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FIFA World Cup to have favourable economic impact over next 12 months: QFC

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GULF TIMES BUSINESS



Inflation data, midterm elections loom for struggling US stock rally

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Qatar government surplus of 13% of GDP seen in 2022, driven by surge in revenue: S&P

By Pratap John

Business Editor

High oil prices will support Qatar's strong fiscal and external balances in 2022-2023, S&P Global said as the ratings agency expects a general government surplus of about 13% of GDP in this year, driven by a sharp increase in revenue.

S&P noted that Qatar's current account will remain in a very strong surplus in 2022-2023, supported by higher prices for its gas exports.

The current account and fiscal deficit, it said will weaken over 2024-2025 because it assumes oil prices will decline to \$55 per barrel.

"We expect lesser reliance on short-term banking sector external funding will help reduce the country's external liquidity needs

somewhat," S&P said. Qatar derives about 40% of its GDP, 80% of government revenue, and 90% of exports from the hydrocarbon sector.

This makes the country's credit profile vulnerable to volatility in oil prices, to which most of its long-term gas contracts are linked.

S&P forecasts are based on the expectation that the Brent oil price will average just above \$100/b for 2022, \$85/b for 2023, and \$55/b for 2024 and thereafter.

According to the ratings agency, high oil prices should result in strong government surpluses in 2022-2023, at about 13% of GDP in 2022 and 6% in 2023.

The general government balance includes the central government's budgetary position, and small deficits of about 0.2% of GDP at the social security system level.

In the first six months of 2022, the fiscal surplus

S&P noted that Qatar's current account will remain in a very strong surplus in 2022-2023, supported by higher prices for its gas exports

was recorded at QR47bn, compared with a budgeted deficit of QR8.3bn for the year.

"We estimate a 55% year-on-year rise in hydrocarbon revenue in 2022, with non-hydrocarbon revenue also buoyed by the additional economic activity associated with the World Cup and recovery after the Covid-19 pandemic.

As S&P oil price estimates fall to \$55/b, it expects a deficit of about 4% of GDP on average in 2024-2025.

The implementation of value-added tax is a possibility during 2023-2024, but may be delayed amid current inflationary pressures.

"We expect government revenue to continue

to be largely driven by gas production and oil prices. We also expect government expenditure to remain broadly flat, at about 30% of GDP over 2022-2025."

During the four years to 2019, expenditure averaged about 35% of GDP.

S&P expectation of additional expenditure restraint over the forecast period through 2025 largely relates to its assumption that government spending on capital projects of about 10% of GDP in 2022 will decline to about 7% of GDP by 2025, given that many large infrastructure projects will have been completed, such as Doha's new metro and tram system.

The government intends to reduce its overall debt-to-GDP ratio and to rebalance the share of foreign currency debt in the total, aiming for 50%, down from 58% in 2021.

"We expect the government's debt-repayment strategy to reduce total general

government debt to 27% of GDP by 2025, from 49% in 2022.

The government will repay the debt from cash surpluses partly accumulated from past Eurobond issuance. The government's net asset position will remain a rating strength, averaging 110% of GDP over 2022-2025," S&P said.

S&P projects that the current account will maintain a surplus of 23% of GDP on average over 2022-2023, before moderating to about 3% of GDP over 2024-2025, in line with its oil price assumptions.

The high level of assets accumulated within the sovereign wealth fund, the QIA, will continue to support Qatar's strong external position.

"We estimate that, on average, Qatar's external liquid assets will surpass external debt by about 80% of current account payments in 2022-2025," S& P said.



TecCentric Live “Innovate at Scale” is a success as TecCentric collaborates with Google Cloud for a customer-centric live conference

TecCentric held its first TecCentric Live conference in collaboration with Google Cloud. The event was an overall success, driving value to customers on their journey to digital transformation.

Technology Centric Solutions (Tec- Centric), Qatar’s go-to provider for technology, cloud, security, and operation services, held its industry event, TecCentric Live, in collaboration with Google Cloud. Under this year’s theme “Innovate at Scale,” the conference drew enterprise attendees and a rangeof names



in tech. Its objective was in line with TecCentric’s mission of adding value to attendees and enhancing their ability to generate revenue.

Google Cloud is at the center of the services TecCentric provides. Thus, TecCentric Live aimed to show customers and prospects how it supports them through a variety of Google Cloud solutions. The event highlighted TecCentric’s powerful ecosystem built around Google Cloud

with contributions from mLogica and Informatica. In fact, TecCentric delivers a technology ecosystem to empower CIOs and technology leaders with greater opportunities for innovation, scalability, and transformation.

The event showcased TecCentric’s own capabilities — a full operations system

designed to create value to the customer from the outset, and to deliver continual transformation at speed and at scale.

As Bassel AlHalabi, Managing Director of TecCentric has phrased it “We want to take part in your dream and transformation journey with Google Cloud! We want to build with you real, long-term competitive advantages to succeed.”

From his end, Ghassan Kosta highlighted the commitment of Google Cloud to Qatar, to customers and to partners:

“As top companies across industries are choosing to

partner with Google Cloud in their digital transformation journey, we are here to echo our commitment to developing Qatar’s digital future. It is our pleasure to collaborate with our partner TecCentric as part of our global strategy to drive digital transformation through a partner-led ecosystem”.

The event was a success, with feedback from attendees reflecting the event’s objective of delivering practical advice and best practices.

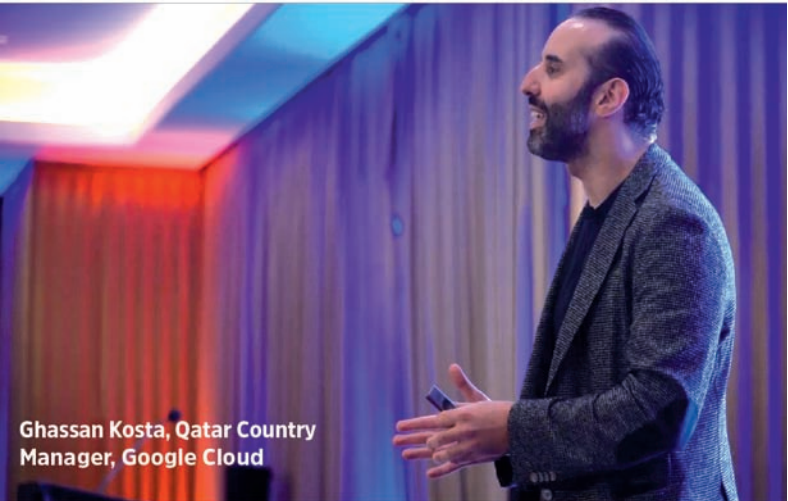
TecCentric in Summary

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We accomplished 100+ projects in the field of Data and Analytics.



Google Cloud is at the center of the services TecCentric provides. Thus, TecCentric Live aimed to show customers and prospects how it supports them through a variety of Google Cloud solutions. The event highlighted TecCentric’s powerful ecosystem built around Google Cloud with contributions from mLogica and Informatica. In fact, TecCentric delivers a technology ecosystem to empower CIOs and technology leaders with greater opportunities for innovation, scalability, and transformation.

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Safwa wins global award for pioneering sustainable hydroponic farming in Qatar

Fardan Fahad Alfardan, founder and general manager of Safwa, a subsidiary of Alfardan Group, was awarded the 'FBN International NxG Lombard Odier Award' during the Family Business Network's (FBN) 31st Global Summit in Budapest, Hungary, for sustainable innovation in entrepreneurship. He is the first-ever GCC awardee in the history of the award.

Safwa is a leader in automated hydroponic, aeroponic, and aquaponic farming that

was built and maintained locally by in-house experienced engineers at the Alfardan family farm, 'Wahat Al-Shafalahia'.

Established in 1975, the farm grows a variety of vegetables in greenhouses, which act as a protective microclimate, providing consistent temperatures and humidity, and efficiently using resources to ensure higher yields where otherwise harsh environmental conditions in Qatar would limit produce production.

In addition, Safwa uses indoor hydroponic systems,

which require no soil to grow vegetables and are up to 90% more efficient in their use of water. Production increases three to 10 times in the same amount of space, decreasing the time between harvest and consumption, and increasing the nutritional value of the end product. No chemicals or pest control products are needed when operating such systems.

Alfardan said: "Our vision is to be the consumer's first choice for fresh, environmentally consciously grown veg-

etables and our promise is to deliver the best local produce in Qatar, working towards sustainability and self-sufficiency, in line with the Qatar National Vision 2030."

Such indoor farming not only allows for a climate-controlled environment, which means farms can exist in places where weather and soil conditions are not favourable for traditional food production but also allows for minute control over environmental conditions like temperature and pH balance

and maximised exposure to nutrients and water.

At Safwa, the land is trusted and great measures are being taken in ensuring the land is protected so that it remains as generous as the day the farm opened. Farming methods protect the land and Safwa products are grown with the highest levels of care and attention. After all, plants need nurturing just as much as humans. High-quality, fresh produce will nurture the end consumer just as it has been nurtured.



Dignitaries with the awards during the ceremony held in Hungary.



Safwa is a leader in automated hydroponic, aeroponic, and aquaponic farming that was built and maintained locally by in-house experienced engineers at the Alfardan family farm, 'Wahat Al-Shafalahia'

'Readiness' is key for Qatar businesses to benefit from World Cup, says expert

By Peter Alagos
Business Reporter

Major international companies have participated in the more than decades-long preparations to host the 2022 FIFA World Cup in Qatar, but even small businesses can also capitalise from opportunities, such as the influx of tourists during the tournament, according to an industry expert.

"It is all about managing your business and being ready for the several opportunities expected to arise from this event," Tawfeeq Travel Group CEO Rehan Ali Syed told *Gulf Times* yesterday.

He said: "One has to be proactive and look at what is the need of the hour rather than just sticking to the old traditional ways of doing business. There is enough opportunity for everyone to grab during the World Cup but it all depends on one's readiness to get the business."

With over 1.5mn fans and tourists expected to arrive for the World Cup, which will run from November 20 to December



Tawfeeq Travel Group CEO Rehan Ali Syed.

18, Syed noted that travel agencies in Qatar are facing several challenges.

"Qatar is in a complete frenzy and it seems everyone is quite excited that finally, the FIFA World Cup is happening in a couple of weeks, but these are

pretty challenging times for travel agencies, especially for those that are into inbound business.

"As we await guests to arrive in the next few days, everybody is engaged in getting their logistics sorted out to offer a seam-

less experience to their customers. There have been many changes at different entry ports and we are trying to work along with all the different authorities for a curated experience for all the fans coming to Qatar," Syed explained.

He further said: "For travel agencies with full-fledged inbound capabilities, a DMC (destination management company) is extremely occupied to manage the flow of guests coming into Qatar, whether transfers from the airport, Al Maha Greet, transfers to the stadium, to sightseeing destinations, entertainment, high-end dining experience for the VIP's, and last-minute demands from the customers." Conversely, Syed pointed out that the outbound business "is quite slow" since residents are holding back their travel plans so that they can witness the World Cup games in Qatar.

"For the first time ever, there is a long winter break in Qatar, hence a few citizens and residents are travelling abroad to places like Turkey, Switzerland, and many other European destinations to enjoy skiing and for

those who love to see the snow.

"Hotels are running on high occupancy from November 18 at least until the initial rounds. After that, we are expecting demand for fans who want to follow their teams in the super 8 matches until the finals," Syed also explained.

He added: "Qatar has positioned itself as a country, which is more than welcoming to everyone across the globe. There are many fans who are probably coming to Qatar for the first time and I am sure that they are going to witness one of the best hospitality experiences and a beautiful country. Qatar is not just rich in oil and gas but there are many more opportunities that the country can offer.

"With Hamad International Airport and Qatar Airways winning so many international accolades, it is an opportunity for the more than 1mn guests expected to come to Qatar to witness and experience what the country has to offer. It is a big opportunity for various investors, especially in the field of education, sports, and other activities targeting high-net-worth individuals."

Wells Fargo faces US demand for record fine exceeding \$1bn

Bloomberg
New York

Wells Fargo & Co is under pressure from the Consumer Financial Protection Bureau to pay more than \$1bn to settle a series of investigations into mistreatment of customers, a deal that would shatter the agency's previous record - also with Wells Fargo.

The regulator's demand in confidential talks, described by people with direct knowledge of the matter, reflects its escalating frustration with the bank, which has been punished multiple times by authorities over the past six years for a variety of past abuses. In March, CFPB Director Rohit Chopra vowed to ratchet up sanctions on large, repeat offenders, potentially even limiting their ability to engage in certain businesses.

The latest talks with the CFPB span automobile lending, consumer-deposit accounts and mortgage lending. Wells Fargo said in a filing this week, without gauging the size of the potential payment. The bank set aside \$2bn in the third quarter to cover a variety of regulatory and legal

issues, including making harmed customers whole. The figures discussed by negotiators in the CFPB talks are around \$1bn, the people said. Spokespeople for the regulator and bank declined to comment.

Under Chief Executive Officer Charlie Scharf, Wells Fargo has been trying to resolve a slew of scandals that erupted in 2016 with the revelation that the bank opened millions of bogus accounts. Problems surfaced across business lines, resulting in the ousters of two CEOs and a number of costly penalties including the Federal Reserve's decision to cap the bank's assets. Scharf warned in October that the charge in the third quarter "isn't the end of it."

An accord with the CFPB isn't imminent, nor is one likely to be announced this month, the people said, asking not to be named because the discussions are private. Chopra has vowed to make punishments of large firms more painful, and the agency may ultimately seek restrictions on the bank's businesses or other changes in addition to a financial penalty, some of the people said. Wells Fargo aims to resolve as many of the agency's concerns simultaneously as possible, which could offer some relief to shareholders.

China's equity markets set for more volatility

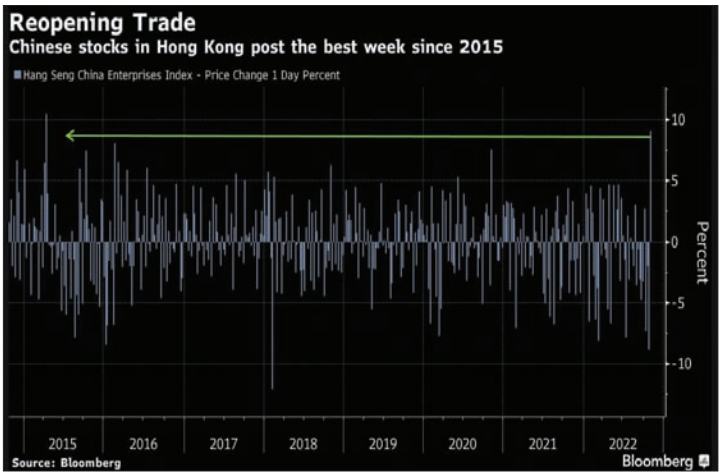
Bloomberg
Beijing

Chinese markets are facing another volatile week after health officials vowed to "unswervingly" stick to the country's Covid-zero approach, dampening investor optimism that Beijing was working toward easing restrictions. Assets from equities to oil rallied last week on convictions that China is taking concrete steps toward reopening. The Hang Seng China Enterprises Index had its best weekly gain since 2015, Brent crude closed at the highest in two months, iron ore futures jumped and the offshore yuan strengthened more than 1% at one stage.

But authorities tempered those hopes in a briefing on Saturday.

"Previous practices have proved that our prevention and control plans and a series of strategic measures are completely correct," said Hu Xiang, an official at the National Health Commission's disease prevention and control bureau.

The comment is the latest from



government officials to back a strict adherence to China's reliance on lockdowns and mass testing to stamp out infections. The approach has weighed on the economy, which in turn has dragged on financial markets.

Goldman Sachs Group Inc said China has given some signs of a potential exit from Covid Zero, such as trying to alleviate public fears of the coronavirus and other medical

preparations. However, "the government still needs to keep its zero-Covid policy until all preparations are done," economists including Hui Shan wrote in a note.

That may take months, according to Goldman, which expects a reopening in the second quarter of next year. Still, the repeated signs of a reopening followed by government denials of any changes have kept in-

vestors on the edge and added to market volatility. Investors have been looking for reasons to scoop up Chinese stocks, which are among the worst performers in the world this year as the economy grows near the slowest pace in four decades.

Markets were boosted last week by unverified online posts about China's reopening, as well as headlines supporting the easing scenario: Bloomberg reported that officials are working on plans to end Covid flight suspensions, while German Chancellor Olaf Scholz said China would make BioNTech's Covid shots available to foreigners in the country, a potential first step toward wider offerings.

The rebound took place just one week after a historic rout in equities sparked by concerns about President Xi Jinping's power grab at the Communist Party congress.

While Chinese equities are likely to fall on Monday, expectations for further stimulus from the government after weak economic data and gains in Covid-19 cases in October could help limit the decline, according to Cui Xuehua.

QSE MARKET WATCH

Company Name	Lt Price	% Chg	Volume
QATAR NATIONAL BANK	20.20	1.87	2,192,106
INDUSTRIES QATAR	15.75	0.64	2,041,778
MASRAF AL RAYAN	3.79	0.48	11,480,124
QOOREDOO QPSC	9.79	0.67	867,462
EZDAN HOLDING GROUP	117	112	10,836,405
QATAR ISLAMIC BANK	24.25	0.92	888,687
QATAR ELECTRICITY & WATER CO	18.50	1.26	1,192,223
MESAIEED PETROCHEMICAL HOLDI	2.20	0.46	3,401,827
BARWA REAL ESTATE CO	3.41	0.29	459,801
QATAR INSURANCE CO	2.17	1.40	2,571,043
QATAR FUEL QSC	19.24	0.73	1,178,050
COMMERCIAL BANK QPSC	6.25	-0.08	775,279
DOHA BANK QPSC	2.17	0.28	4,562,983
QATAR GAS TRANSPORT (NAKILAT)	4.08	-0.41	1,780,525
QATAR INTERNATIONAL ISLAMIC	12.02	0.59	709,352
QATAR NAVIGATION	10.09	0.80	1,355,250
AL AHLI BANK	4.00	0.00	-
VODAFONE QATAR	1.67	0.12	2,251,137
AAMAL CO	1.07	0.19	98,921
UNITED DEVELOPMENT CO	1.46	0.00	382,319
AL KHALJ COMMERCIAL BANK	0.00	0.00	-
QATAR GENERAL INSURANCE & RE	1.67	0.24	24,000
QATARI INVESTORS GROUP	1.84	0.05	1,295,578
QATAR NATIONAL CEMENT CO	4.56	0.00	306,310
GULF INTERNATIONAL SERVICES	1.79	0.67	8,830,929
AL MEERA CONSUMER GOODS CO	17.29	1.35	11,620
MANNAI CORPORATION QSC	7.76	0.98	406,028
GULF WAREHOUSING COMPANY	4.23	-0.45	316,777
MEDICARE GROUP	6.77	-4.93	73,202
QATAR INDUSTRIAL MANUFACTUR	3.60	0.73	5,320
LESMA BANK LLC	1.20	0.00	2,486,129
ZAD HOLDING CO	16.50	-2.37	36,739
WIDAM FOOD CO	2.53	-2.13	239,748
MAZAYA REAL ESTATE DEVELOPME	0.82	0.98	5,744,147
QATAR ISLAMIC INSURANCE GROU	8.87	0.02	446
DOHA INSURANCE CO	2.10	-0.10	250
SALAM INTERNATIONAL INVESTME	0.75	0.67	3,017,990
ESTITHMAR HOLDING QPSC	1.72	0.94	4,374,158
ALJAJARAH HOLDING COMPANY QPS	0.91	2.71	4,745,577
DILALA HOLDING	1.48	-3.01	1,301,274
AL KHALEEJ TAKAFUL GROUP	2.53	-3.32	440,230
QATAR & OMAN INVESTMENT CO	0.61	0.00	432,310
INMA HOLDING COMPANY	5.18	0.33	825,739
QATAR CINEMA & FILM DISTRIB	3.45	0.00	-
QATAR EXCHANGE INDEX ETF	12.09	0.00	48,473
QATAR GERMAN CO FOR MEDICAL	1.49	0.88	314,6401



ISO delegation was headed by director of Standards and Metrology Qatar General Organisation for Standardisation, Engineer Nawaf Ibrahim al-Hamad al-Mana.

ISO takes part in annual general meeting of IEC

QNA
Doha

Qatar General Organisation for Standardisation (ISO) participated in the annual general meeting of the IEC that was convened in San Francisco of the United States of America and continued for five days. ISO delegation was headed by Director of Standards and Metrology Qatar General Organisation for Standardisation, Engineer Nawaf Ibrahim al-Hamad al-Mana, where the agenda of the meeting included several side meetings of technical committees for standards, administrative and advisory entities in addition to the regular session of the General Assembly of International

Electrotechnical Commission (IEC). The meeting reviewed the periodic reports of the Secretary-General and president of IEC on the activities and works of IEC during the past period, in addition to discussing the reports submitted by Chairman of the Administrative Council for Standardisation and the Administrative Council for Conformity Assessment, where the budget of IEC for the year 2023 was approved, including the future plan for the years 2024-2025.

It is worth mentioning that the State of Qatar has been an active member since it joined IEC in 2008, which currently includes 173 members, as Qatar also participates in several committees specialised in preparing nationally important electrotechnical standards.

Inflation data, midterm elections loom for struggling US stock rally

Reuters
New York

A sputtering US stock rally faces a double-dose of potentially market moving events this week: US midterm elections and inflation data that could influence the Federal Reserve's monetary policy.

Wall Street's rebound on Friday dissipated some of the gloom that pervaded since the Fed on Wednesday hiked interest rates, while Chairman Jerome Powell said policymakers will likely take rates higher than envisioned in their bid to crush inflation.

Nevertheless, the S&P 500 finished the week with a 4.6% loss, likely burning many bulls that had jumped aboard an October rally that lifted the index more than 8% from its lows. A break of the index's October 12 closing low would mark the fifth time this year that stocks have rallied by 6% or more only to reverse course and plumb fresh depths.

Meanwhile, data from BoFA Global Research showed some \$62.1bn flowing into cash in the latest week, the largest inflows since the Covid-19 crash of early 2020, underlining pessimism that has prevailed among many market participants.

"We think we are on the path for a rocky landing for the economy, and next week we will get two pretty big clues as to what it's going to look like," said Steve Chiavraone, head of multi-asset solutions at Federated Hermes, who is holding larger-than-normal allocations in cash and commodities.

Consumer price data has driven huge market moves this year, as surging inflation forced investors to ramp up expectations for Fed rate hikes. A stronger-than-expected reading on November 10 would likely bolster the case for the Fed to continue.

Investors are now pricing in a peak of around 5.1% for the fed funds rate next year, compared to expectations of just



Traders work on the floor of the New York Stock Exchange. A sputtering US stock rally faces a double-dose of potentially market moving events this week: US midterm elections and inflation data that could influence the Federal Reserve's monetary policy.

under 5% before the most recent Fed meeting. The central bank has raised rates to 3.75% this year.

"If we get lower inflation reading then you could get a relief rally based on that data," said Emily Roland, co-chief investment strategist at John Hancock Investment Management. In that case, however, "markets will be more focused on higher probability of a recession."

Strategists at Wells Fargo believe CPI is more likely to fall short of expectations. They see the Fed's terminal rate falling by 12 basis points or more if CPI comes in at a monthly gain below 0.4%. Analysts polled by Reuters expect a 0.5% monthly rise.

"All told, disinflationary forces are gathering strength," Sarah House, senior economist at the firm, wrote on Friday.

At the same time, analysts said a surprise win by Democrats in the Nov. 8 midterm election, which will determine control of Congress, could fuel concerns about more fiscal spending and inflation.

Republicans have been leading in polls and betting markets and many analysts believe the likely result will be a split government, with GOP control of the House of Representatives and possibly the Senate for the second half of Democratic President Joe Biden's term.

"If the Dems were to retain full control of Congress, you're more likely to see fiscal expenditures rise and that would be highly problematic in this inflationary environment," said Spencer Lerner, a portfolio manager at Harbor Capital. Options hedges on the S&P 500 imply a move of nearly 3% in either

direction on the day after the election, analysts at Goldman Sachs wrote this week, nearly twice the size of the average daily move the index has recorded this year.

Some investors are more hopeful regarding the period of stronger markets that past midterm elections have ushered in rather than on moves stemming from the vote itself: The S&P 500 has posted a positive return in the 12 months following all 19 midterm elections since World War Two, according to CFRA Research.

Similar gains could be in store this time around – as long as inflation numbers are not hotter than investors expect, said Kei Sasaki, senior portfolio advisor at Northern Trust, who believes energy and financial stocks will perform well in a divided government.

The fall of Big Tech is boosting stock quants on Wall Street

Bloomberg
New York

Another tech plunge, another shot in the arm for stock quants mounting a big comeback in Wall Street's awful year.

As the Federal Reserve ramped up its hawkish policy guidance this week on still-raging inflation, the once-booming Faang megacaps lost a further \$568bn in market value, bringing the cohort's total capitalisation to the lowest since mid-2020.

With rising interest rates spurring an abrupt end to the leadership of Big Tech, the largest technology companies are wielding less and less power over broader indexes, as former high-fliers like Meta Platforms Inc and Amazon.com Inc crash anew in the latest wave of selling.

Reversing the extremes of the cheap-money years, the capitalisation-weighted S&P 500 hit the lowest versus an equal-weighted version of the benchmark since 2019.

All this is a boon for so-called factor investors, who dissect equities according to their math-derived traits, from how cheap equities look to how fast they've risen.

These funds are typically underweight the tech megacaps and have a propensity to spread out their exposures, a favourable setup in this era of improved market breadth.

In 11 of the last 13 sessions where the S&P 500 has dropped more than 2%, strategies beloved by factor funds like value, quality, momentum and low volatility have all made money, according to Dow Jones' market-neutral indexes.

"You got a much more diverse opportunity set that allows for more factors to come into play," said Sean Phayre, head of quantitative investments at Abrdn Investment Management. "Previously 2019, 2020 was a very one-dimensional market."

Systematic managers who deploy factor strategies in one form or another are on a winning streak. The AQR Equity Market Neutral Fund has rallied anew since October to notch a 21% gain so far this year.

The Jupiter Merian Global Equity Absolute Return Fund, which bled assets throughout the tech bull run, is up nearly 7%.

The math whizzes of Wall Street crunch data to find patterns across the entire stock market. That means they're mostly spreading out their wagers across a vast number of securities. So when market gains are concentrated in a few megacaps, quants almost by definition will own

far less of those shares than a cheap-and-cheerful S&P 500 tracker. That was the case in the low-rate years when the Faang block – Facebook Inc, now known as Meta, Apple Inc, Amazon, Netflix Inc and Google parent Alphabet Inc – drove the bull market.

Now a broader group of winners is giving money managers more opportunities. In a reversal of pre-2021 trends, the S&P 500 pulled off an around-8% surge in October even with half of the Faangs falling.

Lately, the momentum factor, a popular quant trade, has also joined the party.

A chameleon investing style that simply bets on the past year's winners, it doesn't do well at turning points like the start of 2022. But having rebalanced into outperformers like health-care and energy stocks, the strategy has rallied this quarter in a sign of persistent trends driven by sticky inflation.

The \$12bn iShares MSCI USA Momentum Factor ETF (ticker MTUM) drew a record \$2bn in inflows last month after its 13% surge beat the wider market by the most in its nine-year history.

A market-neutral version compiled by Bloomberg is on track for the best year since 2015.

"Momentum is the all-weather strategy," Christopher Harvey, head of equity strategy at Wells Fargo, wrote in a note. He expects more market damage caused by inflation and jobs data, touting momentum strategies as "they have a tendency to perform well" in stressed conditions.

Meanwhile, 87% of high-momentum firms have beaten earnings expectations this season, compared to 70% of the S&P 500, per Harvey.

These winning names are also getting rewarded more for good results and punished less for bad ones.

The value strategy of buying cheap shares has also seen another bump with rising rates driving investors away from stocks with high multiples.

Meanwhile the low-volatility trade is shining as steadier stocks like health-care names win out.

These trends have only intensified lately with American heavyweights like Amazon, Alphabet and Microsoft posting disappointing earnings – a big turnaround compared to the unbridled tech optimism of the low-rate era.

"The single dimension that was driving those names to excess returns – that model is somewhat broken," said Phayre at Abrdn. "Come 2021, 2022 there's a realisation there's going to be some form of payback for all the cheap money."

SocGen traders post strong quarter as results top estimates

Bloomberg
Paris

Societe Generale SA posted a surge in debt trading in the third quarter and eked out a gain in equities where peers struggled, helping drive net income almost 50% higher than analyst estimates.

The Paris-based bank's fixed-income and currencies trading revenue jumped 34% in the three months through September, beating the result posted by rival BNP Paribas SA and 23% average gain across major Wall Street banks. An unexpected 1% increase in equities trading helped propel net income to €1.5bn, compared with estimates of just over €1bn.

SocGen shares jumped as much as 5.4% in Paris trading on Friday, paring losses this year to 18%.

For the European banking sector, gains in debt trading and lending revenue last quarter helped offset declines

in trading stocks and dealmaking. Aided by sharp interest-rate increases by central banks, Deutsche Bank Group AG said it delivered its best profits in more than a decade, while UniCredit SpA bucked recession fears by raising its outlook.

The third quarter was "marked by increasing revenues, continued control of operating expenses and a contained cost of risk, while maintaining a prudent provisioning policy," SocGen Chief Executive Officer Frederic Oudea said in a statement.

The bank is in the middle of a leadership transition, with Oudea set to be replaced by Slawomir Krupa next year. The lender, which faced a multi-billion-euro hit earlier this year after its exit from Russia, in August outlined new revenue targets and pledged higher profitability as rising interest rates and a global trading rally boost revenue.

The lender is also merging its domestic networks Societe Generale and

Credit du Nord, a strategic shift that involves thousands of job cuts. The bank confirmed that the legal completion will take place on January 1.

The appointment of investment-bank chief Krupa is expected to set in train a broader management reshuffle as the 15-year reign of Oudea ends with high-profile departures. Late Thursday, the lender said it appointed Stephane Landon as Chief Risk Officer to replace departing Sadia Ricker.

In parallel with peers, SocGen has reaped the benefits of central banks' rates increases with higher revenue stemming from its lending operations. The lender's international retail unit saw its revenue rise 6%.

However, revenue at its retail networks in France, where fixed-rate mortgages make it harder for banks to get an immediate boost from higher rates, only increased 0.5%.

SocGen's historically key equities trading desk saw its revenue rise to €806mn, higher than analysts expect-

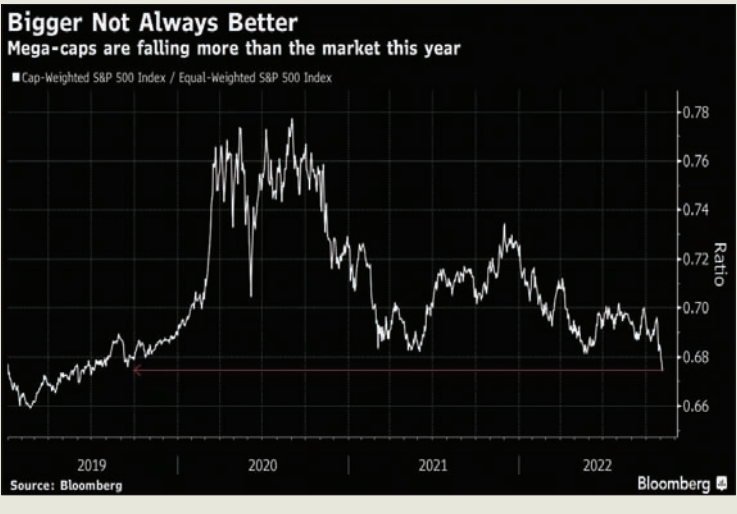
ed. Its performance outstripped the 13% average decline across major Wall Street major banks.

The bank's smaller fixed income trading unit saw its revenue rise to €538mn, as volatility spurred by rising interest rates boosted the performance across the sector in the third quarter. The performance at the bond trading unit came in just behind Deutsche Bank's 38% jump.

Oudea, who upgraded trading guidance earlier this year, was also optimistic for the bank's 2022 performance.

"It's fair to say this year will be very strong, with the benefit of very strong commercial activities on both equities and fixed income" he said in an interview with Bloomberg TV on Friday.

The lender said it expects the underlying cost to income ratio to be below 64% for 2022, having previously forecast it at between 64% and 66%. The bank set aside €456mn to cover potentially souring loans, lower than analyst estimates.



Bloomberg QuickTake Q&A

Why central banks got serious about digital money

By Carolynn Look and Bastian Benrath

Money is edging towards its biggest reinvention in centuries. Modern technology and even the coronavirus pandemic have pushed consumers to go cashless, and with alternative concepts like stablecoins and cryptocurrencies taking hold, central banks are acting quickly to ensure they don't fall behind on innovation. The goal is a digital form of money that can compete with private-sector alternatives by being safer, more resilient and cheaper.

1. What would CBDCs be like?

Not so different, at least on the surface, from keeping electronic money in a bank account and using cards, smartphones or apps to send that money into the world.

The key difference is that money provided by a central bank – like cash – is generally considered a risk-free asset. For example, a dollar bill issued by the US Federal Reserve is always worth \$1.

A dollar in a commercial bank account, while in theory convertible into paper cash on demand, is subject to that bank's solvency and liquidity risks, meaning consumers might not always be

able to access it and can lose money if a bank goes bust. CBDCs, like bank notes and coins, would be the direct liability of the central bank, carrying its guarantee.

2. What do CBDCs have to do with crypto?

Not much. Even when the value of Bitcoin rose, its use in payment transactions was still limited. The cryptocurrency movement – where groups of private citizens develop protocols for their own versions of money – symbolises a revolt against centralised financial authority, while central banks and CBDCs epitomise it.

One possible overlap is the blockchain technology pioneered by Bitcoin, which functions as a publicly distributed ledger of transactions.

Some countries are experimenting with blockchain, though experts doubt that in its current form the technology could handle the volume a CBDC might generate.

The crypto development central banks worry about most involves "stablecoins," which peg their value to an existing currency or asset. The plans Facebook's operator announced in 2019 for a stablecoin (first called Libra, later Diem,

now dead) gave central banks a jolt and sped up work on CBDCs.

3. How would CBDCs work?

Central banks are experimenting on two main tracks: Wholesale and retail. In retail applications, consumers could have direct access to digital central bank money, for instance within an existing bank account or through a wallet offered by a payment service provider. In wholesale projects, the focus is on exploring more innovative technologies for interbank payments and settlements, and they often even experiment with blockchain.

A wholesale CBDC wouldn't be an entirely new concept, though, since central banks already grant lenders access to digital accounts.

4. How would payments improve?

Digital payments could be settled faster than they currently are – even instantly, eliminating credit risk – and more cheaply. In some countries where electronic payment methods are not very widespread due to high costs for merchants, payments by card or phone could become more widespread. In addition,

a lower-cost CBDC could foster competition among payment service providers so that even conventional card payments – like Visa or Mastercard – might become cheaper.

5. What are potential downsides?

Denmark and some other countries have ruled out the retail model for CBDCs, since traditional banks that support economies by providing loans could be undermined if depositors switched en masse to central bank accounts. Privacy advocates worry about a loss of anonymity and the potential for government surveillance.

6. Who's trying this?

The International Monetary Fund says some 100 countries are at varying stages of exploration. Nigeria's eNaira went into circulation in late 2021, India is launching its first pilot of the digital rupee, and in China, hundreds of millions of consumers have already used the digital yuan during its trials.

Some of the islands in the eastern Caribbean that share a central bank launched their own digital currency, DCash. Its use was expanded to St. Vincent and the Grenadines in 2021 after

a volcano erupted; the rollout was seen as a key part of recovery efforts.

7. Who's not?

The Fed has also been lukewarm on the idea. It published a paper outlining benefits, but officials say there will be no "Fedcoin" without congressional action. It has, however, conducted research: In November, an official at the Federal Reserve Bank of New York said a team there found that a central bank digital currency using distributed ledger technology could reduce the time it takes to settle foreign exchange transactions from two days to under 10 seconds. Other central banks also say they're building technical capacity but see no pressing need to act.

8. Is there a precedent for this?

Not quite, though there are parallels. For centuries, it was common for transactions to be conducted in privately issued bank notes and coins, despite the endless headaches caused by fluctuating values. In the late 1800s, many governments seeking greater monetary control gave their central banks a monopoly over the issuance of currency.

Blackstone’s \$5.5bn hunt shows new reality of buyout finance

Bloomberg
New York

Cobbling together \$5.5bn of financing for a leveraged buyout is trickier than ever given Wall Street’s reduced risk appetite. Just ask Blackstone Inc.

When the buyout firm set its eyes on a unit of Emerson Electric Co, market conditions were bleak and getting bleaker by the day. Banks in the US and Europe were already staring at billions of dollars of losses on debt they had agreed to provide for acquisitions.

In the end, Blackstone bypassed investment banks and put together the final piece of the puzzle by turning to private credit firms. The purchase of Emerson’s climate technologies arm, announced on last Monday, shows the financial gymnastics now required to fund buyouts. It also highlights that private lenders still have an appetite to lend at scale when deals involve low leverage, strong businesses and buyout shops writing larger equity checks.

After engaging with Emerson for the better part of a year on a sale of its air conditioning and refrigeration unit, Blackstone executives realised they needed to toss out the standard playbook if they wanted to get a deal done. Before approaching lenders, they lined up \$2bn of preferred equity and \$2.25bn of so-called seller financing from Emerson to make lenders more comfortable, people with knowledge of the matter said.

As long as a group of Wall Street heavyweights could come up with \$5.5bn, a deal was within reach. But after the Labor Day holiday, sentiment soured even further as a large group of banks crystallised hundreds of millions of losses on the buyout of Citrix Systems Inc.

Several lenders that had discussed financing the Emerson deal offered to participate only if they could underwrite the debt at around 85 cents on the dollar, an offer Blackstone promptly rejected, the people said. Others who were more constructive were only willing to underwrite a small portion of the transaction.

“It became clear that the \$60bn or so on banks’ balance sheets wasn’t clearing, and so therefore it was harder to do bank underwriting,” Joe Baratta, Blackstone’s global head of private equity, said in an interview. “By mid-September, it became clear that route wasn’t viable at all.”

That’s when the four-person team led by Blackstone’s head of capital markets, Jonathan Kaufman, decided to look elsewhere. Instead of relying on banks for the entire \$5.5bn financing, Blackstone started canvassing private credit investors, which had become accustomed to funding multibillion-dollar transac-



The Blackstone Group headquarters in New York. After engaging with Emerson for the better part of a year on a sale of its air conditioning and refrigeration unit, Blackstone executives realised they needed to toss out the standard playbook if they wanted to get a deal done. Before approaching lenders, they lined up \$2bn of preferred equity and \$2.25bn of so-called seller financing from Emerson to make lenders more comfortable.

tions. Although those lenders have also dialled back risk, Blackstone ultimately found enough demand to place \$2.6bn of the debt with a group of private lenders, the people said.

A group of commercial banks led by Royal Bank of Canada ended up providing the remaining \$2.9bn through a so-called term loan A, a kind of loan that amortises over time and is less costly for banks to carry on their balance sheet compared to typical bridge loans for leveraged buyouts.

Commercial banks and private lenders are cut from different cloth.

While both expect to hold the debt to maturity, private lenders are looking for higher yields, but are able to accept longer-dated debt. Banks, meanwhile, look for amortisation, meaning they are repaid periodically not just on the interest of the loan - like the direct lenders - but also on the principal.

Bank lenders took term loan As at a margin of 4.50 percentage points over the Secured Overnight Financing Rate, according to two of the people. The \$2.6bn underwritten by direct lenders pays a margin of 6.75 percentage points over the benchmark rate, they said.

While both instruments have the same level of seniority in the company’s capital structure, the bank piece matures in five years instead of seven, and it includes a step up in interest rate starting in year three, according to the people. The bank loan also was issued at a steeper discount to face value and also includes a so-called maintenance covenant that requires the company to keep its debt-to-earnings ratio under a specified threshold, they said.

Blackstone, along with co-investors the Abu Dhabi Investment Authority and GIC, will take a 55% stake in the Emerson unit, valuing the business at

\$14bn at a multiple of 12.7 times earnings. Emerson is hanging on to the rest.

The deal is a rare bright spot for the buyout industry, which has seen its investment pace slow after a banner year in 2021. Through the first 10 months of 2022, private-equity firms globally have struck deals worth \$584bn, on track to fall well shy of the near \$1tn of acquisitions made last year, Dealogic Inc data shows.

The deal was also helped by the flexibility of the situation, with no auction process, the people said, or hard deadlines and multiple bidders.

The final structure allows Blackstone plenty of flexibility, should credit conditions improve. The bank piece can be refinanced with no penalty and Blackstone may even be able to source alternative capital to replace it before the acquisition is scheduled to close, one of the people said.

SPAC sponsors that ‘piled in’ during boom may face \$4bn tab

Bloomberg
New York

Blank-check sponsors that jumped on the bandwagon to cash in on the SPAC boom may be stuck with a roughly \$4bn bill as they close up shop and return money to investors. That’s on top of the estimated \$352mn they’ve already lost this year.

The SPAC craze was a goldmine for sponsors like “SPAC King” Chamath Palihapitiya and Howard Lutnick. They were early to the game and benefited from a bull market that bolstered the industry with investors eager to pay large premiums for a pile of cash.

Now that the bubble has burst, sponsors who “piled in during the boom in 2021” could lose billions, according to Jay Ritter, professor of finance at the University of Florida.

Sponsors on average could lose about \$8mn of at-risk capital - mostly fees for underwriters and others - on each liquidation, Ritter says. With 646 active SPACs either hunting for targets or pushing to complete them, and an average of roughly eight deals completed a month this year, he expects more than 80% of SPACs will need to close down.

That would result in losses of about \$4.1bn across the failed ventures. But that number may be closer to \$5bn given most recent SPACs essentially paid investors extra for buying into the initial public offering, Ritter says. “A lot of these fairly sophisticated financial professionals were a bit guilty of chasing past returns,” Ritter said by phone. “Six months from now it might be worthwhile for a sponsor to take a SPAC public, but I’ve been scratching my head for the past 18 months over the rush to spend \$8mn to get into an incredibly competitive market.”

So far this year, 44 SPACs have closed and returned the billions they raised to investors, compared to just one over the same period in 2021. Dozens more are working to close up shop before the end of the year. Alec Gores, one of the most well-respected sponsors, said on Thurs-

day that three of his SPACs, which raised a combined \$1.3bn last year, want to shutter soon. While the firm is “committed to the SPAC product in the long-term,” it acknowledged the “current reset in the SPAC market is necessary in light of the activity over the past two years,” Gores said in a statement.

The issues for SPACs include a closed window for traditional IPOs and a battered economy, as well as pressures from US regulators. Before the boom days resulted in more than 800 new SPACs in a two-year period, the market had presented a niche opportunity for companies that wanted to go public without some of the caveats of an IPO.

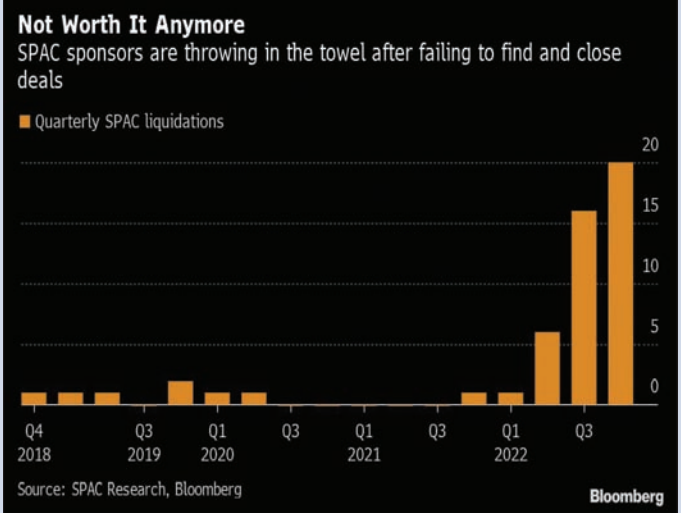
That turned upside down when stuck-at-home retail traders flush with cash and Wall Street pros looking to turn a quick profit took them mainstream.

“This is bubble activity,” says Enrique Abeyta, of the billions in looming sponsor losses. Abeyta follows SPACs as editor of Empire Financial Research. “The vast majority of these SPACs are going to not do anything,” he said.

The fallout from failed efforts has hit experienced teams, those with little to no SPAC experience and the countless firms that tied their hopes to celebrities and athletes. Both Palihapitiya and Bill Foley have given up one two SPACs recently. Financier Patrick Orlando is clamouring to close the deal between Digital World Acquisition Corp. and Donald Trump’s media venture to avoid a third failed venture.

To be sure, many sponsors in the early days reaped massive benefits from their ventures. For the 284 SPACs that completed deals or closed from 2015 to September 2021, sponsors had an average net payoff of at least \$46mn, according to a paper from Ritter and Minmo Gahng and Donghang Zhang. That means their total profits over that stretch were about \$13bn.

“Kind of like real estate investors in 2001-2008,” those who got in early did “very well on average,” while the group that was late to the party lost money, says Ritter.



Europe’s ability to cut gas demand waits for winter test

By John Kemp
London

Europe’s gas inventories continue to swell as the region prepares for winter and a possible interruption of pipeline supplies from Russia, with stocks comfortably exceeding targets set by governments. But the region has made less progress cutting consumption, which could still leave it short of supplies in the event of an extended cold spell and a halt to Russian deliveries. Inventories in the European Union and the United Kingdom (EU28) climbed to 1,071 terawatt-hours (TWh) on November 2, compared with a prior ten-year seasonal average of 928 TWh. European gas inventories and consumption inventory accumulation since the start of April has been the fastest on record (+770 TWh) and stocks have continued rising much later into the autumn than normal. Inventories are at the second-highest level on record for the time of year and set to increase further, according to data from Gas Infrastructure Europe.

Onshore storage is 95% full compared with the prior 10-year seasonal average of 89% (“Aggregated gas storage inventory”, GIE, November 4). In addition, a queue of LNG-carrying vessels has formed off the Iberian peninsula and Northwest Europe waiting for berths and better prices to unload. The vessel queue is effectively floating storage and implies inventories are even higher than the daily reported totals. Swollen inventories and the shortage of onshore storage space are weighing on prices for gas delivered in November and December. Benchmark futures prices for gas delivered in December have fallen to 120 euros per

megawatt-hour from 350 euros in late August. Progress towards the second part of the gas security package agreed by EU officials, cutting consumption by 15% this winter, has been less impressive. Seven countries (Germany, Italy, France, the Netherlands, Spain, Belgium and Poland) account for 80% of the European Union’s total gas consumption. Their combined gas use was 13-14% below the prior five-year average in August and September, according to preliminary figures from Eurostat. But that was the result of industrial closures and unusually mild temperatures in the first half of September which delayed the onset of heating demand. Consumption was below the five-year and 10-year ranges in many countries but the implied demand reduction from non-industrial users was modest when adjusted for temperatures. The real test lies ahead as temperatures fall: consumption during the annual January peak is roughly two and a half times higher than in July. The three months between December and February typically account for 36% of annual consumption compared with just 17% between July and September. Extra seasonal consumption is driven by residential, commercial and industrial space heating, rather than industrial demand, so proportionate reductions will require more profound and widespread behavioural changes. Despite some high-profile, symbolic measures to cut consumption in government-owned buildings, the willingness of ordinary households and businesses to cut gas use is still unknown. If significant demand reductions cannot be achieved, inventories will deplete very rapidly during any cold spells in December and January.

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

Lawyer suing Twitter over layoffs says Musk trying to comply

Bloomberg
San Francisco

The lawyer who sued Twitter Inc “pre-emptively” on the eve of mass layoffs by Elon Musk said she’s “pleased” to learn at least some employees will continue being paid until January 4.

Attorney Shannon Liss-Riordan said on Friday that the billionaire “is making an effort to comply” with the law, less than half a day after she accused the company in a class-action federal lawsuit of violating federal and California statutes restricting companies from mounting mass layoffs on short notice.

Liss-Riordan, who filed a similar lawsuit over June layoffs at Musk’s automaker Tesla Inc, said she “will be monitoring the situation” at Twitter to ensure employees receive appropriate notice and compensation.

“I am pleased that Elon Musk learned something from the lawsuit we brought against him at Tesla,” she said in an e-mail. “We filed this case pre-emptively to make sure a repeat of that violation did not happen.”

Twitter sent out letters on Friday to regulators in California outlining the layoffs. The Worker Adjustment and Retraining Notification Act, known as WARN, generally requires at least 60 days of advance notice for mass layoffs at large companies.

The company said it was cutting 93 jobs in Los Angeles, 784 in San Francisco and 106 in San Jose. The affected employees will be paid all wages and benefits they are entitled to through Jan 4, the official termination date, the company said in the letters.

Liss-Riordan said she’d be looking into



Elon Musk.

concerns about how the social media company chose which workers to terminate, and that the worker named as the lead plaintiff in Thursday night’s complaint appeared to have been targeted for retaliation when he was laid off November 1.

Employees have been told they will receive a severance agreement next week in which Twitter will ask them to waive any potential claims against it, she said.

The cost for failing to give notice under the WARN Act is limited to 60 days of pay and benefits, plus possible civil fines of as much as \$500 per day for violations, said University of California at Berkeley law professor Catherine Fisk.

“All this can be avoided if the employer

gives notice before laying off,” Fisk said. But employers may make the calculation that they’re better off firing workers and paying the severance tab if they’re concerned about possible slacking, sabotage or theft of trade secrets by soon-to-be-former employees, Fisk said.

Tesla hasn’t responded to inquiries about the suit, which is still pending.

Twitter on Friday began notifying many employees affected by a far-reaching round of job cuts. Musk plans to get rid of half the workforce, making good on his pledge to slash costs at the platform he acquired for \$44 billion last month, people with knowledge of the matter have said.

Liss-Riordan’s lawsuit asks the court to issue an order requiring Twitter to obey the WARN Act, and restricting the company from soliciting employees to sign documents that could give up their right to participate in litigation.

In Liss-Riordan’s Tesla case, the company won a ruling from a federal judge in Austin forcing the workers to pursue their claims in closed-door arbitration instead of in open court. Musk described the Tesla lawsuit as “trivial” during a discussion at the Qatar Economic Forum in June.

Liss-Riordan, a veteran Boston-based labour law attorney, gained national prominence suing Uber Technologies Inc and other gig-economy companies for allegedly exploiting their drivers. She ran unsuccessfully in September’s Democratic primary for Massachusetts attorney general.

At Twitter, “We’ll be watching the situation to make sure the employees are treated fairly and as the law requires,” Liss-Riordan said on Friday. “Billionaires are not above the law.”

Sovereign wealth funds address the green agenda

By Fahad Badar

When the head of the World Food Program David Beasley commented last month that oil-exporting nations had received an undeserved bonus through the spike in oil prices, and should redistribute their surpluses throughout the world, he caused some annoyance in the Gulf. No one expressed sympathy for oil-exporters when the price plummeted below \$10 per barrel during the Covid lockdowns in 2020. Food-exporting countries do not receive similar criticism when the global price of grain rises. Moreover, the recycling of petrodollars is a pattern that has been established for decades, offering benefits to the rest of the economic



world. An IMF paper in 2006 reported how the recycling falls into two broad categories: Absorption – domestic

consumption, which draws in imports; and the capital account – investments in foreign assets. Absorption helps improve the current account balance of the nations from which businesses and consumers in oil-exporting countries are purchasing. Indeed, the 2006 IMF paper noted that higher expenditure tended to continue after the period of high oil prices came to an end, showing that adjusting to volatility in the price is a challenge for oil exporters and importers alike. Capital account investments provide economic benefits to oil-importing nations, as they are often recipients of the proceeds of petrodollars. High levels of investment by oil exporters tends to enable interest rates to come down in the rest of the world, the IMF

paper noted. In addition, it includes inward investment for productive businesses. In comparison to the earlier years of oil boom, when portfolios were concentrated in the financial sector and real estate, recent investments have become more diversified and sophisticated. They have also become greener. The Norwegian sovereign wealth fund – which was originally built up through the proceeds of oil exports – has become increasingly well known for its pivot to clean technology and other asset categories considered more ethical. Some funds in the Gulf have moved in a similar direction, though attracting less publicity. The category ESG (Environmental, Social and Governance) has risen

sharply in prominence in recent years as a guide for investors. While there are concerns over how reliable related indicators are, owing to the possibilities of greenwashing, the move towards sustainability is substantial. Investments in the ESG space by sovereign wealth funds increased from \$7.2bn to \$22.7bn between 2020 and early 2022; sustainability-linked investments are increasingly prioritised throughout the Gulf region. One example of investment in clean technology is the creation of the largest solar power installation in Qatar. The 800MWp Al Kharsaah power plant was connected to the national grid in October this year, and will remove an estimated 26mn tons of CO2 emissions over the course

of its lifetime. According to a study by Invesco, some 75% of sovereign wealth funds globally, and 55% of Middle East funds, have an integrated ESG policy. A United Nations report in 2017 identified sovereign wealth funds as being well suited for helping societies reach the UN's Sustainable Development Goals (SDGs), because of their long-term perspective. Such investments had begun, the report concluded, and could be accelerated with clearer metrics for SDGs. Petrodollar surpluses are not inherently bad for the global economy – it depends upon how they are used.

■ The author is a Qatari banker, with many years of experience in the banking sector in senior positions.

More pound pain coming as central bank shifts to recession from inflation

Bloomberg
London

A shift in the Bank of England (BoE)'s focus from inflation to a darkening economic outlook became the latest reason to sell the pound.

The UK currency fell almost 3% versus the US dollar last week, its worst performance since late September and the biggest drop among major currencies globally. After sinking the most in a month on Thursday, sterling looks set for another dip towards parity, with banks including Mitsubishi UFJ Financial Group Inc, Bank of America Corp and Cooperative Rabobank UA predicting a fall below \$1.10 by the end of the year.

The Bank of England's struggle to get ahead of inflation has been a key driver of pound weakness all year and the latest selloff clips the pound's recovery from the UK's disastrous mini-budget just over a month ago. Investors now say the growing divergence in the approach to inflation at the BoE and the Federal Reserve is a reason to shun the UK currency.

Both central banks raised rates by 75 basis points this week. But Jerome Powell's willingness at the Fed to drive ahead with more aggressive hikes than traders envisaged contrasts with his UK counterpart Andrew Bailey's insistence that, with the nation toppling into a two-year recession, tightening expectations are overdone.

For the pound, that means there's more pain in store, according to Derek Halpenny, head of research for global markets EMEA at MUFG.

"Growth that cannot withstand many further rate hikes, as



A man holds pound sterling banknotes in an arranged photograph in London. The UK currency fell almost 3% versus the US dollar last week, its worst performance since late September and the biggest drop among major currencies globally.

is implied by the BoE, in circumstances of more sustained rate hikes elsewhere is an increasing risk," he wrote in a note. Coupled with the UK's large current-account deficit, it "could mean investors view further pound depreciation as the inevitable consequence," with sterling slipping below \$1.10 "soon enough," he said.

The pound's rebound from a record-low \$1.0350 has run out of steam and investors could be tempted to resume short bets against it in the face of renewed

dollar strength, according to strategists at BNP Paribas. The UK currency suffered its worst week versus the euro in more than two years, and the French bank predicts another bout of selling could see it fall to 0.9300 pence per euro, from around 0.8700 at the moment.

The BoE's shift in gears comes at a testing time for the pound and the country's gilt market. Both took a pummelling in late September after the UK government's unfunded, and ultimately ill-fated, tax-cut plan spooked

investors with the prospect of soaring government borrowing.

The turbulence abated with the ouster of Prime Minister Liz Truss, but the dollar's surge and Bailey's pushback against sharp hikes have hurt the pound this week.

Longer-dated gilt yields have ticked up, meanwhile, as investors brace for a barrage of debt supply next week that includes the second instalment of the Bank of England's quantitative tightening program as it sells down the bonds it scooped up

over the past decade to keep borrowing costs low.

Now traders are waiting for Prime Minister Rishi Sunak and Chancellor Jeremy Hunt to unveil the government's medium-term fiscal plan on November 17, which could prove the next trigger point for sterling. The spending cuts and other austerity measures they're expected to deliver will increase the economic hardship for UK households.

"There's a perception that the Bank of England might be a bit more growth-concerned, and therefore won't raise rates as much. The inflation path will dictate whether they are vindicated or not," said Howard Cunningham, fixed income portfolio manager at Newton Investment Management.

All that fuels the view that the UK will be the standout economic underperformer among Group-of-10 economies in the coming months, adding to its ongoing headache of twin deficits and keeping the bias firmly on a weak pound.

At the same time, the fiscal tightening could alleviate some inflationary pressure and require less monetary tightening in the coming months, as the BoE is predicting.

David Page, head of macro research at AXA Investment Managers, says this will ease the recession's sting and, in the longer run, help the pound.

"If UK policy is going to be a fiscally tight package which leads to rates peaking at a lower level, that's something that over time makes the pound a better-value currency," he said. "The fundamentals of the economy should be stronger and that should allow for a sterling recovery."

US inflation to pose fresh test for Powell's Fed

Bloomberg
Washington

The Federal Reserve gets fresh insight into its inflation challenge this week amid expectations US prices continued to rise at a stubbornly fast pace in the past month.

The consumer price index report for October is scheduled for Thursday, and is set to have climbed 7.9% from a year ago, only a slight slowing from 8.2% recorded in September, according to the median forecast of economists surveyed by Bloomberg News.

Strip out food and energy and the index likely edged down to a 6.5% result from September's 6.6% advance. That's still far above the 2% inflation the Fed targets based on a separate gauge.

On a month-over-month basis, the core measure is projected to rise 0.5%, matching the average pace since October of last year and indicating the Fed has made little progress arresting rampant inflation with its series of jumbo rate hikes.

Fed officials, led by Chair Jerome Powell, raised their key interest rate on November 2 by 75 basis points for the fourth meeting in a row.

While they hinted at a potential willingness to slow the pace of increases when they next gather in December, that will ultimately depend on whether the outlook for inflation cools. Policy makers are already signalling that rates may peak at a higher level than previously assumed.

"On the surface, the core reading, which excludes food and energy, should contain some good inflation news for Fed doves. Price pressures in both core goods and services will likely moderate."

The inflation surge certainly

has implications for lawmakers as US voters go to the polls on Tuesday. Opinion polls suggest Democrats will lose control of the House of Representatives and possibly the Senate as well.

Japan is expected to give details early in the week of a \$200bn extra budget to fund its latest economic stimulus package. How much will be funded by new issuance of bonds will be under close scrutiny as the country adds to the developed world's worst public debt load.

Japanese wage and spending figures out Tuesday are likely to show a continued fall in households' purchasing power and expenditure as inflation strengthens. Daily intervention data for September are expected to show just one entry into markets to prop up the yen before Japan ramped up its strategy in October.

Reserve Bank of Australia's Deputy Governor Michele Bullock sheds light on the latest thinking on policy as the central bank appears to settle on an extended regular sized rate-hike strategy.

China is set to report trade data today and inflation numbers on Wednesday, with weakening factory prices and tame consumer prices another sign of weakness in momentum. Indonesia posts GDP data today and the Philippines does so on Thursday.

The week kicks off with a meeting of euro-area finance chiefs in Brussels. They're likely to lament the economic woes of a region that seems headed for recession while consumer prices are at a record high.

A flurry of European Central Bank officials are scheduled to speak, among them President Christine Lagarde, Vice-President Luis de Guindos, and Chief Economist Philip Lane.

Following the Fed goes out of fashion in 'messier' world economy

Bloomberg
Washington

The world's most aggressive and synchronised monetary policy tightening in 40 years is entering a new phase as central banks prepare to slow the pace of interest-rate increases and break ranks over how much further they'll go.

The shift toward a softer, less uniform rate-hiking campaign partly reflects growing disparities in a global economy still struggling with the aftershocks of the pandemic and Russia's invasion of Ukraine. Another explanation is that debt burdens leave some economies more sensitive than others to tighter credit.

US growth remains resilient for now in the face of repeated rate increases by the Federal Reserve, which last week signaled it will likely raise rates to a higher peak than previously expected albeit perhaps at smaller increments. Many on Wall Street see the key US rate topping 5% next year.

By contrast, the UK, Australia and Canada, are already pulling back or indicating they won't be as punchy in coming months amid concern following the Fed could plunge their economies into recessions. A swing away from what TS Lombard

economist Dario Perkins calls "peak monetary synchronisation" won't be without problems.

This year's Fed-driven surge of the dollar is already wreaking havoc among heavily-indebted developing countries and advanced nations dependent on energy and other imports priced in the US currency.

"Things could get even messier" if US policy makers push ahead with more rate increases, and central bankers with weaker economies decide against matching them, Perkins wrote in a report to clients last week.

The developing divergence was on full display last week. While both the Fed and the Bank of England raised interest rates by 75 basis points, their respective leaders struck different tones about what lies ahead.

Fed Chairman Jerome Powell emphasized that the central bank had "a ways to go" before it was finished raising rates even as he opened the door to a smaller increase in December. The US benchmark is now 3.75% to 4%. Bank of England Governor Andrew Bailey, for his part, pushed back against market expectations for the scale of future increases amid fears such a path will deepen a recession that is all but guaranteed.

The dollar rose initially after Powell's remarks while the British pound sank



after Bailey's. Bond markets have been rolled over the past six months as investors buoyed by hopes a Fed pivot would lead to an easier international policy landscape suffered serial disappointment.

That's sent the Bloomberg global bond index to an unprecedented year-to-date loss of about 20%. For much of the past year, central banks were engaged in what Bank of America

Corp economist Ethan Harris labelled "a competition to see who can hike faster." That made sense given inflation had wrong-footed them by racing to decade-high levels with rates historically low. But now the situation is changing even with inflation still way above targets in most places. Borrowing costs are significantly higher and beginning to take a bite

out of growth or labour markets. Some economies are also more sensitive than others to rising rates because of household and business debts or housing markets which are stretched or driven by variable rate mortgages.

Among them, according to Perkins: The UK, Canada, Australia, New Zealand and Norway.

"These economies will suffer recession long before the Fed has caused a US economic downturn," he said.

So it shouldn't be a surprise that monetary policymakers in some of these countries already have paused or reduced the size of their rate moves. A general pullback in aggressiveness still points to "the end of the beginning" of the rate-hiking campaign, according to Gilles Moec, chief economist of AXA SA.

A Credit Suisse Group AG index shows dovish central bank surprises recently began outnumbering hawkish ones. But hawks say that for all the talk of pivots, the peak in global rates has yet to be reached and may not be until the end of the first quarter of next year or even longer if inflation doesn't fade.

Bloomberg Economics sees its global central bank rate reaching 5.5% in the middle of next year, up from 2.9% at the end of 2021. In advanced economies

alone, a jump to 3.5% from 0.1% is anticipated.

Like the Fed, the European Central Bank may stay on the front foot with inflation north of 10%. "Our job is far from being completed," President Christine Lagarde said last week, noting rates will need to enter restrictive territory to depress prices.

Aggregate global inflation is running at 9%, almost five times the 2% most central banks view as price stability, according to Citigroup Inc. economists, who see a 50% probability of a global recession next year.

Markets are now betting on a slower pace of tightening, but a higher end point. The average cash rate across advanced economies has jumped by almost 2 percentage points in 2022 and investors see that average climbing by about another percentage point in the coming months.

The Fed benchmark in a year's time is expected to be 2.5 percentage points above the average across other major advanced economies, the widest gap since at least 2004. That premium is part of the reason ICE's Dollar Index has soared this year to head for a record annual gain

"The Fed keeps promising more and the dollar keeps rising," said Harris, who is head of global economics research for Bank of America.

Ratings upgrade lifts QSE sentiments as index rises

By Santhosh V Perumal
Business Reporter

Reflecting the country's ratings upgrade by international credit rating agencies as Moody's and Standard and Poor's, the Qatar Stock Exchange yesterday saw its key barometer gain more than 100 points and capitalisation add in excess of QR6bn. An across the board buying, particularly in the banking sector, led the 20-stock Qatar Index expand 0.82% to 12,406.69 points, although it touched an intraday high of 12,558 points. The foreign funds were increasingly net buyers and the Arab individuals were seen bullish in the market, whose year-to-date gains improved to 6.72%. About 69% of the traded constituents were in the red in the main bourse, whose capitalisation saw QR6.17bn or 0.9% increase to QR693.37bn, mainly on the back of midcap segments.

The Islamic index was seen gaining slower than the other indices in the market, which saw a total of 0.1mn exchange traded funds (sponsored by Masraf Al Rayan and Doha Bank) valued at QR0.72mn changed hands across 38 deals. Trade turnover volumes were on the decline in the main market as well as junior bourse. The Arab institutions were net buyers, albeit at lower levels, in the bourse, which saw no trading of sovereign bonds. The Gulf funds also turned bullish in the main market, which saw no trading of treasury bills. The Total Return Index grew 0.82% to 25,412.92 points, All Share Index by 0.76% to 3,961.26 points and Al Rayan Islamic Index (Price) by 0.69% to 2,723.77 points. The banks and financial services sector index shot up 1.01%, industrials (0.77%), telecom (0.53%), realty (0.33%), insurance (0.17%), consumer goods

and services (0.12%) and transport (0.06%). Major gainers in the main market included Alijarah Holding, Qamco, QNB, Qatar Insurance, Al Meera, Qatar Islamic Bank, Industries Qatar, Ezzan, Mazaya Qatar and Milaha. In the venture market, both Al Faleh Educational Holding and Mekdam Holding saw their shares appreciate in value. Nevertheless, QLM, Al Khaleej Takaful, Dila, Zad Holding, Widam food and Nakilat were among the losers in the main market. The foreign institutions' net buying increased considerably to QR43.05mn compared to QR15.12mn on November 3. The Arab retail investors turned net buyers to the tune of QR8.69mn against net sellers of QR2.45mn the previous trading day. The Arab institutions were net buyers to the extent of QR0.15mn compared with no major net exposure last Thursday. The Gulf institutions turned

net buyers to the tune of QR0.07mn against net profit takers of QR5.91mn on November 3. The Gulf individuals' net selling declined marginally to QR3.08mn compared to QR3.6mn the previous trading day. However, the domestic institutions' net selling strengthened noticeably to QR24.26mn against QR17.75mn last Thursday. The foreign individuals were net sellers to the tune of QR20.65mn compared with net buyers of QR6.31mn on November 3. The local retail investors turned net profit takers to the extent of QR4.08mn against net buyers of QR8.27mn the previous trading day. Total trade volume in the main market shrank 12% to 104.13mn shares, value by 12% to QR360.03mn and deals by 26% to 12,265. The venture market saw a 67% plunge in trade volumes to 0.06mn equities and 62% in value to QR0.39mn but on doubled transactions to 40.



An across the board buying, particularly in the banking sector, led the 20-stock Qatar Index expand 0.82% to 12,406.69 points yesterday, although it touched an intraday high of 12,558 points

FIFA World Cup to have favourable economic impact over next 12 months: QFC

By Santhosh V Perumal
Business Reporter

The FIFA World Cup, which kicks off here in the next two weeks, is expected to leave a "favourable" economic impact over the next 12 months, according to the Qatar Financial Centre (QFC).

"There are hopes that the sporting event will have a favourable impact on the country over the next 12 months with sentiment improving to a two-year high," QFC Authority chief executive officer Yousuf Mohamed al-Jaida said after disclosing the findings of the latest purchasing managers' index (PMI) survey.

The Qatar PMI indices are compiled from survey responses from a panel of around 450 private sector companies. The panel covers the manufacturing, construction, wholesale, retail, and services sectors, and reflects the structure of the non-energy economy according to official national accounts data.

Highlighting that the FIFA World Cup will bring with it a large influx of tourist activity to Qatar, he said sustained increases in output suggest businesses are geared up for a busy four weeks of trading.

The latest PMI data found that Doha's non-oil private sector saw moderation at the start of fourth quarter but rate of growth in total economic activity remained marked as firms prepare for an influx of sales in anticipa-



QFC Authority chief executive officer Yousuf Mohamed al-Jaida.

tion of the FIFA World Cup. The survey data said expectations were boosted by the fast-approaching World Cup with sentiment at a two-year high in October.

Prices data signalled improving profitability with near-record uplift in selling charges alongside only a marginal increase in input costs.

The data found new orders eased, while purchasing activity also cooled. Meanwhile, firms trimmed their headcounts to a record degree

in an effort to save on costs. "While output continued to expand robustly, firms reported a further softening in new orders. Subsequently, businesses were keen to make efficiency gains where they could and reduced their buying activity during the month. There were also efforts to scale back headcounts which reduced at the quickest rate in the survey's history," said al-Jaida.

The headline PMI is a composite single-figure indicator

of non-energy private sector performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases.

At 48.4 in October, down from 50.7 in September, the latest PMI pointed to a moderation in non-energy private sector business conditions. The latest result brought an end to 27 successive months of growth. The headline figure was only marginally below the neutral value of 50.

The sustained moderation in new orders led non-energy companies in Qatar to scale back on their purchasing activity.

The rate of decline was sharp, but softer than the contractions seen during the height of the pandemic. Turning to prices, overall input prices rose for the third month running. A renewed uptick in purchase costs drove the latest increase.

"The rate of inflation was only marginal, however, amid a fall in staff costs," the survey said.

Firms in turn raised their selling prices sharply, and at the third-quickest rate in the survey's history, behind that seen only in the previous survey period and November 2021. According to panel comments, firms hiked charges to capitalise on greater tourist activity.

"Looking ahead, firms were widely upbeat about their output expectations over the year ahead. Firms were hopeful that the FIFA World Cup would have a positive impact on output growth," it said.

The latest PMI data on Qatar's financial services sector signalled a further marked improvement during October, with business activity now increasing in each month since July 2021.

The rate of output growth was robust and much quicker than the long-run series average.

New orders rose again, as has been the case since June 2020. The rate of growth was the softest for 15 months, however.

Low-cost LNG supplier Qatar to remain in 'relatively strong competitive position', says S&P

By Pratap John
Business Editor

As a low-cost LNG supplier, Qatar will remain in a "relatively strong competitive position" even after 2030, although demand is likely to peak in the mid-2030s, with increasing use of renewables in the energy market having a gradual impact on demand for hydrocarbons, S&P Global noted in its ratings upgrade.

S&P recently raised its long-term sovereign credit rating on Qatar to 'AA' from 'AA-', assigned a stable outlook, and affirmed the country's 'A-1+' short-term rating.

In its overview, S&P noted Qatar's debt interest costs as a share of government revenue have fallen, and therefore it expects them to remain low because the government is repaying maturing debt.

Additionally, the government's revenue stream will be significantly enhanced by the North Field expansion, whereby Qatari liquefied natural gas production capacity is expected to increase by 64% (by 2027).

"The upgrade reflects structural improvements in the Qatari government's fiscal position. The government's strategy of paying off maturing debt, will sustainably reduce debt-servicing costs to below 5% of general government revenue over 2022-2025," S&P said.

Higher gas production related to the North Field expansion, expected to come onstream from end-2025, should further increase Qatari government revenue. Qatar remains one of the largest export-

ers of LNG globally. Between 2025 and 2027, the government plans to increase its LNG production capacity by about 64%, from 77mn tonnes per year to 126mn tpy.

The strategic pivot away from Russian gas, particularly by European economies, suggests there will be a ready market for the additional Qatari gas.

In its forecast, S&P said, "We assume that LNG production levels will be largely flat until 2025, but increase by about 30% over 2026-2027, on the assumption that the full increase in capacity will take some time to be fully utilised."

S&P said it expects "strong" non-hydrocarbon sector growth as Qatar hosts the FIFA World Cup from November 20 to December 18, which will support an economic expansion of about 5% in 2022. After the tournament, S&P has forecast real GDP growth will average about 2.5% over 2023-2025 as gas production levels remain broadly stable and non-hydrocarbon sector growth normalises around 4%.

The country's strong general government net asset position remains a credit strength and it expects it to increase over the period to 2025, supported by investment returns on Qatar's sovereign wealth fund, Qatar Investment Authority (QIA), assets, and the government's repayment of maturing external debt.

Averaging about 150% of GDP in 2022-2025, Qatar Government's large liquid assets provide it with a strong buffer to mitigate the economic effects of external or financial shocks.

Qatar sees double-digit y-o-y growth in sales of new vehicles in Sept: PSA

By Santhosh V Perumal
Business Reporter

Qatar's automobile sector saw a double-digit growth in new registrations on an annualised basis this September, according to the Planning and Statistics Authority (PSA).

The new vehicle registrations stood at 8,367, which represented a 13.3% increase year-on-year but shrank 5.3% month-on-month this September, said the figures released by the PSA.

The registration of new private vehicles stood at 5,331, which posted a 1.7% jump on an annualised basis but declined 12.3% on monthly basis in September 2022. Such vehicles constituted about 64% of the total new vehicles registered in the country in the review period.

The registration of new private transport vehicles stood at 1,648, which zoomed 14.9% and 10% year-on-year and month-on-month respectively in September this year. Such vehicles constituted about 20% of the total new vehicles in the review period.

The registration of new private motorcycles shot up 72.1% on an annualised basis to 604 in September 2022; it was seen declining 31.8% month-on-month. These constituted more than 7% of the total new vehicles in the review period.

The registration of new heavy equipment stood at 199, which constituted more than 2% of the total registration this September. Their registrations had seen 23.8% and 8.7% shrinkage on an annualised and monthly basis respectively.

The new registration of other non-specified vehicles stood at 502 units, which grew 578.4% and 329.1% year-on-year and month-on-month respectively in the review period. They constituted about 6% of the total new vehicles in the country in the review period. The registration of trailers stood at 83 units, which saw a 232% and 112.8% surge year-on-year and month-on-month in the review period.

The renewal of registration was reported in 65,784 units, which saw 5.2% growth on a yearly basis but fell 4.1% month-on-month this September.

The transfer of ownership was reported in 33,472 vehicles in September 2022, which zoomed 11.6% and 2.9% on yearly and monthly basis respectively.

The re-registration of vehicles stood at 124, which reported 61.9% contraction on a yearly basis but grew 27.8% on monthly basis in September 2022.

The modified vehicles' registration stood at 5,369, which saw a 27.3% year-on-year growth but declined 24.5% month-on-month in September this year. The cancelled vehicles stood at 3,209 units, which shot up 62.4% and 12.8% year-on-year and month-on-month respectively in the review period. The number of lost/damaged vehicles stood at 7,789 units, which declined 21.2% and 15% on yearly and monthly basis respectively in September 2022.

The number of vehicles meant for exports stood at 1,502 units, which reported 33.2% and 11.6% contraction year-on-year and month-on-month this September. The clearing of vehicle-related processes stood at 125,613 units, which expanded 6.1% on a yearly basis but weakened 4.1% month-on-month in the review period.

