VIOLENT GYRATIONS | Page 8

QSE edges up; insurance, realty and transport counters record excess demand

Wednesday, July 10, 2024
Muharram 4, 1446 AH

GULF TIMES
BUSINESS

AI-FUELLED RUN: Page 6

Tech giants face tough task to sustain second half stock rally

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Al-Attiyah Foundation, UDST partner to develop future energy and sustainability leaders

The Abdullah Bin Hamad Al-Attiyah International Foundation for Energy and Sustainable Development and the University of Doha for Science and Technology (UDST) have embarked on a significant partnership by signing a memorandum of understanding (MoU). This collaboration signals the commitment of both organisations to the development of future energy and sustainability leaders.

It aims to bolster research, education, and dialogue in the fields of energy, sustainability, and climate change, while fostering the enhancement of constructive contribution to corporate social responsibility, in line with the Qatar National Vision 2030.

HE Abdullah bin Hamad al-Attiyah, Chairman of the Al-Attiyah Foundation, and Dr Salem Al-Naemi, President, UDST, signed the agreement recently.

Al-Attiyah expressed satisfaction at the collaboration, stating: "I am delighted to formalise the co-operation agreement between the Al-Attiyah Foundation and UDST. This agreement underscores our firm belief in the significance of collaborative efforts and our confidence in the University to be a worthy partner in our shared vision to nurture the youth of Qatar and develop future leaders in the areas of energy, climate change, and sustainability."

He further emphasised, "this partnership will serve as a platform for launching joint research and studies, as well as exchange of information, knowledge and experiences."

Al-Naemi commended the distinguished collaboration with the Al-Attiyah Foundation and said: "As a national university, energy and sustainability are key pillars of our strategy, both in research and in educating a generation that is knowledgeable, skilled, and committed to achieving Qatar's National Vision. This MoU is comprehensive and includes numerous initiatives that will benefit both parties. It will facilitate knowledge exchange, establish a strong foundation for collaboration, and pave the way for significant achievements."

"The signed agreement not only reinforces the alliance between the Al-Attiyah Foundation and the UDST but also facilitates mutual engagement on studies and joint events relating to energy and sustainability topics and policies," a statement said.

HE Abdullah bin Hamad al-Attiyah, Chairman of the Al-Attiyah Foundation, and Dr Salem Al-Naemi, President, University of Doha for Science and Technology, signed the agreement recently.

GCC air passenger traffic sees 'material' growth amid $340bn tourism GDP: Fitch

By Santhosh V Perumal
Business Reporter

The air passenger traffic in the Gulf Co-operation Council (GCC) is set to see "material" growth on expansion of regional airports in anticipation of a surge in tourism and its contribution to the economies, according to Fitch, an international credit rating agency.

Highlighting that the GCC has set ambitious goals for the tourism sector, which will help reduce the dependence on oil, Fitch said the GDP (gross domestic product) contribution from the tourism sector is expected to increase from around $130bn in 2023 to more than $340bn by 2030, equivalent to more than 10% of GDP in the region.

The aviation industry is set to play an essential role and Fitch expects air passenger traffic to show "material" growth. The region already has some of the world's most modern airports, including Dubai International Airport (87mn passengers), Hamad International Airport (45.9mn) and King Abdulaziz International Airport (42.9mn).

A sample of GCC airports showed that traffic in 2023 was 8% above 2019 levels and was up by about 20% from 2022. In most of EMEA (Europe, Middle East and Africa) airports covered by Fitch, 2023 traffic was 97% of 2019 levels. The GCC infrastructure plans are for air traffic to double by 2030.

The UAE and Qatar have invested heavily in their airports in recent decades, along with the development of their respective flagship airlines, making them among the world's biggest international passenger hubs, according to Fitch.

More recently, Saudi Arabia expanded its investments in airports to increase capacity to support the anticipated population and tourism growth, it said, adding this year, Dubai announced a $35bn plan to transform Al Maktoum International Airport to accommodate 260mn passengers a year.

Finding that the GCC countries are increasingly adopting public-private partnerships (PPPs) for a wide range of infrastructure projects; Fitch said Dubai authorities already announced a pipeline of social and transport PPPs ($10bn and about $1bn, respectively).

In 2023, Saudi Arabia unveiled a pipeline of 200 projects across 17 sectors, including four airports. The recent procurement for Abha Airport attracted numerous expressions of interest from local and international investors as well as airport operators, including TAV Airports Holding.

The first PPP airport concession in the GCC was Medina Airport (in which TAV has a 26% stake), which closed in 2012 with $1.2bn financing, led by local banks, to fund the expansion of the existing airport to accommodate growing passenger numbers.

By tapping into bond and sukuk markets, the GCC countries would have access to a wider pool of investors and longer-term financing options, which could help to finance large projects.

Indosat to grow home broadband subscribers to 2mn by 2028

By Peter Alagos
Business Reporter

Indosat Ooredoo Hutchison (Indosat) is looking to increase its active subscribers to 2mn in the next four years by capitalising on the home broadband $4bn market potential by 2028, a top official has said.

Indosat president director and CEO Vikram Sinha spoke about the company's plans for its home broadband business following the recent MNC Play acquisition, saying "the company's home broadband business will become an increasingly important contributor to Indosat's growth in the future."

In November 2023, Indosat announced the collaboration between Asianet (a Lightstorm Group entity) and PT MNC Kabel Mediacom (MNC Play), in bringing world-class digital experience to customers.

"We recently moved to expand this business by acquiring MNC Play's customer assets. That acquisition transformed the scale of our fibre-to-the-home business, adding around 300,000 customers and strengthening our offering to include Internet Protocol Television Services (IPTV)," he said.

According to Sinha, the impact of the deal is expected to be "highly positive," bolstering Indosat's EBITDA from 2024 and solidifying the company's position in the rapidly growing home broadband market. Currently, Indosat's home broadband business is catering to over 339,000 customers across Indonesia, he noted.

Sinha said, "During 'IOH Capital Market Day 2024', we shared that the home broadband opportunity will have a $4bn market potential by 2028. We aim to capture an 8% to 10% market share by growing our active subscribers to 2mn in 2028."

Two and a half years after the merger of Indosat and Hutchinson 3 Indonesia, Sinha said Indosat now has more than 100mn customers, making it "one of the only top 10 telcos worldwide with that number of subscribers."

He said Indosat delivered "remarkable achievements" after the merger and network integration in 2023. Over the last 30 months, Indosat already reached more than $400mn in annualised synergies.

"We have completed most of the big integration initiatives, mainly around network integration, although there is still some work to do. Our performance is a testament to the success of the merger – our market cap has more than doubled, our share price has increased over 50% in the last 12 months, our Average Revenue Per User (ARPU) has increased, and we are delivering a sustainable net profit to our shareholders. We have the highest total shareholder returns at 56%, the highest EBITDA growth in APAC. These numbers should instil confidence in our collective future," he said.

Sinha added: "From day one, it was clear that this merger would benefit Indosat, our customers, our employees, and Indonesia. This strategic decision was driven by our purpose of empowering every Indonesian, not solely shareholder interests. The subsequent growth of the industry following our merger serves as a testament to its positive effects on the country and its people."

Indosat president director and CEO Vikram Sinha.

QatarEnergy at forefront of rising LNG vessel capacities globally: IGU

By Pratap John
Business Editor

QatarEnergy is once again at the forefront of the rising LNG vessel capacities, ordering eighteen 271,000cm vessels at Hudong-Zhonghua Shipbuilding in China, according to the International Gas Union (IGU).

Eight of the 18 QC-Max size LNG vessels will be delivered in 2028 and 2029, while the other ten will be delivered in 2030 and 2031.

In April, QatarEnergy had signed an agreement with China State Shipbuilding Corporation (CSSC) for the construction of 18 ultra-modern QC-Max size LNG vessels, marking a significant addition to its historic LNG fleet expansion programme. The new vessels, with a capacity of 271,000 cubic metres each, will be constructed at China's Hudong-Zhonghua Shipyard, a CSSC wholly-owned subsidiary, and will feature state of the art technological innovation and environmental performance.

Also, 12 conventional-size LNG vessels are currently under construction at Hudong-Zhonghua, and that delivery of the first such vessels is expected by the third quarter of this year.

IGU noted the vessels being built at Hudong-Zhonghua Shipbuilding are slightly larger than the 45 Qatari Q-Class newbuilds of over 200,000cm that were delivered during the 2007-2010 period.

However, moving forward, 200,000cm vessels or larger could find favour due to their economies of scale for long-haul voyages. The current orderbook comprises 22 vessels, each with capacity of either 200,000cm or 271,000cm for delivery during the period 2024-2029.

Of the 32 newbuilds delivered in 2023, all except three have a capacity of between 170,000 and 200,000cm, IGU noted. Vessels of this size remain within the upper limit of the Panama Canal's capacity following its expansion in 2016, while still benefiting from economies of scale, particularly as additional LNG capacity is developed in the US Gulf Coast (USGC) for long-haul delivery to Asia.

The global LNG fleet is relatively young due to the rapid increase in LNG trade over the past two decades, IGU said.

Vessels under 20 years of age make up 85.3% of the active fleet. Newer vessels are larger, more efficient, and have superior project economics over their operational lifetime.

Only 21 active vessels are 30 years or older, including eight that were converted into FSRUs or FSUs.

The global LNG orderbook had a staggering 359 newbuild vessels under construction at end of February-2024, equivalent to over 51% of the current active fleet.

This illustrates shipowners' expectations that LNG trade will continue to grow in line with scheduled increases in liquefaction capacity, particularly from the US.

An expected 77 carriers will be delivered in 2024, including the 11 already delivered.

An LNG tanker passes boats along the coast of Singapore. Global LNG fleet is relatively young due to the rapid increase in LNG trade over the past two decades, IGU said.

The orderbook includes 21 icebreaker-class vessels for the Arctic LNG 2 project. These, IGU noted, are highly innovative and CAPEX-intensive ships with the capabilities required to traverse the Arctic region.

Due to the Russia-Ukraine conflict, these vessels have faced a risk of delayed deliveries or cancellations due to international sanctions on Russia that have complicated equipment delivery and payments.

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Interim Condensed Consolidated Financial Statements for the Six Month Period Ended 30 June 2024

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF QATAR NATIONAL BANK (Q.P.S.C.)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Qatar National Bank (Q.P.S.C.) (the "Bank") and its subsidiaries (together referred to as the "Group") as at 30 June 2024, comprising of the interim consolidated statement of financial position as at 30 June 2024, the related interim consolidated statements of income and comprehensive income for the three and six month periods then ended, and interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six month period then ended, and the related explanatory notes.

The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

8 July 2024
Doha

Ziad Nader
of Ernst & Young
Auditor's Registration No. 258

Interim Consolidated Statement of Financial Position

	30 June 2024 (Reviewed) QR000	30 June 2023 (Reviewed) QR000	31 December 2023 (Audited) QR000
ASSETS			
Cash and Balances with Central Banks	93,446,418	94,789,136	87,820,365
Due from Banks	84,768,950	103,257,230	86,476,920
Loans and Advances to Customers	879,356,731	818,522,752	852,987,250
Investment Securities	171,161,506	152,767,226	172,732,325
Investment in Associates	7,755,638	7,859,577	7,849,360
Property and Equipment	6,916,829	6,306,929	6,713,427
Intangible Assets	2,227,079	3,274,129	2,642,601
Other Assets	15,201,619	15,279,193	13,762,765
Total Assets	**1,260,834,770**	**1,202,056,172**	**1,230,985,013**
LIABILITIES			
Due to Banks	139,663,994	161,300,841	156,991,401
Customer Deposits	890,561,221	836,478,115	857,106,277
Debt Securities	41,017,741	34,110,330	36,288,867
Other Borrowings	33,421,092	25,980,859	29,400,073
Other Liabilities	46,193,214	40,227,248	40,991,301
Total Liabilities	1,150,857,262	**1,098,097,393**	**1,120,777,919**
EQUITY			
Issued Capital	9,236,429	9,236,429	9,236,429
Legal Reserve	25,326,037	25,326,037	25,326,037
Risk Reserve	12,000,000	11,000,000	12,000,000
Fair Value Reserve	(741,535)	(371,038)	(587,777)
Foreign Currency Translation Reserve	(31,085,884)	(29,398,926)	(29,157,890)
Other Reserves	(1,000,093)	(509,140)	(820,506)
Retained Earnings	75,119,259	67,697,506	73,102,343
Total Equity Attributable to Equity Holders of the Bank	**88,854,213**	**82,980,868**	**89,098,636**
Non-Controlling Interests	1,123,295	977,911	1,108,458
Instruments Eligible for Additional Tier 1 Capital	20,000,000	20,000,000	20,000,000
Total Equity	**109,977,508**	**103,958,779**	**110,207,094**
Total Liabilities and Equity	**1,260,834,770**	**1,202,056,172**	**1,230,985,013**

These interim condensed consolidated financial statements were approved by the Board of Directors on 8 July 2024 and were signed on its behalf by:

Ali Ahmed Al-Kuwari
Chairman of the Board of Directors

Abdulla Mubarak Al-Khalifa
Group Chief Executive Officer

Key Highlights

- Net Profit reached QR8.2 billion, up by 7% from June 2023.
- Total Assets reached QR1,261 billion, up by 5% from June 2023.
- Loans and Advances reached QR879 billion, up by 7% from June 2023.
- Customer Deposits reached QR891 billion, up by 6% from June 2023.
- Earnings per share reached QR0.82, up by 8% from June 2023.
- Total Equity reached QR110 billion, up by 6% from June 2023.
- Moody's and Fitch upgraded QNB's credit ratings to Aa2 and A+, respectively.

Proposed Interim Cash Dividends

- Interim Cash Dividends of 33% of the nominal value of the share, payable to eligible shareholders as at the close of trading on 17 July 2024.

Interim Consolidated Statement of Income

	Three Months to 30 June 2024 (Reviewed) QR000	Three Months to 30 June 2023 (Reviewed) QR000	Six Months to 30 June 2024 (Reviewed) QR000	Six Months to 30 June 2023 (Reviewed) QR000
Interest Income	31,143,653	22,207,066	60,345,510	43,149,782
Interest Expense	(23,411,843)	(15,195,693)	(44,534,426)	(28,931,845)
Net Interest Income	**7,731,810**	**7,011,373**	**15,811,084**	**14,217,937**
Fees and Commission Income	1,937,885	1,356,440	3,830,184	2,711,614
Fees and Commission Expense	(841,677)	(434,374)	(1,621,224)	(968,221)
Net Fees and Commission Income	**1,096,208**	**922,066**	**2,208,960**	**1,743,393**
Net Foreign Exchange Gain	612,355	1,212,459	1,617,854	1,735,247
Income from Investment Securities	94,015	(71,378)	172,456	229,309
Other Operating Income	18,685	(34,590)	43,151	277,610
Operating Income	**9,553,073**	**9,039,930**	**19,853,505**	**18,203,496**
Staff Expenses	(1,183,169)	(921,960)	(2,415,803)	(1,950,525)
Depreciation	(203,835)	(144,332)	(390,634)	(311,899)
Other Expenses	(860,166)	(690,646)	(1,694,166)	(1,510,907)
Net ECL / Impairment Losses on Loans and Advances to Customers	(1,801,119)	(2,249,483)	(3,520,438)	(4,748,564)
Net ECL / Impairment Losses on Investment Securities	(8,277)	(9,590)	(11,468)	(14,708)
Net ECL / Impairment Losses on Other Financial Instruments	(147,646)	(296,679)	(244,011)	(368,668)
Amortisation of Intangible Assets	(39,811)	(32,583)	(80,001)	(70,965)
Other Provisions	(4,890)	(31,158)	(19,500)	(38,531)
	(4,248,913)	**(4,376,431)**	**(8,376,021)**	**(9,014,767)**
Share of Results of Associates	198,492	202,322	263,592	336,015
Profit Before Net Monetary Loss Arising from Hyperinflation and Income Taxes	**5,502,652**	**4,865,821**	**11,741,076**	**9,524,744**
Net Monetary Loss Arising from Hyperinflation	(835,920)	(402,501)	(2,063,834)	(1,166,572)
Profit for the Period Before Income Taxes	**4,666,732**	**4,463,320**	**9,677,242**	**8,358,172**
Income Tax Charge	(595,199)	(704,978)	(1,398,290)	(683,512)
Profit for the Period	**4,071,533**	**3,758,342**	**8,278,952**	**7,674,660**
Attributable to:				
Equity Holders of the Bank	4,018,556	3,723,231	8,161,816	7,604,976
Non-Controlling Interests	52,977	35,111	117,136	69,684
Profit for the Period	**4,071,533**	**3,758,342**	**8,278,952**	**7,674,660**
Earnings Per Share (QR) (Basic and Diluted)	0.40	0.37	0.82	0.76

Interim Consolidated Statement of Comprehensive Income

	Three Months to 30 June 2024 (Reviewed) QR000	Three Months to 30 June 2023 (Reviewed) QR000	Six Months to 30 June 2024 (Reviewed) QR000	Six Months to 30 June 2023 (Reviewed) QR000
Profit for the Period	**4,071,533**	**3,758,342**	**8,278,952**	**7,674,660**
Other Comprehensive (Loss) / Income Items that are or may be Reclassified to Consolidated Income Statement in Subsequent Periods:				
Foreign Currency Translation Differences for Foreign Operations	(226,072)	(1,409,713)	(4,112,902)	(3,373,974)
Share of Other Comprehensive Income of Associates	(200,279)	61,744	(179,749)	(128,484)
Effective Portion of Changes in Fair Value of Cash Flow Hedges	(82,637)	(384,850)	(192,259)	(421,617)
Effective Portion of Changes in Fair Value of Net Investment in Foreign Operations	13,638	14,956	88,099	(86,578)
Investments in Debt Instruments Measured at FVOCI				
Net Change in Fair Value	(60,623)	(539,262)	25,147	41,487
Net Amount Transferred to Income Statement	(9,116)	130,764	(7,467)	(91,574)
Other Comprehensive (Loss) / Income Items that will not be Reclassified to Consolidated Income Statement:				
Net Change in Fair Value of Investments in Equity Instruments Designated at FVOCI	(35,797)	64,413	(62,876)	(706,286)
Effects of Hyperinflation	966,995	484,207	2,041,074	773,944
Total Other Comprehensive Income / (Loss) for the Period, net of Income Taxes	**366,109**	**(1,577,741)**	**(2,400,933)**	**(3,993,082)**
Total Comprehensive Income for the Period	**4,437,642**	**2,180,601**	**5,878,019**	**3,681,578**
Attributable to:				
Equity Holders of the Bank	4,383,926	2,152,445	5,900,439	3,650,299
Non-Controlling Interests	53,716	28,156	(22,420)	31,279
Total Comprehensive Income for the Period	**4,437,642**	**2,180,601**	**5,878,019**	**3,681,578**

QNB

Financial Highlights

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Asia investors wager on region's rebound, China recovery

Reuters
Singapore

Asia's rich and their bankers said they are backing an eventual recovery in China and betting exposure to a region that even in a slowdown is the fastest-growing in the world will pay off.

"You've got to have the fortitude and the forbearance to be able to look through cycles and look through the ups and downs," said DBS Group Chief Executive Piyush Gupta, in an interview at the Reuters NEXT conference in Singapore.

For now, he said, it means a long-view that China will emerge from a property crisis to drive regional growth, a view that was echoed by bankers, investors and advisers to the super-rich. The comments point to a degree of steadfastness from the region's top businesses and money managers that can underpin the return of foreign capital.

The world's second-largest economy grew 5.3% in the first quarter, beating forecasts but with weak spots in consumption and property and with equity markets in the doldrums. China's blue chip CSI 300 hit a five-month low on Tuesday.

"In the short term, there are headwinds," said Gupta, whose bank is the largest foreign lender by assets in Taiwan and the biggest shareholder in China's Shenzhen Rural Commercial Bank.

"We still haven't hit bottom (in China's property market) because we haven't seen market-clearing prices," he said, but a longer view — which would have prospered in the US through the last century — holds promise. "If you take a look at the megatrends in Asia, it's good to be long Asia."

So far this year there has been a net inflow of 22.4bn yuan ($3bn) from foreign investors into Chinese stocks, though it has been volatile and selling was prevalent in June as data came in showing the sharpest home price falls in a decade.

"Especially overseas sentiment and more so (in) the US is very sceptical on China," said Stefanie Holtze-Jen, Asia-Pacfic chief investment officer at Deutsche Bank Private Bank, during a separate panel discussion at the Reuters NEXT conference.

"Our local ultra-high-net-worth private banking clients are obviously invested and they can see much closer... that what the central government is steering towards is a pro-growth angle," adding foreign flows will probably follow market returns.

Southeast Asia is a potential bright spot in the meantime as investors see demographics and political trends supporting growth as global companies expand manufacturing outposts in Vietnam and Malaysia.

To be sure, stock markets have seen outflow pressure and been overshadowed by the strong performance of developed markets and, in Vietnam's case, spooked by political instability.

But foreign direct investment is reasonably steady or growing and, in Indonesia, the state-owned China International Capital Corp is planning a foray into dealmaking.

"Over the next five years or so... we are going to be deploying people into Indonesia, Malaysia, Indonesia, where we intend to apply for (an investment banking) licence," said CICC's head of Southeast Asia and Singapore Stephen Ng.

On the wealth management side of his business, he said sentiment and flows were robust.

"We have only seen the tip of the iceberg in terms of the wealth that is looking to be deployed in this part of the world and especially to Singapore." Vietnam's VinaCapital Fund Management Deputy Managing Director Khanh Vu said investor demand remained strong and would eventually be supported by the country's anti-corruption drive.

"I think it should give investors some level of confidence that those practices are not tolerated," he said.

Saudi Aramco returns to debt market with dollar bond sale

Reuters
Dubai

Saudi state oil giant Aramco made its return to the debt market on Tuesday after a three-year hiatus, joining top companies and governments in the Gulf that have tapped markets this year to fund investments.

Aramco hired banks to sell bonds maturing in 10, 30 and 40 years, a document from one of the banks working on the deal showed. Aramco is likely to raise at least $3bn across the three tranches, a source with knowledge of the matter said.

The company did not immediately respond to a request for comment.

"The timing suggests Aramco is taking advantage of the last window ahead of the summer illiquidity," Zeina Rizk, co-head of fixed income at Amwal Capital Partners told Reuters.

Gulf companies and governments have raise funds in debt markets this year to take advantage of favourable market conditions, with top oil exporter Saudi Arabia issuing $12bn of dollar-denominated bonds in January and $5bn in sukuk in May.

Aramco, which last tapped global debt markets in 2021 when it raised $6bn from three-tranche sukuk, flagged in February it was likely to issue bonds this year.

Aramco has long been a cash cow for the Saudi state, fuelling decades of prosperity. It expects to declare $124.3bn in dividends for 2024, the majority of which goes to the Saudi government.

Last month, the oil giant awarded $25bn worth of contracts for its gas expansion plans, said it would buy 10% of Renault and Geely's thermal engines joint venture Horse Powertrain and announced a non-binding deal with US energy firm Sempra to buy liquefied natural gas. Aramco's bond sale is "likely an indication the company will continue to pursue acquisitions aggressively", said Yousef Husseini, an analyst at EFG Hermes.

A portion of Aramco's dividends also go to the Public Investment Fund — the kingdom's sovereign wealth fund steering its goal of weaning the economy off oil — which owns 16%.

The government, which directly owns about 81.5% of Aramco, raised $11.2bn by selling a slice of shares in its crown jewel last month. Proceeds could boost the country's funding and its aim of shifting the economy away from oil under a plan called "Vision 2030". PIF, which has spent billions on everything from electric cars to sports and planned futuristic cities in the desert, has also raised almost $8bn from three debt sales.

"As Saudi Arabia's funding needs for its investment programme remain significant in the medium-term despite some timelines being extended, and in the absence of hoped-for levels of FDI, tapping the debt markets reduces pressure on domestic funding and liquidity," said Monica Malik, chief economist at Abu Dhabi Commercial Bank.

Citi, Goldman Sachs International, HSBC, JPMorgan Chase, Morgan Stanley and SNB Capital have been appointed as joint active bookrunners for the three-part bond sale.

The banks will arrange investor calls on Tuesday for the potential sale of benchmark-sized notes, according to the document, which did not disclose the size of the issuance.

Abu Dhabi Commercial Bank, BofA Securities, the Bank of China, Emirates NBD, First Abu Dhabi Bank, GIB Capital and Mizuho are among the bank that are acting as joint passive bookrunners.

Aramco's 40-year tranche would become its second-longest dated bonds after $2.25bn of notes due in November 2070.

The Saudi Aramco logo is pictured at the oil facility in Abqaiq, Saudi Arabia. Aramco, which last tapped global debt markets in 2021 when it raised $6bn from three-tranche sukuk, flagged in February it was likely to issue bonds this year.

Turkish sovereign wealth fund said to weigh stake sale in Turkcell

Bloomberg
Istanbul

Turkiye's sovereign wealth fund is weighing whether to sell its 26.2% stake in Turkcell Iletisim Hizmetleri AS, the country's biggest telecommunications operator, according to people familiar with the matter.

The board of Turkiye Wealth Fund, or TWF, has yet to make a formal decision, the people said, asking not to be named because the talks are private. While informal discussions with potential buyers have taken place, some within the sovereign wealth fund are opposed to a sale because they consider the company a strategic asset, one of the people said. A final decision will likely be made by President Recep Tayyip Erdogan, who leads the fund's board.

Investors from the Arabian Peninsula and Azerbaijan have expressed interest in purchasing a stake in the company. The fund has approached at least one investment bank about advising on a potential sale but has not issued a formal mandate, some of the people said. TWF and Turkcell declined to comment.

Turkcell shares have risen more than 50% in dollar terms since TWF acquired the stake in 2020, giving the company a $7.3bn market capitalisation.

LetterOne Investment Holdings, an investment firm founded by the Russian billionaire Mikhail Fridman, has a 19.8% stake, and the rest of the shares are traded on Borsa Istanbul and as depository receipts on the New York Stock Exchange.

When TWF bought the stake, it became both the largest shareholder and gained the right to appoint five of the nine members on Turkcell's board of directors.

Turkcell's main competitors domestically are Turk Telekomunikasyon AS and Vodafone Group Plc.

The Turkish government established the sovereign fund in 2016 and mandated it to play a major role in making investments deemed too big for the private sector. It holds a number of assets taken over from Turkiye's Treasury, including stakes in state lenders Turkiye Halk Bankasi AS and TC Ziraat Bankasi AS. It also owns stakes in Turkish Airlines and the local stock exchange.

Singapore container ship logjam spills over to Malaysian port

Container ship congestion in Singapore, one of Asia's busiest ports, is spreading to neighbouring Malaysia, snarling supply chains and causing delays in the movement of consumer goods, reports Bloomberg.

Around 20 container vessels are anchored in a cluster off Port Klang, on the western coast of Malaysia near Kuala Lumpur. Both Klang and Singapore sit on the Straits of Malacca, a vital waterway that links Europe and the Middle East to East Asia.

The maritime logjam is being caused by ships avoiding the Suez Canal and Red Sea due to attacks by Houthi rebels, who support Hamas in the war with Israel. Many vessels heading toward Asia are opting to travel around the southern tip of Africa, meaning they're not able to refuel or unload cargo in the Middle East.

Port Klang is an important terminal, given its proximity to Kuala Lumpur, but a queue of this magnitude is rare, with ship-tracking images showing many vessels unloading at its berths. Slots at Singapore and Tanjong Pelepas, a Malaysian port just across the border from the city-state, also appear to be full, but there are fewer ships waiting off those terminals.

Congestion at the shipping terminals could last through August, analysts have said. Container vessel rates have surged as a result of the delays and rerouting.

Bloomberg QuickTake Q&A

Can Democrats replace Biden? A guide to the party's options

By Gregory Korte

An alarmingly poor debate performance by President Joe Biden has raised new questions about whether the 81-year-old incumbent should remain the Democratic Party's candidate in the November presidential election. Biden has said he will remain in his rematch against the presumptive Republican nominee, former President Donald Trump, 78. But Biden is under pressure to step off the Democratic ticket to make way for a more vigorous contender.

Who's pushing for Biden to step aside?

Representative Lloyd Doggett of Texas was the first Democrat in Congress to call on Biden to withdraw from the race, prompting others including Raul Grijalva of Arizona, Angie Craig of Minnesota and Mike Quigley of Illinois. Others distanced themselves from the president, and Democratic lawmakers are discussing whether to band together to call for a change atop the ticket. Top Democratic donors have said they would withhold or redirect their money unless Biden stepped aside.

What do the polls show?

Nearly three in 10 Democrats in swing states said Biden should drop out of the race — far more than the 9% of Republicans who said Trump should do the same, according to a Bloomberg News/Morning Consult tracking poll of battleground states conducted in early July. Still, the survey registered Biden's best showing — trailing Trump by only two percentage points — since the poll began tracking the race in October. Those findings run counter to two recent national polls, from the *New York Times*/Siena College and the *Wall Street Journal*, which showed a worsening picture for Biden. Trump notched his largest lead of the race in both polls.

What happens if Biden withdraws before he's officially nominated?

It's complicated by the fact that Biden is already his party's presumptive nominee for the presidency. When candidates compete in Democratic primaries, they are allocated shares of delegates to the party's national convention that reflect the primary votes they received. Those delegates are pledged to support the candidate whose votes they represent. In his party's primaries, Biden faced minimal opposition and secured 99% of the roughly 3,900 pledged delegates.

If Biden were to step aside, he could request that his delegates switch their support to a replacement he favours, such as his current running mate, Vice-President Kamala Harris, his most likely heir. Or he could release them from their pledges, in which case they could choose among competing candidates.

Democratic presidential candidate US President Joe Biden listens as Republican presidential candidate and former US President Donald Trump speaks during their debate in Atlanta, Georgia on June 27.

Has anything like this happened before?

Yes. President Lyndon Johnson, a Democrat, decided not to seek his party's nomination for a second full term in 1968, as protests against the Vietnam War mounted. In an Oval Office speech, Johnson made the surprise announcement that "I shall not seek, and I will not accept, the nomination of my party for another term as your president." Instead, the Democrats nominated Hubert Humphrey, who was defeated by Richard Nixon.

Johnson's decision came at the end of March — at a time when the process for determining the major parties' presidential nominees wasn't nearly as front-loaded as it is today. Unlike Biden, Johnson hadn't yet secured enough delegates in party primaries to nail down the nomination.

If Biden doesn't withdraw, could he be removed from the ticket?

It would be difficult. The delegates' pledges aren't binding. But absent extraordinary circumstances — and a backup plan — it's unlikely they would remove him from the ticket.

There are more than 700 other delegates — called super delegates — that are not required to commit to any candidate and are able to vote if the convention is contested and goes to a second or additional ballot.

Any challenger to Biden would have to announce his or her candidacy before a formal nominating vote, publicly challenging the incumbent in a high-stakes attempted party coup.

Why is Harris the most likely replacement?

For one thing, because she's on the ticket already, the money that's been raised for it already would be available to her and a new vice-presidential candidate. Modern presidential campaigns are hugely expensive undertakings, and financial considerations would play no small role. Biden's campaign and party had $240mn cash on hand at the end of June. Biden's campaign and the Democratic Party have already spent about $346mn trying to reelect Biden. Picking a different nominee could require spending even more money to introduce a new candidate to voters.

In addition, for Democrats to pass over a woman of colour would risk alienating two of the party's important voting blocs.

Who are other possible replacements?

They include California Governor Gavin Newsom, Illinois Governor JB Pritzker and Michigan Governor Gretchen Whitmer. All of them publicly supported the president. None of them have as much national name recognition as Harris.

What's the timeline?

Typically the Democratic Party selects its nominee for the presidency at its national convention, scheduled to begin August 19 in Chicago. This year, the Democratic National Committee (DNC) had already planned to move up Biden's nomination via a phoned-in roll call to satisfy an August 7 ballot deadline in Ohio. Although the Republican-led Ohio legislature has extended that deadline, Democratic Chairman Jaime Harrison said before the debate that the party would go forward with the early roll call.

What if Biden withdraws from the race after the nomination?

The decision to replace him would be made by the DNC, which is made up of more than 400 party leaders from all the US states and territories. The party would then face another challenge in the November 5 presidential election: printed ballots with Biden's name already on them. Laws vary by state about how a vote for Biden would be counted if he's no longer the nominee, but his votes would likely go to his replacement when the Electoral College meets.

Tech giants face tough task to sustain second half stock rally

Bloomberg
New York

The world's largest technology stocks drove a banner first half for the S&P 500. The question for the rest of the year is whether their strength continues.

Wall Street has tilted towards the tech sector to a historic degree, raising the stakes should the AI-fuelled rally falter. Valuations are stretched, while earnings growth is poised to slow from here.

That adds to uncertainty for investors betting that Big Tech's rally will continue, according to Lisa Shalett, chief investment officer at Morgan Stanley's wealth management unit, who warns of "stretched momentum, weak breadth and complacency" in the market.

The S&P 500 Index has risen 17% this year, and two-thirds of that advance rests of the shoulders of just six names: Nvidia Corp, Microsoft Corp, Alphabet Inc, Amazon.com Inc, Meta Platforms Inc, and Apple Inc. Nvidia, the AI-focused chipmaker that has soared 159% this year, accounts for nearly 30% of the S&P's advance in 2024, the highest contribution for a market leader in at least a decade.

An equal-weighted version of the S&P 500 is up just 3.9% this year, and large-caps are trouncing small-cap stocks by a historic margin.

The dominance of the tech sector — especially with gains concentrated within a few key companies seen at the forefront of an AI revolution — suggests some parallels to the dot-com era, when euphoria over the internet preceded a bubble burst that took years to recover from. However, today's megacaps are universally seen as stronger, with massive cash flows, strong competitive positions, and robust long-term demand trends.

Nvidia headquarters in Santa Clara, California. The AI-focused chipmaker that has soared 159% this year, accounts for nearly 30% of the S&P's advance in 2024, the highest contribution for a market leader in at least a decade.

Matt Stucky, chief portfolio manager of equities at Northwestern Mutual Wealth Management Company, said that given uncertainty about the economic outlook, many investors were favouring megacaps for such high-quality characteristics as margins and growth.

"However," he added, "they have gotten more expensive, and this is one of the most momentum-focused markets I've seen in the past 25 years. If the excitement around AI were to reverse, then yeah, we're going to look vulnerable."

The market's rise this year reflects both the strength of the megacap rally and their influence in major indexes. The Magnificent Seven — which also includes Tesla Inc, up 1.8% this year — accounts for a record 33.4% of the S&P 500's market capitalisation, according to data compiled by Bloomberg.

There are signs that Wall Street is growing cautious. According to Bank of America, strategists didn't add to their equity allocations in June, "suggesting uncertainty over how long the rally can last," while a Goldman Sachs analysis showed that hedge funds have been "aggressively" selling tech. Truist Advisory Services recently downgraded the sector to neutral, citing valuation.

Strategists at Citigroup Inc see "significantly more volatility" on the way, and suggested that investors take profit in some high-flying AI stocks, particularly chip-makers.

Gina Martin Adams, chief equity strategist for Bloomberg Intelligence, said the earnings cycle could cause tech and adjacent sectors to forfeit their position as market leaders, with energy, health care, and financials grabbing the baton.

The Magnificent 7 are expected to show earnings growth of 29.9% this year, according to Bloomberg Intelligence, though that is seen slowing to 17.8% in 2025. Growth for the S&P 500 when these names are excluded is seen coming in at 6.4% this year and doubling to 13.3% in 2025.

Still, the double-digit growth pace speaks to the kind of positive fundamentals that many expect will continue to support the sector.

"While tech valuations are stretched, they're not at the point where alarm bells are going off," said Jason Alonzo, a portfolio manager at Harbor Capital Advisors. "There's clearly a market narrative around AI that is being given the benefit of the doubt," he added. "However, we haven't seen much to suggest that building excitement is over-excessive or that we've gotten over our skis."

EM currencies remain flat

Reuters
Singapore

Most emerging markets currencies were little changed yesterday, but Hungary's forint fell for the second day after the government announced new tax policies, while focus shifted to Kenyan assets following a credit rating downgrade.

MSCI's index tracking developing markets equities added 0.3%, while an index tracking foreign exchange was flat against the dollar.

In central and eastern Europe, Hungary's forint weakened 0.4% against the euro, extending Monday's drop after the local government unveiled taxes on firms in an effort to balance the budget, where the deficit averages nearly 7% of economic output for the past four years.

"This could cover the fiscal risk we saw earlier and the current official target of a 4.5% of GDP government deficit could be achieved. This is particularly good news for Hungarian government bonds (HGBs) and issuance in the rest of the year," said Frantisek Taborsky, EMEA FX & FI strategist at ING research.

Separately, data showed domestic inflation in June was softer than economists were expecting. Most other currencies in the region were little changed.

In Africa, yield on Kenya's dollar bond maturing in 2034 ticked up over 10 basis points (bps) after Moody's cut the east-African nation's sovereign rating deeper into junk territory.

Bond prices slid in June after the country's President William Ruto bowed to pressure and failed to introduced tax hikes as part of the International Monetary Fund's process to economic stability.

Moody's believes the spending cuts that Ruto opted for instead could make the Kenya's debt affordability to remain weaker for longer.

Meanwhile, yield on Chinese bonds across the board dipped between 2 and four basis points (bps), while the yuan was little changed with focus on a possible central bank intervention in the bond market.

Asian bourses advance with Tokyo climbing to a record high

AFP
Hong Kong

Asian markets advanced yesterday with Tokyo climbing to a record high ahead of Fed chief Jerome Powell's testimony to Congress which will be parsed for hints on the timing of rate cuts, with investors betting on a first trim in September.

In Tokyo, the Nikkei 225 closed up 2.0% to 41,580.17 points;

Hong Kong — Hang Seng Index ended flat at 17,523.23 points and

Shanghai — Composite closed up 1.3% to 2,959.37 points yesterday.

The US central bank has held interest rates at the highest levels in more than two decades to bring inflation down to its long-term 2% target without doing too much damage to either the labour market or the broader economy.

After years of focusing primarily on inflation, Federal Reserve officials have now turned their attention increasingly to the labour market, which has shown some signs of weakness in recent months despite remaining strong overall.

Traders will be keenly watching Powell's remarks to Congress for any indications of when the Fed will start cutting rates.

The Fed chair last week fanned hopes of a cut, saying the battle against inflation had made "progress" and the job market was cooling.

"We expect Powell to reiterate the need to see more evidence of slowing inflation before cutting interest rates. But with the recent signs of softer growth and labour market, markets will closely watch if Powell gives any hints on the timing of rate cuts," said Carol Kong at Commonwealth Bank of Australia.

"The Fed Funds futures market has currently attached almost an 80% chance of the first rate cut in September," she said.

Investors are also looking to US consumer inflation data due Thursday for further indications that price increases are still easing as hoped, which would give the Fed greater confidence to start cutting rates.

Visitors stand in front of an electronic ticker at the Tokyo Stock Exchange. The Nikkei 225 closed up 2.0% to 41,580.17 points yesterday.

"Powell is expected to hint at possible rate cuts starting in September if inflation continues to decline. A softer core CPI print would likely support this outlook, keeping the US dollar on a weaker trajectory," said Luca Santos, market analyst at ACY Securities.

Wall Street's main indices mostly advanced on Monday, with the S&P 500 and Nasdaq both reaching new records.

The optimistic mood continued into Asia, with Tokyo climbing 2% to close at a record high.

Shanghai reversed early losses to end 1.3% higher ahead of a key policy meeting next week and after Moody's Ratings revised up its 2024 GDP forecast for China to 4.5% from 4.0% previously.

Moody's said it expected "steady GDP growth across most emerging market countries this year and next" and revised its 2024 Asia Pacific forecast to 4.8% growth from 4.5% previously.

"The region-wide revision reflects an upward adjustment for China as its post-pandemic manufacturing and export-focused growth strategy takes shape, although with lacklustre household consumption," the ratings agency said.

Taipei, Seoul, Singapore, Kuala Lumpur, Jakarta, Manila and Mumbai were also in the green with Bangkok the sole decliner across the region while Hong Kong ended flat.

European markets were mixed in early trade with Paris and Frankfurt down while London recovered after opening lower as investors eye the new political landscapes in France and Britain, and await Powell's testimony.

"With the prospect of a soft landing and rate cuts on the horizon, investors seem perfectly content with high valuations, causing a ripple effect where one mega-cap rise lifts all mega-cap boats," said SPI Asset Management's Stephen Innes.

US Treasury bond yields, which are closely watched as a proxy for interest rates, were little changed.

On forex markets the euro was little changed against the dollar yesterday following the inconclusive outcome of France's snap elections, with the single currency trading at $1.0819.

"Following the recent French elections, political uncertainty remains high, yet the euro has shown remarkable stability during the Asian trading session," said Santos, with its narrow trading range "reflecting a muted market response".

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ECB official plays down inflation concerns, reiterates lowering of borrowing costs

Bloomberg
Rome

The European Central Bank (ECB) shouldn't be overly worried about stubborn services inflation and still-robust wage growth, Governing Council member Fabio Panetta said.

"Concerns are not unwarranted, but they need to be put into perspective, as services prices tend to move differently from those of goods," the Bank of Italy governor said yesterday.

Speaking at the annual meeting of the country's banking association in Rome, Panetta reiterated that recent data and the outlook allow for a further gradual lowering of borrowing costs.

While eurozone inflation moderated a touch in June to 2.5%, the gauge for services held steady at 4.1%. Such price pressures are making some ECB officials wary about promising more rate cuts following their initial reduction last month.

President Christine Lagarde said last week that annual price growth for services doesn't have to hit 2% since its elevated readings can be offset by other components. Greece's Yannis Stournaras told Bloomberg that the ECB "shouldn't over-interpret" these figures.

Referring to still-high wage increases, Panetta said that "careful analysis of the data can mitigate fears" — echoing similar remarks he made in a speech at the end of June.

The governor, one of the more dovish ECB policymakers, said that "past key rate hikes are still squeezing demand, production and inflation, and will continue to do so in the coming months." According to central bank estimates, the impact of monetary restriction on prices will be even greater in 2024 than in 2023, he added.

"The fall in inflation has made it possible to start easing monetary conditions," Panetta said. "The reduction in key interest rates will continue at a gradual pace, accompanying the return of inflation to the target, if macroeconomic developments remain in line with the ECB Governing Council's expectations."

Speaking at the same event in Rome, Italian Finance Minister Giancarlo Giorgetti urged the central bank to speed up any easing plans.

"It would be good if the pace of interest rate moves began to accelerate soon, gradually, yes, but decisively," he said. "A further reduction in demand could be unsustainable, and in any case difficult to bear for economies like Italy's."

Panetta also said that Italian bank profitability, asset quality and capitalisation have improved, adding that their sound position allows them to look at the future "with confidence."

The country's lenders posted record profits last year, benefiting from higher rates, and years of painful restructuring, in which they cut bad loans, administrative costs and streamlined structures.

The governor still sees uncertainty linked to the geopolitical situation, domestic politics in some major countries, and a prolonged phase of higher rates that can affect credit quality.

Credit growth has weakened considerably in Italy as a result of monetary tightening. In the first quarter, the inflow of deteriorated loans rose to 2.1% from 1.8% in the previous quarter, and can further grow moderately both this year and the next, Panetta said.

In this environment banks must have a prudential approach on their provisions for loan losses, he said.

On the Italian economy, the central bank predicts 0.8% growth this year, though that would be 0.6% when adjusted for the number of work days, Panetta said. He added that those projections were made in May, before new quarterly data that would raise those numbers by about a 10th of a point.

Giorgetti said new figures show Italy could reach its 1% economic growth goal for this year. He also said there won't be any need for a "blood and tears" budget but just for more prudent public expenditure and that Italy will keep its accounts in order.

The European Central Bank headquarters in Frankfurt. The ECB shouldn't be overly worried about stubborn services inflation and still-robust wage growth, Governing Council member Fabio Panetta said.

Stock market correction is 'highly likely', says Morgan Stanley's Wilson

Bloomberg
New York

Traders should brace for a correction in the stock market as uncertainty swirls around the US presidential campaign, corporate earnings and Federal Reserve policy, according to Morgan Stanley's chief US equity strategist Mike Wilson.

"I think the chance of a 10% correction is highly likely sometime between now and the election," Wilson said in an interview with Bloomberg Television on Monday. The third quarter is "going to be choppy."

The S&P 500 Index opened the week at all-time highs and will hit its 35th closing record this year if it closes in the green. Expectations that the Fed will cut rates twice this year and excitement around artificial intelligence have propelled the benchmark to a 17% gain this year after its 24% surge in 2023. Indeed, even a long-time bear like Wilson has tempered his tone from the past few years.

Mike Wilson, chief US equity strategist of Morgan Stanley.

But a rising number of Wall Street pros have been growing cautious heading into the third quarter, a seasonally turbulent period, particularly amid signs the rally is overheating.

Goldman Sachs Group Inc's Scott Rubner said on Monday that he's modelling a painful two-week stretch starting in August if corporate earnings disappoint. Andrew Tyler at JPMorgan Chase & Co's trading desk said he's bullish with "slightly less conviction" from recent weakening economic data. And Citigroup Inc.'s Scott Chronert has sounded the alarm on a potential pullback.

"Your likelihood of upside from now until year end is very low, much lower than normal," Morgan Stanley's Wilson said, placing the odds of stock prices closing the year higher than they are now at 20% to 25%.

However, Wilson isn't particularly concerned about a pullback. Rather, he said it could create opportunities for investors to buy in since valuations are currently "unexciting" after the S&P 500's double-digit gain this year. At the moment, the best way to play the stock market is through individual stocks rather than indexes, he said.

Wilson and his team continue to recommend high-quality growth names, and quality in general: Large-caps, companies with good balance sheets, and those that can deliver on earnings. Momentum will continue, but the problem is it's hard to find shares in those categories that are cheap, he said.

"If they were to come in 10%, then we'd probably get interested again," he said.

QSE MARKET WATCH

COMPANY NAME	Lt Price	% Chg	Volume
Zad Holding Co	13.31	-0.75	2,257
Widam Food Co	2.83	-1.05	2,211,094
Vodafone Qatar	1.74	-0.86	2,016,240
United Development Co	1.14	0.18	5,044,987
Salam International Investme	0.67	-0.59	1,224,524
Qatar & Oman Investment Co	0.77	0.00	1,775,170
Qatar Navigation	11.15	0.45	966,760
Qatar National Cement Co	3.78	-0.99	172,637
Qatar National Bank	15.00	0.40	3,961,095
Qlm Life & Medical Insurance	2.03	0.10	33,500
Qatar Islamic Insurance Grou	8.08	0.56	106,980
Qatar Industrial Manufactur	2.52	-1.10	497,324
Qatar International Islamic	10.70	-0.47	576,151
Qatari Investors Group	1.59	0.57	2,648,114
Qatar Islamic Bank	19.80	0.66	1,709,253
Qatar Gas Transport(Nakilat)	4.66	-0.02	3,829,128
Qatar General Insurance & Re	0.92	2.00	28,600
Qatar German Co For Medical	1.89	0.05	8,463,256
Qatar Fuel Qsc	14.90	-0.93	269,701
Lesha Bank Llc	1.29	0.16	7,430,537
Qatar Electricity & Water Co	15.80	0.00	456,135
Qatar Exchange Index Etf	9.59	0.74	2,928
Qatar Cinema & Film Distrib	2.70	0.00	200
Al Rayan Qatar Etf	2.19	0.50	5,000
Qatar Insurance Co	2.14	1.23	13,503
Qatar Aluminum Manufacturing	1.35	0.15	6,767,380
Ooredoo Qpsc	10.42	0.39	625,515
Alijarah Holding Company Qps	0.72	-0.28	1,887,354
Mazaya Real Estate Developme	0.63	0.48	6,289,390
Mesaieed Petrochemical Holdi	1.69	-0.06	7,120,340
Mekdam Holding Group	3.61	-1.50	101,541
Al Meera Consumer Goods Co	14.65	0.41	326,260
Medicare Group	4.32	0.02	521,930
Mannai Corporation Qpsc	3.96	1.23	789,730
Masraf Al Rayan	2.33	-0.04	4,793,441
Industries Qatar	13.20	0.15	2,561,094
Inma Holding Company	4.28	-2.19	1,709,243
Estithmar Holding Qpsc	1.93	-0.31	5,324,991
Gulf Warehousing Company	3.38	1.11	555,480
Gulf International Services	3.29	-0.21	3,535,440
Al Faleh Education Holding	0.69	0.00	500
Ezdan Holding Group	0.77	0.13	3,925,241
Doha Insurance Co	2.41	-0.33	13,170
Doha Bank Qpsc	1.44	-0.14	3,021,188
Dlala Holding	1.24	-0.16	599,717
Commercial Bank Psqc	4.12	-1.25	2,864,091
Barwa Real Estate Co	2.79	0.65	1,779,000
Baladna	1.34	0.60	5,707,947
Damaan Islamic Insurance Co	3.89	0.00	145
Al Khaleej Takaful Group	2.38	-0.84	1,427,024
Aamal Co	0.78	0.00	679,836
Al Ahli Bank	3.79	2.41	244,311

Moody's cuts Kenya debt rating further into junk territory

AFP
Nairobi

Moody's has downgraded Kenya's debt rating further into junk territory and warned the outlook was negative after a wave of protests led the government to abandon proposed tax hikes.

President William Ruto, facing the most serious crisis of his near two-year term, has announced a series of actions trying to placate Kenyans — including scrapping a finance bill, proposing fresh cuts to help the country reduce its debt burden, and suggesting a multi-sector dialogue next week.

The moves come after widespread demonstrations led by young Gen-Z against the tax increases that threatened to add to the economic hardship of people already gripped by a cost of living crisis.

The US-based ratings agency said in a statement on Monday it was cutting the ratings for Kenyan government debt by one level to Caa1 — considered to have "very high credit risk".

The new rating, and Moody's negative outlook for the country, are likely to further increase borrowing costs for the cash-strapped government.

Moody's said the downgrade reflected the "significantly diminished capacity" of one of the largest economies in East Africa to raise taxes and reduce debt. It said the decision to pursue cuts rather than planned tax increases represented a significant policy shift, and given the context of "heightened social tensions" they did not expect Nairobi to be able to introduce "significant revenue-raising measures in the foreseeable future."

Yesterday, Ruto defended the government's financial strategy, saying it was designed to "pull the country back from the danger of debt distress, and set us on a path of economic transformation".

His administration has been under pressure from the International Monetary Fund, which has called for fiscal reforms in order to secure crucial funding.

But Ruto announced on June 26 that he was withdrawing the finance bill that was aimed at raising a further $2.7bn after the largely peaceful rallies over the tax hikes degenerated into deadly violence.

At least 39 people have been killed since the demonstrations began on June 18, according to the national rights commission.

While the rallies have eased, the protest action has widened into a campaign against perceived state extravagance and corruption, alongside calls for Ruto to go. Last Friday, the president said his administration had to compensate for the lack of the extra tax revenue, announcing budget cuts of 177bn shillings ($1.4bn) and additional borrowing of around 169bn shillings.

He said that the country needed to address priority issues including its debt mountain, public spending and anti-corruption measures.

Kenya's public debt already amounts to some 10tn shillings, around 70% of gross domestic product. The Kenya Revenue Authority announced on Monday that it had collected 2.4tn shillings in the financial year ended June 30, a rise of more than 11% over the previous year, but 4.5% below target.

Oil investors regain poise after post-Opec swoon

By John Kemp
London

Portfolio investors had reverted to a broadly neutral position in petroleum last week after heavy selling triggered by the Opec+ meeting at the start of June waned and buying took over.

Hedge funds and other money managers purchased the equivalent of 56mn barrels in the six most important futures and options and contracts over the seven days ending on July 2.

Fund managers have been net buyers in each of the last four weeks, purchasing a total of 316mn barrels since June 4, according to exchange and regulatory records.

The wave of buying has more than reversed the 194mn barrels sold in the aftermath of the Opec+ meeting at the beginning of June. The resulting position of 524mn barrels was in the 40th percentile for all weeks since 2013 and broadly neutral or slightly bearish.

In the most recent week, buying was led by Brent (+37mn barrels), NYMEX and ICE WTI (+13mn) and US diesel (+12mn). There were minor sales of both US gasoline (-3mn barrels) and European gas oil (-3mn).

Fund managers were still moderately bearish about most parts of the petroleum complex, a transformation from being extremely bearish just a few weeks earlier.

But they were also broadly neutral about WTI and extremely bullish about European gas oil.

Bearish short positions in the NYMEX WTI contract had been reduced to 27mn barrels, the lowest for 15 weeks since the middle of March.

With so few short positions remaining, short-covering is unlikely to provide much more upside momentum to crude prices.

Portfolio managers sold futures and options linked to US gas prices for the second week running as concerns grew about the persistent storage surplus despite heatwaves across much of the country.

Hedge funds and other money managers sold the equivalent of 270bn cubic feet (bcf) in the two major contracts linked to prices at Henry Hub in Louisiana over the week ending on July 2.

Fund managers have sold a total of 349 bcf since June 18, making a small dent in the 2,845 bcf accumulated over the previous 17 weeks since the middle of February.

The net long position of 821 bcf was in the 52nd percentile for all weeks since 2010, down from 1,170 bcf (59th percentile) on June 18 but still up from a net short of 1,675 bcf (3rd percentile) on February 20.

Inflation-adjusted futures prices have been stuck near multi-decade lows, encouraging many fund managers to build bullish long positions anticipating they must rise towards something more like the long-term average.

Ultra-low prices forced major gas producers to announce cutbacks to drilling and production programmes back in February.

Low prices were also expected to encourage maximum consumption by power generators during the summer of 2024, hastening the erosion of surplus inventories carried over from a very mild winter in 2023/24.

Despite several heatwaves, however, the storage surplus has narrowed very slowly, forcing fund managers to temper some of their previous bullishness.

Working gas stocks in underground storage amounted to 3,134 bcf on June 28, the second-highest level on record for the time of year.

Inventories were still 536 bcf (+21% or +1.40 standard deviations) above the prior 10-year seasonal average, down from a maximum late-winter surplus of 664 bcf (+40% or +1.47 standard deviations) on March 15.

Such high inventories have pushed back the rebalancing of the market and will ensure prices remain lower for longer.

Reflecting the slow adjustment, prices for gas delivered in January 2025, the middle of next winter, have slumped to an average of $3.71 per million British thermal units so far in July — no higher than they were in February.

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

Qatar bourse index edges up; insurance, realty and transport counters see excess demand

By Santhosh V Perumal
Business Reporter

Ahead of the US Federal Reserve chair Jerome Powell's testimony before Congress, the Qatar Stock Exchange (QSE) yesterday witnessed violent gyrations for most part of the trading session to finally wind up nine points higher.

A higher than average demand in the insurance, real estate and transport sectors was visible as the 20-stock Qatar Index settled about nine points or 0.09% higher at 10,165.76 points. The market had seen an intraday low of 10,146 points.

The foreign institutions were seen increasingly net buyers in the main market, whose year-to-date losses truncated further to 6.14%.

The local retail investors' weakened net selling pressure had its influence in the main bourse, whose capitalisation added QR1.14bn or 0.19% to QR586.96bn on the back of microcap segments.

The Gulf institutions' lower net profit booking had its say in the main market, which saw 7,928 exchange traded funds (sponsored by Masraf Al Rayan and Doha Bank) valued at QR0.04mn trade across five deals.

The foreign individuals' weakened net selling played its part in lifting the main bourse, which saw no trading of treasury bills and sovereign bonds.

The Islamic index was seen outperforming the main barometer in the main bourse, whose trade turnover and volumes were on the decline.

The Total Return Index was up 0.09%, the All Share Index by 0.13% and the All Islamic Index by 0.12% in the main market.

The insurance sector index gained 0.88%, realty (0.42%), transport (0.21%), banks and financial services (0.18%), telecom (0.09%) and industrials (0.02%); while consumer goods and services declined 0.51%.

Major gainers in the main bourse included Ahlibank Qatar, Qatar General Insurance and Reinsurance, Qatar Insurance, Mannai Corporation, Gulf Warehousing, Industries Qatar, Barwa, Mazaya Qatar and Ooredoo.

Nevertheless, Inma Holding, Mekdam Holding, Commercial Bank, Qatar Industrial Manufacturing, Widam Food, Al Khaleej Takaful and Vodafone Qatar were among the losers in the main bourse. In the venture market, both Al Mahhar Holding and Techno Q saw their shares depreciate in value.

The foreign institutions' net buying increased substantially to QR18.56mn compared to QR5.53mn on July 8.

The Qatari individual investors' net selling fell noticeably to QR22.92mn against QR27.69mn the previous day.

The Gulf institutions' net profit booking weakened perceptibly to QR9.86mn compared to QR14.33mn on Monday.

The foreign individual investors' net selling shrank markedly to QR0.84mn against QR2.98mn on July 8.

However, the Arab retail investors' net selling expanded notably to QR3.34mn compared to QR2mn the previous day.

The Gulf individual investors' net profit booking increased notably to QR1.44mn against QR0.24mn on Monday.

The domestic institutions' net buying weakened drastically to QR19.86mn compared to QR41.72mn on July 8.

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

Trade volumes in the main market narrowed 27% to 111.65mn shares, value by 21% to QR365.37mn and transactions by 1% to 14,301.

The venture market saw 57% surge in trade volumes to 1.05mn equities and 44% in value to QR2.27mn but on 2% fall in deals to 146.

A higher than average demand in the insurance, real estate and transport sectors was visible as the 20-stock Qatar Index settled about nine points or 0.09% higher at 10,165.76 points

US economy no longer overheated, says Fed's Powell

Reuters
Washington

The US is "no longer an overheated economy" with a job market that has "cooled considerably" from its pandemic-era extremes and in many ways is back where it was before the health crisis, Fed Chair Jerome Powell said in remarks to Congress that suggested the case for interest rate cuts is becoming stronger.

"We are well aware that we now face two-sided risks," and can no longer focus solely on inflation, Powell told the Senate Banking Committee yesterday.

"The labour market appears to be fully back in balance." Powell told lawmakers bluntly that "today I'm not going to be sending any signals about the timing of any future actions" on interest rates, as he was quizzed by Democrats about the risks to the job market and by Republicans about the pain to households of inflation that remains above the central bank's 2% target.

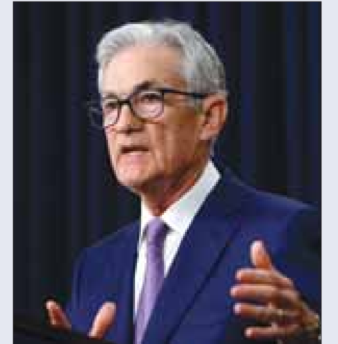
While Powell's opening remarks focused on a review of the economy and monetary policy, questioning from senators keyed in on housing costs and even more so on proposed changes in bank regulations that the Fed is debating internally.

Powell in his prepared remarks told Senators that inflation had been improving in recent months and that "more good data would strengthen" the case for looser monetary policy.

The Fed has kept its policy rate in the 5.25-5.5% range since July of 2023.

Powell's comments appeared to show increasing faith that inflation will return to the Fed's target, and contrasted the lack of progress on inflation in the first months of the year to recent improvement that has helped build the Fed's confidence that price pressures will continue to diminish.

"After a lack of progress toward our 2% inflation objective in the early part of this year, the most recent monthly readings have shown modest further progress," Powell said in remarks to the Senate Banking Committee.


US Federal Reserve chairman Jerome Powell.

"More good data would strengthen our confidence that inflation is moving sustainably toward 2%." The Fed receives consumer price information for the month of June on Thursday. A jobs report on Friday showed a still-solid 206,000 jobs added in June, but with a slowing monthly trend and a rising unemployment rate now at 4.1%.

Powell called that a "still low level," but also noted that "in light of the progress made both in lowering inflation and in cooling the labour market over the past two years, elevated inflation is not the only risk we face." Leaving policy too tight for too long, "could unduly weaken economic activity and employment," Powell said, undermining a period of economic growth that he said "remains solid" with "robust" private demand, improved overall supply conditions, and a "a pickup in residential investment." Following Powell's comments investors continued give a roughly 70% probability the Fed will cut rates at its September meeting, a view that would likely require changes to the policy statement to be released after the Fed's July 30-31 meeting.

"He's beginning to tee up a rate cut," said Brian Jacobsen, chief economist with Annex Wealth Management in Brookfield Wisconsin. "They view risks in not cutting soon enough."

At the Fed's June 11-12 meeting the median projection of 19 officials was for just a single quarter-point rate cut by the end of the year, but since then inflation data has come in weaker than expected.

Banks kick off $2.55bn loan deal for Nuvei buyout

Bloomberg
Toronto

A group of underwriters led by Bank of Montreal launched a $2.55bn loan on Monday to back the acquisition of Nuvei Corp, marking the biggest buyout deal since April.

The seven-year term loan will help fund the $6.3bn leveraged buyout of the Canadian payments processor by Advent International, management, Novacap and CDPQ, according to people with knowledge of the matter.

Price talk for the deal is 300 to 325 basis points over the Secured Overnight Financing Rate and offered at a slight discount of 99.75 cents on the dollar, said the people, who asked not to be named discussing a private transaction. Commitments are due on July 19.

Bank of Montreal, Novacap, CDPQ and Nuvei didn't immediately respond to requests for comment on Monday. Advent declined to comment.

The financing is the latest to buck a dearth of new issues in the leveraged loan market, which has been dominated by repricings and refinancings.

With only a few months until the US presidential election and the expectation of Federal Reserve rate cuts looming, bankers expect lenders to shift gears to work on M&A proposals.

JPMorgan warns S&P 500 will turn volatile on CPI

Bloomberg
New York

Investors should brace themselves for a bout of stock market volatility this week after a lengthy period of calm, based on a warning from JPMorgan Chase & Co's trading desk.

The options market is betting the S&P 500 Index will move by 0.9% in either direction by Thursday, based on the price of at-the-money straddles expiring that day, according to Andrew Tyler, the trading desk's head of US market intelligence. The latest consumer price index will be reported prior to that session, which could trigger a move with traders betting on easing inflation driving the Federal Reserve to cut interest rates twice in 2024.

"We have had multiple former Fed governors suggest that September is appropriate for a cut," Tyler and his team wrote in a note to clients yesterday. "With this in mind, we remain tactically bullish, but with slightly less conviction."

Central bankers typical see the core CPI reading, which strips out the volatile food and energy components, as a better underlying indicator of inflation than the headline measure. In May, core CPI climbed 0.16% from a month prior — the softest since August 2021.

The forecast is for June's core CPI to rise 0.2% from a month earlier. If it tops 0.3%, that would likely spur a sell-off across risk assets, with the S&P 500 falling between 1.25-2.5%, according to Tyler. But he sees just a 2.5% chance of that happening.

If core CPI comes in between 0.15% and 0.20% from the prior month — the most likely scenario to JPMorgan's trading desk — the S&P 500 is expected to rise 0.5% to 1%, Tyler wrote. If it comes in between 0.20-0.25%, there may initially be a negative reaction in equities, but falling bond yields will ultimately support stocks, sending the S&P 500 up between 0.25% and 0.75%, according to Tyler. Anything below 0.1% will be considered extremely positive for equities, likely pulling forward some calls for a July rate cut and sparking a rally of between 1-1.75% in the S&P 500, he added.

The potential for a large swing around the CPI report and Fed decision comes as volatility across markets has been historically restrained.

The the Cboe Volatility Index, or VIX, is trading around 12, near a 52-week low and far from the 20 level that starts to raise concerns for traders.

The market pricing in a roughly 70% probability that Fed will cuts rates in September.

Microsoft seals carbon capture deal with Occidental subsidiary

AFP
Washington

Tech giant Microsoft yesterday inked a record carbon capture agreement with Occidental Petroleum subsidiary 1PointFive, as major technology companies grapple with the growing carbon footprint of artificial intelligence (AI).

The deal involves Microsoft purchasing 500,000 metric tonnes of carbon dioxide removal (CDR) credits over a six-year period.

This marks the largest single purchase of CDR credits enabled by direct air capture technology to date, according to the companies.

Direct air capture, or DAC, a method of extracting CO2 directly from the atmosphere, has gained traction among tech firms seeking to meet ambitious net-zero emission goals.

"Energy demand across the technology industry is increasing and we believe direct air capture is uniquely suited to remove residual emissions and further climate goals," said Michael Avery, president of 1PointFive.

The technology is one of several approaches being explored to combat climate change, though it has faced criticism from some who worry it may be used as an unproven substitute for taking more politically difficult measures.

The agreement follows a similar deal between Amazon and 1PointFive last year, which involved the purchase of 250,000 metric tonnes of carbon removal over a decade.

Both Microsoft and Amazon's CDR credits will be generated by Stratos, 1PointFive's first industrial-scale DAC facility currently under construction in Texas.

The deals allow Microsoft and Amazon to offset their emissions by paying 1PointFive to have carbon removed from the atmosphere and stored underground.

Both deals will be generated by STRATOS, 1PointFive's first industrial-scale DAC facility currently under construction in Texas.

Before DAC, the carbon capture process usually involved extracting CO2 from industrial sources, then either storing it underground or repurposing it for products like synthetic fuels or chemicals.

While the UN Intergovernmental Panel on Climate Change (IPCC) considers carbon capture technology unavoidable in limiting global warming, critics fear it may be seen as an easy solution, potentially discouraging necessary sacrifices in emissions reduction.