers, Bloomberg Opinion.

Are there concerns about the technology itself?

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AI developers have also been confronting a different challenge. OpenAI, Claude chatbot developer Anthropic and others have for years bet on the so-called scaling laws — the idea that more computing power, data and larger models will inevitably pave the way for greater leaps in the power of AI. Eventually, they say, these advances will lead to artificial general intelligence, a hypothetical form of the technology so sophisticated that it matches or exceeds humans in most tasks.

Over the past year, however, these developers have experienced diminishing returns from their costly efforts to build more advanced AI. Some have also struggled to match their own hype. After months of touting GPT-5 as a significant leap, OpenAI's release of its latest AI model in August was met with mixed reviews. In remarks around the launch, Altman conceded that "we're still missing something quite important" to reach AGI.

Those concerns are compounded by growing competition from China, where companies are flooding the market with competitive, low-cost AI models. While US firms are generally still viewed as ahead in the race, the Chinese alternatives risk undercutting Silicon Valley on price in certain markets, making it harder to recoup the significant investment in AI infrastructure.

OpenAI CEO Sam Altman speaks at OpenAI DevDay, the company's annual conference for developers, in San Francisco, California, on October 6.

There's also the risk that the AI industry's vast data centre buildout, entailing a huge increase in electricity consumption, will be held back by the realities of strained national power networks.

What does the AI industry say in response?

Sam Altman, the face of the current AI boom, has repeatedly acknowledged the risk of a bubble in recent months while maintaining his optimism for the technology. "Are we in a phase where investors as a whole are overexcited about AI? In my opinion, yes," he said in August. "Is AI the most important thing to happen in a very long time? My opinion is also yes."

Altman and other tech leaders continue to express confidence in the roadmap toward AGI, with some suggesting it could be closer than sceptics think. "Developing superintelligence is now in sight," Zuckerberg wrote in July, referencing an even more powerful form of AI that his company is aiming for. In the near term, some AI developers also say they need to drastically ramp up computing capacity to support the rapid adoption of their services.

Altman, in particular, has stressed repeatedly that OpenAI remains constrained in computing resources as hundreds of millions of people around the world use its services to converse with ChatGPT, write code and generate images and videos.

OpenAI and Anthropic have also released their own research and evaluations that indicate AI systems are having a meaningful impact on work tasks, in contrast to the more damning reports from outside academic institutions. An Anthropic report released in September found that roughly three quarters of companies are using Claude to automate work. The same month, OpenAI released a new evaluation system called GDPval that measures the performance of AI models across dozens of occupations.

"We found that today's best frontier models are already approaching the quality of work produced by industry experts," OpenAI said in a blog post. "Especially on the subset of tasks where models are particularly strong, we expect that giving a task to a model before trying it with a human would save time and money."

So how much will customers eventually be willing to pay for these services?

The hope among developers is that, as AI models improve and field more complex tasks on users' behalf, they will be able to convince businesses and individuals to spend far more to access the technology.

"I want the door open to everything," OpenAI Chief Financial Officer Sarah Friar said in late 2024, when asked about a report that the company has discussed a $2,000 monthly subscription for its AI products. "If it's helping me move about the world with literally a PhD-level assistant for anything that I'm doing, there are certainly cases where that would make all the sense in the world." In September, Zuckerberg said an AI bubble is "quite possible," but stressed that his bigger concern is not spending enough to meet the opportunity. "If we end up misspending a couple of hundred billion dollars, I think that that is going to be very unfortunate, obviously," he said in a podcast interview. "But what I'd say is I actually think the risk is higher on the other side."

What makes a market bubble?

Bubbles are economic cycles defined by a swift increase in market values to levels that aren't supported by the underlying fundamentals. They're usually followed by a sharp selloff — the so-called pop.

A bubble often begins when investors get swept up in a speculative frenzy — over a new technology or other market opportunity — and pile in for fear of missing out on further gains. American economist Hyman Minsky identified five stages of a market bubble: displacement, boom, euphoria, profit-taking and panic.

Bubbles are sometimes difficult to spot because market prices can become dislocated from real-world values for many reasons, and a sharp price drop isn't always inevitable. And, because a crash is part of a bubble cycle, they can be hard to pinpoint until after the fact.

Generally, bubbles pop when investors realise that the lofty expectations they had were too high. This usually follows a period of over-exuberance that tips into mania, when everyone is buying into the trend at the very top. What comes next is a usually a slow, prolonged selloff where company earnings start to suffer, or a singular event that changes the long-term view, sending investors dashing for the exits.

There was some fear that an AI bubble had already popped in late January, when China's DeepSeek upended the market with the release of a competitive AI model purportedly built at a fraction of the amount that top US developers spend. DeepSeek's viral success triggered a trillion-dollar selloff of technology shares. Nvidia, a bellwether AI stock, slumped 17% in one day.

The DeepSeek episode underscored the risks of investing heavily in AI. But Silicon Valley remained largely undeterred. In the months that followed, tech companies redoubled their costly AI spending plans, and investors resumed cheering on these bets. Nvidia shares charged back from an April low to fresh records. It was worth more than $4tn by the end of September, making it the most valuable company in the world.

So is this 1999 all over again?

As with today's AI boom, the companies at the centre of the dot-com frenzy drew in vast amounts of investor capital, often using questionable metrics such as website traffic rather than their actual ability to turn a profit. There were many flawed business models and exaggerated revenue projections. Telecommunication companies raced to build fibre-optic networks only to find the demand wasn't there to pay for them. When it all crashed in 2001, many companies were liquidated, others absorbed by healthier rivals at knocked-down prices.

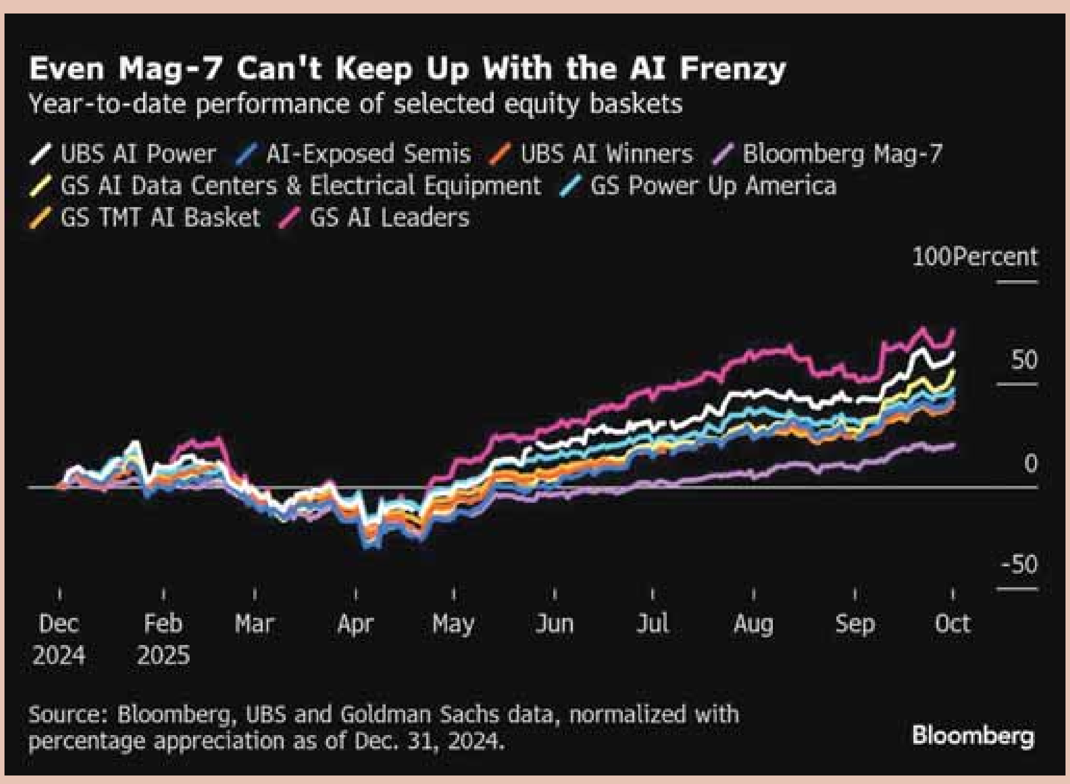
Echoes of the dot-com era can be found in AI's massive infrastructure build-out, sky-high valuations and showy displays of wealth. Venture capital investors have been courting AI startups with private jets, box seats and big checks. Many AI startups tout their recurring revenue as a key metric for growth, but there are doubts as to how sustainable or predictable those projections are, particularly for younger businesses. Some AI firms are completing multiple mammoth fundraisings in a single year. Not all will necessarily flourish.

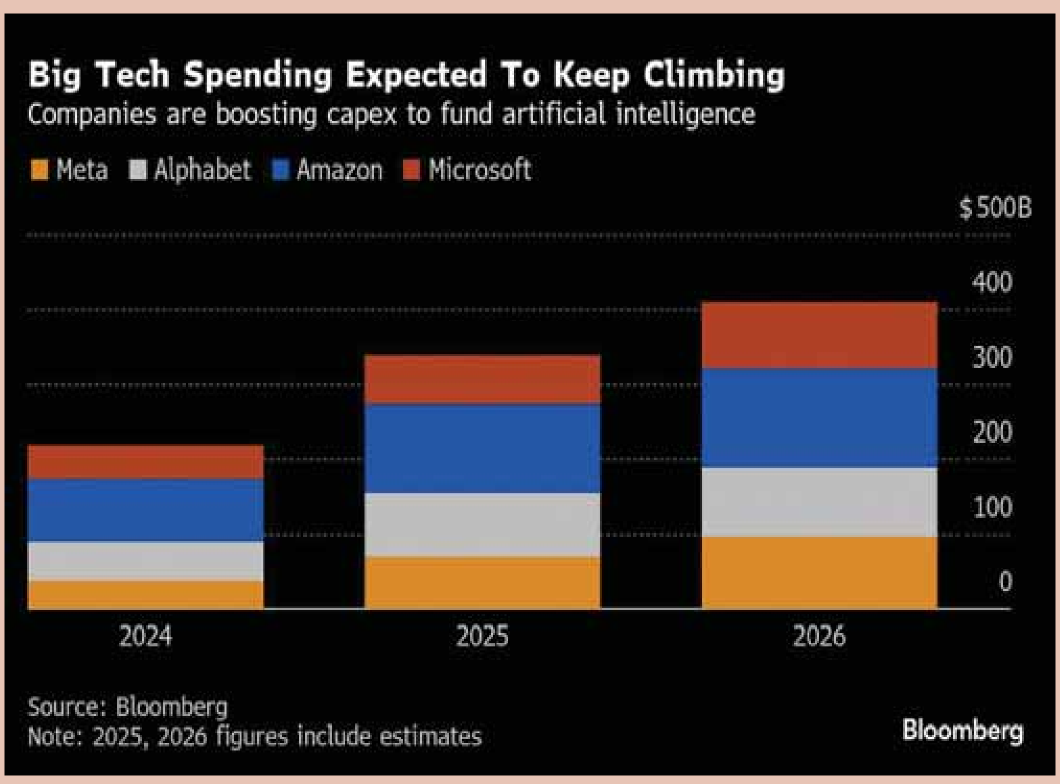
"I think there's a lot of parallels to the Internet bubble," said Bret Taylor, OpenAI's chairman and the CEO of Sierra, an AI startup valued at $10bn. Like the dot-com era, a number of high-flying companies will almost certainly go bust. But in Taylor's telling, there will also be large businesses that emerge and thrive over the long term, just as happened with Amazon.com Inc and Alphabet Inc.'s Google in the late 90s.

"It is both true that AI will transform the economy, and I think it will, like the Internet, create huge amounts of economic value in the future," Taylor said. "I think we're also in a bubble, and a lot of people will lose a lot of money."

There are also some key differences that market watchers point out, the first being the broad health and stability of the biggest businesses that are at the forefront of the trend. Most of the "Magnificent Seven" group of US tech companies are long-established giants that make up much of the earnings growth in the S&P 500 Index. These firms have huge revenue streams and are sitting on large stockpiles of cash.

Despite the scepticism, AI adoption has also proceeded at a rapid clip. OpenAI's ChatGPT has about 700mn weekly users, making it one of the fastest growing consumer products in history. Top AI developers, including OpenAI and Anthropic, have also seen remarkably strong sales growth. OpenAI previously forecast revenue would more than triple in 2025 to $12.7bn. While the company does not expect to be cash-flow positive until near the end of this decade, a recent deal to help employees sell shares gave it an implied valuation of $500bn — making it the world's most valuable company never to have turned a profit.





Aramco delays chemical expansion plans on weak oil and Asia focus

Bloomberg
Riyadh

Saudi Aramco has put three chemicals expansion projects on hold as weaker oil prices squeeze local spending and it prioritises international investments, according to people familiar with the situation.

The company is delaying the start of major engineering and design work on the facilities, according to people with knowledge of the situation, who asked not to be named because the information isn't public. The deferrals are aimed at spreading out spending at a time of low oil prices and other more immediate demands for cash, one of the people said.

Aramco declined to comment.

The delays are the latest example of Saudi Arabia slowing spending on long-term projects as vast investment plans aimed at transforming the economy and softer oil prices squeeze the kingdom's finances. The pressure has forced the government and Aramco to ramp up borrowings, with the company flipping into a net debt position last year.

Oil prices in London have dropped about 12% this year to below $66 a barrel — far short of the $94 that Bloomberg Economics estimates the kingdom needs to balance its budget. The decline has also weighed on Aramco, which has reported 10 straight quarters of lower profit.

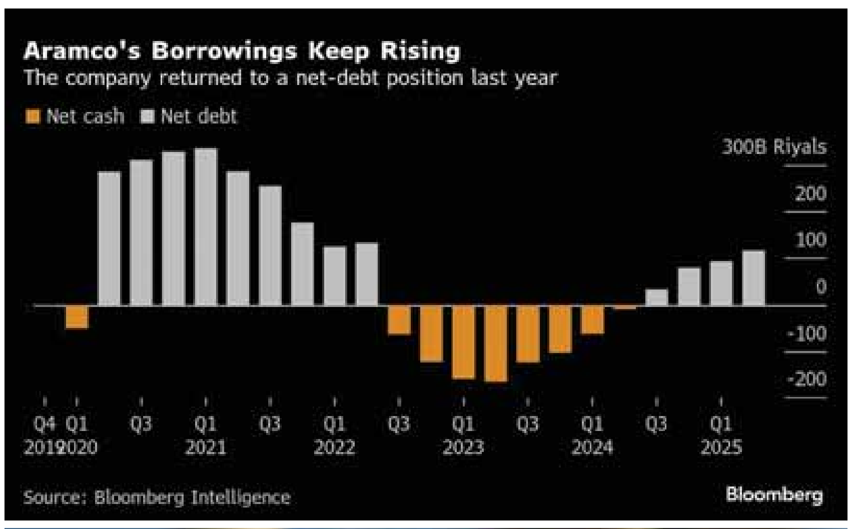
The deferred projects are part of Aramco's push to convert crude oil directly into chemical products. The company is holding back two joint venture projects at Yanbu on Saudi Arabia's western Red Sea coast and another facility at Jubail on the Gulf coast. Aramco previously shelved a venture with chemicals producer Saudi Basic Industries Corp to build a new crude conversion project at Ras Al Khair on the Gulf.

Aramco is prioritising investment in international refining and chemical facilities, in part because those are more advanced, but also as they are located near big demand centres in China and South Korea. Demand for chemicals that are used to make plastic products are seen as continuing to expand for decades even as the energy transition is expected to slow the growth in transport fuels like gasoline.

The overseas plans mean Aramco is making progress in its aim to eventually turn 4mn barrels a day of crude into petrochemicals. Delaying the domestic expansions will help spread out spending, the people familiar with the plan said, and Aramco could ultimately decide to shelve those projects or go ahead at a later date.

Aramco is also continuing to spend on oil and gas production projects, like the Jafurah natural gas field, which is set to begin output in a first phase later this year. The company plans to spend more than $50bn this year, with the majority going to upstream projects in gas and for maintaining oil production capacity.

Aramco is working on four crude to chemicals projects — two in China, one in Korea and a venture with TotalEnergies SA in Saudi Arabia — that are set to start within the next three years.



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US approves some Nvidia chip sales to UAE

Bloomberg
Washington/Dubai

The US has approved several billion dollars worth of Nvidia Corp chip exports to the United Arab Emirates, an initial step in implementing a deal that could serve as a blueprint for American AI statecraft.

The Commerce Department's Bureau of Industry and Security recently issued the Nvidia export licenses under the terms of a bilateral AI agreement hashed out in May, according to people familiar with the matter, who requested anonymity so they could discuss a sensitive issue.

That approval came after the UAE made concrete plans for a reciprocal amount of investment on American soil, a US official said. The official declined to specify the exact value of the approved chip shipments and Emirati investment.

A representative for the UAE did not respond to a request for comment, while Nvidia declined to comment. "The Commerce Department is fully committed to the transformational US-UAE AI partnership deal," a spokesperson said.

The licenses mark the first permits for Nvidia AI chip sales to the Gulf nation since President Donald Trump took office. They are a tangible sign of progress on an agreement announced nearly five months ago, centred on a massive five-gigawatt data centre in the Gulf nation's capital that counts OpenAI as an anchor tenant.

Securing the permits is a top priority for the UAE, where some officials have grown frustrated with what they see as a slow pace of US approvals. AI is among the top priorities for the Gulf nation, which is spending massively on infrastructure at home and overseas.

Underpinning the AI deal is an Emirati promise to invest a whopping $1.4tn on American soil over the next ten years, a pledge the Gulf nation has not broken down into specific projects. The US, meanwhile, planned to approve up to 500,000 advanced American AI chips annually, with a fifth slated for Abu Dhabi AI juggernaut G42.

The initial batch of permits does not include any chips for G42, which is partnering with OpenAI on a campus in the UAE's capital city, according to the people.

G42 did not respond to a request for comment.

It's unclear when additional licenses may be issued, the people said, adding that it will depend in part on how the UAE's specific investment plans unfold. Under the accord, the oil-rich UAE will match in investment what it receives in chip shipments, on a dollar-for-dollar basis.

The Arabian Gulf has major AI appetite and the money to back it, making the region among the world's most important markets — and financiers — for technology giants like Nvidia and OpenAI. Under President Joe Biden, US officials significantly slowed those license approvals, as they worked on a global framework that ultimately capped the volume of chip sales to many nations including the UAE. Under that policy, which Trump's team is not enforcing and has said it will formally rescind, companies could bypass national limits in exchange for security commitments.

Biden's team issued some licenses for chip shipments to the UAE toward the end of his term, people familiar with the matter said. Also under his administration, G42 struck a partnership with Microsoft Corp, based in large part on the Emirati firm's promise to unravel ties with China's Huawei Technologies Co.

Trump's team, meanwhile, wants to go bigger. The Abu Dhabi data centre was one of a spate of AI announcements to emerge from Trump's trip to the Middle East in May. Officials have said the strategy is about both winning significant investment in the US and ensuring that Chinese companies such as Huawei don't capture overseas customers in the AI race between the world's two largest economies.

$600tn of wealth rests on productivity or inflation burst

By Mike Dolan
London

Global wealth accumulation this century has far outstripped economic growth, and the performance of that $600tn of savings over the next decade rests heavily on how the gap is closed — a productivity boost or sustained inflation.

Financial markets have become increasingly agitated about whether investors chase the parabolic rise in artificial intelligence stocks and bet on AI adoption more broadly, or hedge fears of a prolonged inflation burst due to lax money and fiscal policies worldwide.

Right now they appear to be betting on both — with tech-heavy stock indexes hitting records in tandem with soaring gold. Global equities are up 17% in 2025 while gold has gained 50%. Business consultants McKinsey put some shape on the bigger picture with its updated release this week on what it calls the "global balance sheet" of GDP, savings and debt.

The top-line metrics from this "state of the world" number crunch are eye-catching. Global net worth in aggregate has nearly quadrupled since 2000 to $600tn at the end of last year and will have climbed further given the market moves of the past nine months.

But this is getting further and further from underlying economic performance — moving from 4.7 times world GDP 25 years ago to 5.4 times now. And the concentration of that wealth remains alarming, with just 1% of people owning a fifth of it.

By devaluing assets and debt in real terms, the post-pandemic inflation burst kept something of a lid on this outsize expansion — but we appear to have reached another juncture.

"When the balance sheet outruns the underlying economy, it exposes weaknesses," the McKinsey Global Institute said.

"When real estate and equity values rise faster than GDP, capital may disproportionately go to asset repurchases, sometimes with a lot of leverage," the MGI authors wrote. "This pushes up valuations further but leaves the economy deprived of the type of investment that generates long-run growth."

More than a third of the $400tn rise in wealth since the turn of the century was essentially just paper gains, decoupled from the real economy, and about 40% was cumulative inflation, McKinsey added. That means only 30% reflected new investment in the real economy or, put another way, every dollar of new investment created $3.50 of new household wealth.

The nature of that kind of asset wealth — whether predominantly equity in America or real estate in Europe or deposits in China — can then be inherently unstable, with sizeable feedback loops to the real economy in volatile times.

In the US, for example, the market value of corporate equity excluding its debt is almost twice the assets owned by the firms.

But rising wealth effects encourage exuberant behaviour, shown in part by the fact that while each dollar of investment created more than three times the amount in wealth, it also created almost $2 of new debt. So much so that global debt is near all-time highs at some 2.6 times global GDP. The question raised is whether these wealth multiples are sustainable for much longer and what might bring them back closer to the real world.

A market shock — or bubble burst, as many might see it — might help a balance sheet reset, but at the risk of hitting GDP, and all the recession risk and household distress that goes with it. McKinsey sketched out the two most likely scenarios.

One is an extremely benign view of a productivity boom — perhaps sown by the quantum leap in AI now unfolding — that allows growth to catch up, stock values to stay strong without overheating wages and prices. There's less of a reset but a more sustainable underpinning.

The less favourable outcome is one of prolonged high inflation, which could help erode nominal debts but with toxic fallout for poorer households, business planning, the wider economy and political stability.

"Economies are unlikely to achieve balance while preserving wealth and growth unless productivity accelerates," MGI said. "Other scenarios sacrifice one or the other or both." Regionally, of course, the numbers break down differently and cross-border imbalances have grown.

But for the average US saver the difference between the two most likely scenarios could amount to as much $160,000 by 2033. A productivity boost that lifts annual GDP growth by more than one percentage point above trend could lift per capita US wealth by $65,000 over that period, while sustained inflation could eat into net worth to the tune of $95,000.

Market tensions already show investors are testing both scenarios and building portfolios to protect them in the event that either unfolds. Tense times indeed.

■ *The opinions expressed here are those of the author, a columnist for Reuters*

Fed minutes show caution over inflation even as officials cut rates

Bloomberg
Washington

Federal Reserve officials showed a willingness to lower interest rates further this year, but many expressed caution driven by concerns over inflation at their policy gathering last month.

"Most judged that it likely would be appropriate to ease policy further over the remainder of this year," according to minutes of the Federal Open Market Committee's September 16-17 meeting. The record of the meeting also showed "a majority of participants emphasised upside risks to their outlooks for inflation."

Officials at that gathering voted 11-1 to lower interest by a quarter percentage point to a range of 4% to 4.25%, the first such cut this year. One official, the newly-sworn-in Stephen Miran, favoured a half-point reduction and voted against the decision.

New projections released following the meeting showed officials expected two additional quarter-point cuts by year's end, according to their median estimate. But they also pointed to division on the committee, as seven of the 19 participants projected no additional cuts in 2025.

In a note to clients, Stephen Stanley, chief US economist at Santander US Capital Markets, pointed to "significant differences of opinion within the committee regarding just about everything important." "We should not be surprised that there is a wide range of opinion within the FOMC on what to do next," he said.

The minutes showed that a small number of officials were reluctant to support the September 17 rate cut.

"A few participants stated there was merit in keeping the federal funds rate unchanged at this meeting or that they could have supported such a decision," the minutes said.

While policymakers noted that risks to the labour market had risen, many also felt a rapid drop in employment was unlikely.

"Participants generally assessed that recent readings of these indicators did not show a sharp deterioration in labour market conditions," the minutes said.

Since the September meeting, Fed governors including Vice Chairs Philip Jefferson and Michelle Bowman have raised concerns about the strength of the labour market as a reason to lower interest rates. Miran has argued that a lower than understood neutral rate of interest means the Fed needs to cut rates quickly. President Donald Trump and several administration officials have also pointed to recent data in their mounting calls for the Fed to lower rates immediately.

Federal funds futures contracts suggest investors see rate cuts likely in October and December.

Officials continued to say they would weigh risks both to inflation and employment as they considered their next move.

"Participants stressed the importance of taking a balanced approach in promoting the committee's employment and inflation goals," the minutes said.

The Fed held its meeting two weeks before the beginning of the ongoing government shutdown, which has frozen the release of key economic data.

Federal funds futures contracts suggest investors see rate cuts likely in October and December

Abu Dhabi's ADQ among 'potential suitors for Italy's Catania airport'

Reuters
Dubai/Milan

Abu Dhabi's sovereign wealth fund ADQ has emerged as a potential suitor in a sale of Catania airport's operator in Sicily, two sources familiar with the matter said, adding that the fund has expressed preliminary interest in the asset.

The sale process has not formally begun, but interest in the asset is building ahead of a potential launch, the sources said, speaking on condition of anonymity.

Catania is Sicily's main airport and Italy's fifth busiest airport by passenger traffic.

It is operated by SAC, a company owned by local authorities and chambers of commerce, under a concession that runs until 2049. SAC also manages the smaller Comiso airport, located in southern Sicily.

Under the draft terms of the sale, between 51% and 66% of SAC would be sold, one of the people said.

The asset could be worth between €500mn and €600mn ($580.60mn — $696.72mn), the people said.

The valuation, based on sector multiples and expected core earnings of over €30mn this year, reflects its concession-based model, which typically trades below freehold airport assets, according to one of the people.

Italy's civil aviation authority ENAC is currently reviewing the draft tender for the sale, the sources said, with one of them adding a green light is expected at the end of October, which would pave the way for the formal start of the process.

ADQ declined to comment. SAC and ENAC did not immediately respond to a request for comment.

In a statement to Reuters, Antonino Belcuore, special commissioner of the chamber of commerce of South and East Sicily, which holds a 60.6% stake in SAC, welcomed ADQ's interest, saying it showed the importance of the asset and that the path to privatisation is "the right one to continue pursuing." The privatisation of the Catania airport has been on the cards since 2022, when Italian investment bank Mediobanca was appointed as adviser to guide the sale process.

Italian Prime Minister Giorgia Meloni has also pursued stronger ties with Gulf countries since taking office in 2022.

This year, Rome sealed a strategic partnership with the United Arab Emirates, as part of which the UAE committed to investing $40bn in Italy across key sectors.

Foreign funds lift QSE above 10,900; M-cap adds QR1.72bn

By Santhosh V Perumal
Business Reporter

The US rate cut hopes and Gaza ceasefire positively influenced the Qatar Stock Exchange, which yesterday gained about 36 points and capitalisation add about QR2bn.

The foreign institutions turned bullish as the 20-stock Qatar Index rose 0.33% to 10,938.22 points, recovering from an intraday low of 10,885 points.

The telecom, transport and real estate counters witnessed higher than average demand in the main market, whose year-to-date gains improved to 3.43%.

About 53% of the traded constituents extended gains to investors in the main bourse, whose capitalisation added QR1.72bn or 0.26% to QR654.22bn; mainly on microcap segments.

The Arab institutions were seen net buyers, albeit at lower levels, in the main market, which saw as many as 0.11mn exchange traded funds (sponsored by AlRayan Bank and Doha Bank) valued at QR0.28mn trade across 34 deals.

The Gulf funds continued to be net buyers but with lesser intensity in the main bourse, whose trade turnover and volumes were on the decline.

The Islamic index was seen gaining on par with the main barometer of the main market, which saw no trading of treasury bills.

The local retail investors were increasingly net sellers in the main bourse, which saw no trading of sovereign bonds. The Total Return Index rose 0.33%, the All Share Index by 0.26% and the All Islamic Index 0.33% in the main market.

The telecom sector index shot up 1.2%, transport (0.48%), realty (0.4%), industrials (0.27%) and banks and financial services (0.19%); while consumer goods and services declined 0.12% and insurance 0.03%.

As many as 27 stocks gained, while only 18 declined and six were unchanged.

The foreign institutions turned bullish as the 20-stock Qatar Index rose 0.33% to 10,938.22 points, recovering from an intraday low of 10,885 points.

Major gainers in the main market included Qamco, Ooredoo, Qatar Electricity and Water, Mazaya Qatar and Nakilat.

Nevertheless, Estithmar Holding, Beema, Meeza, Qatar Industrial Manufacturing and Qatar National Cement were among the shakers in the main bourse.

In the venture market, Techno Q saw its shares depreciate in value.

The foreign institutions turned net buyers to the tune of QR22.61mn compared with net sellers of QR7.65mn on October 8.

The Arab institutions were net buyers to the extent of QR0.15mn against no major net exposure the previous nine consecutive sessions.

However, the local individual investors' net selling expanded substantially to QR14.28mn compared to QR0.33mn on Wednesday.

The domestic institutions' net profit booking strengthened noticeably to QR7.77mn against QR4.46mn on October 8.

The Gulf retail investors were net sellers to the extent of QR2.29mn compared with net buyers of QR0.46mn the previous day.

The Arab individual investors turned net sellers to the tune of QR1.4mn against net buyers of QR0.09mn on Wednesday. The foreign retail investors' net profit booking expanded perceptibly to QR1.14mn compared to QR0.5mn on October 8.

The Gulf institutions' net buying weakened markedly to QR4.13mn against QR12.38mn the previous day.

The main market saw a 16% contraction in trade volumes to 107.63mn shares and 22% in value to QR261.66mn but on 12% jump in deals to 18,518.

In the venture market, a total of 9,700 equities valued at QR0.02mn changed hands across seven transactions.

'Turkish Airlines may switch Boeing 737 order to Airbus if engine talks fail'

Turkish Airlines could switch a recently announced order for Boeing 737 MAX jets to rival Airbus if talks with engine supplier CFM fail to make progress, the airline's chair Ahmet Bolat said. The unexpected warning comes after the Turkish flag carrier announced a tentative order with Boeing for 150 MAX planes, coinciding with a meeting on September 25 between Turkish President Recep Tayyip Erdogan and his US counterpart Donald Trump, subject to a separate engine deal.

Transatlantic venture CFM International, co-owned by GE Aerospace and Safran, is the sole engine supplier for the Boeing 737 MAX and competes with RTX unit Pratt & Whitney for airline contracts on the Airbus A320neo family.

"If CFM comes to feasible economical terms, then we are going to sign with Boeing," Bolat told Reuters in Stockholm late on Wednesday. He added negotiations had made some progress, but disagreements on costs remained.

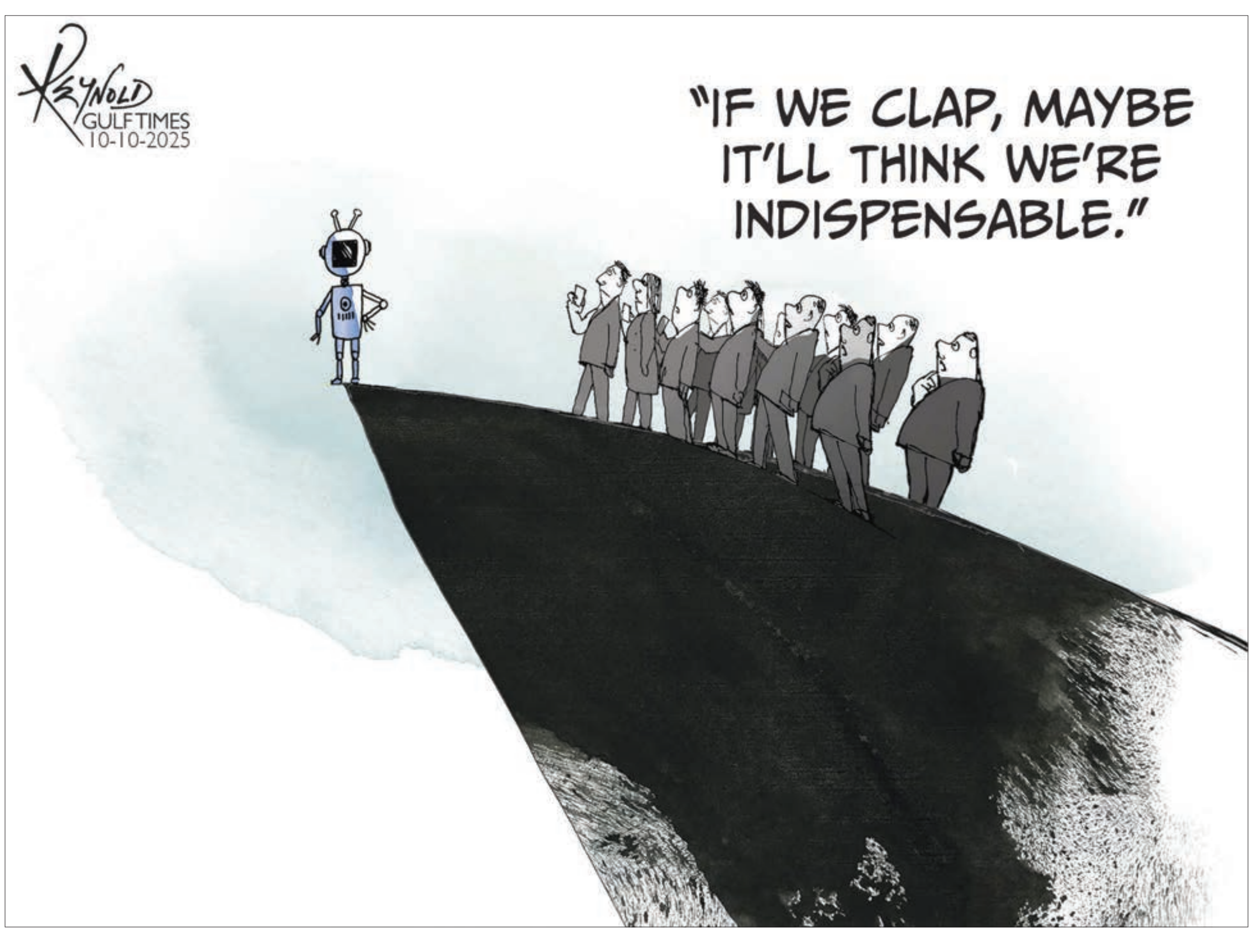
"If CFM continues its stance, we'll change to Airbus. With Airbus, I have choices," Bolat said, referring to the European planemaker's two engine suppliers.

CFM, the world's largest engine maker by the number of units sold, said: "As a matter of policy, CFM does not disclose details of contractual negotiations with our customers."

Boeing declined to comment.

The widely watched deal is part of a major fleet replacement and expansion to around 800 aircraft by 2033, after Turkish Airlines (THY) ordered more than 200 Airbus planes in 2023.

Industry sources said they still expected a deal to be finalised with CFM, given the recent political attention to the order and scarce supplies of competing Airbus jets.



Rising call-option demand signals EM local-currency bond gains

Bloomberg
New York

Options traders are betting on at least a 10% gain in emerging-market local-currency bonds over the next three months, turning the most optimistic on the asset class in 16 months.

The implied volatility on call options that begin to pay when the VanEck JPMorgan EM Local Currency Bond Exchange-Traded Fund rises more than 10% climbed to the highest level since June 2024, according to data compiled by Bloomberg.

At the same time, contracts hedging against a 10% loss in the fund eased. The two moves led to a phenomenon called flattening of the skew, which indicated a drop in bearishness to the least since April this year.

The positioning shift comes after emerging-market bonds plateaued over the past three months amid a slowing of a US dollar selloff and doubts about the pace of monetary easing.

The average yield on the EM Local Currency Government Universal Index climbed 10 basis points in that period, leaving investors with negative total returns even after accounting for coupon payments. However, an improvement in money-market expectations for Federal Reserve easing has boosted the odds of EM central banks following suit. Rate cuts by Poland and Philippines in the past 24 hours have underscored the dovish turn.

"EM local will benefit both from the rate performance and FX performance, but I tend to have a preference for the rate component over the FX component," said Guillaume Tresca, global EM strategist at Generali Asset Management in Paris. "The easing cycle is mature but they still have room to cut further because the disinflation trend is still on, real rates are high too."

Three-month options on US ETF buying EM local-currency bonds shows a surge in demand for bullish contracts to a 16-month high.

Despite the recent lull, EM local bonds have given investors returns of 7.1% so far this year. Those gains came on the back of improved real rates. Emerging-market inflation has already fallen below that of developed countries, coming in at an average 2.87% for the April-June quarter, compared with 3.15% in rich nations. That meant the same nominal bond yield began to offer bigger gains in inflation-adjusted terms.

Local-currency bond returns are a combination of price moves, coupon payments and exchange-rate movements. Global liquidity and US investors' diversification spree are boosting bond prices this year, while easing distress raises visibility on coupon payments. A weak dollar completes the equation, leading to the best year for the bonds since 2017.